The following is the text of a report set out on pages [I-1] to [I-50], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF OCUMENSION THERAPEUTICS, MORGAN STANLEY ASIA LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of Ocumension Therapeutics (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-[3] to I-[50], which comprises the consolidated statements of financial position of the Group at December 31, 2018 and 2019, the statements of financial position of the Company at December 31, 2018 and 2019, and the consolidated statements of profit or loss and other comprehensive expenses, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the period from February 27, 2018 (the date of incorporation of the Company) to December 31, 2018 (the "Period Ended December 31, 2018") and the year ended December 31, 2019 (collectively referred to as the "Track Record Period") 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-[3] to I-[50] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●], 2020 (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the″Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 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 (the "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' judgement, 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of the preparation set out in note 2 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 of the Company, 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 purposes of the accountants' report, a true and fair view of the Group's and the Company's financial positions as at December 31, 2018 and 2019 and the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[**Deloitte Touche Tohmatsu**]
Certified Public Accountants
Hong Kong
[●] 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of 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 Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSES

	NOTES	**Period Ended December 31, 2018** *RMB'000*	**Year ended December 31, 2019** *RMB'000*
Revenue		–	190
Cost of sales		–	(10)
Gross profits		–	180
Other income	*7*	25	3,877
Other gains and losses	*8*	(159,977)	(1,170,347)
Selling expenses		–	(2,479)
Research and development expenses		(40,679)	(99,464)
Administrative expenses		(8,769)	(57,185)
Finance costs	*9*	(5)	(63)
Loss before tax	*10*	(209,405)	(1,325,481)
Income tax expense	*11*	–	–
Loss and total comprehensive expenses for the period/year		(209,405)	(1,325,481)
Loss and total comprehensive expenses for the period/year attributable to:			
– Owners of the Company		(207,608)	(1,312,311)
– Non-controlling interests		(1,797)	(13,170)
		(209,405)	(1,325,481)
Loss per share	*13*		
– Basic and diluted (RMB)		(12)	(32)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2018 RMB'000	2019 RMB'000
Non-current assets			
Equipment		263	779
Intangible asset	*15*	–	25,000
Right-of-use assets	*16*	1,123	1,236
Deposits for rental		240	689
		1,626	27,704
Current assets			
Inventories		–	259
Trade and other receivables	*18*	1,099	13,581
Other financial assets	*20*	66,268	497,653
Time deposit over three months	*21*	–	558,096
Bank balances and cash	*21*	25,629	192,404
		92,996	1,261,993
Current liabilities			
Trade and other payables	*22*	3,452	38,176
Lease liabilities		602	1,259
		4,054	39,435
Net Current Assets		88,942	1,222,558
Total Assets Less Current Liabilities		90,568	1,250,262
Non-current liabilities			
Lease liabilities		524	–
Financial liabilities at fair value through profit or loss ("FVTPL")	*23*	867,348	3,318,750
		867,872	3,318,750
Net Liabilities		(777,304)	(2,068,488)
Capital and reserves			
Share capital	*24*	2	4
Reserves		(821,098)	(2,068,492)
Equity attributable to owners of the Company		(821,096)	(2,068,488)
Non-controlling interests		43,792	–
Total Deficits		(777,304)	(2,068,488)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31, 2018	At December 31, 2019
		RMB'000	*RMB'000*
Non-current asset			
Investment in a subsidiary	*17*	22,599	876,926
Current assets			
Other receivables	*18*	944	5,508
Amount due from a subsidiary	*19*	34	–
Other financial assets	*20*	21,264	497,653
Time deposit over three months	*21*	–	558,096
Bank balances and cash	*21*	6,863	152,790
		29,105	1,214,047
Current liability			
Trade and other payables	*22*	2,950	5,006
Net Current Assets		26,155	1,209,041
Total Assets Less Current Liability		48,754	2,085,967
Non-current liability			
Financial liabilities at FVTPL	*23*	467,228	3,318,750
Net Liabilities		(418,474)	(1,232,783)
Capital and reserves			
Share capital	*24*	2	4
Reserves	*25*	(418,476)	(1,232,787)
Total Deficits		(418,474)	(1,232,783)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital *RMB'000* *(Note 24)*	**Share premium** *RMB'000*	**Other reserves** *RMB'000*	**Share-based payment reserve** *RMB'000* *(Note 26)*	**Accumulated losses** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total deficits** *RMB'000*
At February 27, 2018 (date of incorporation)	–	–	–	–	–	–	–	–
Loss and total comprehensive expenses for the period	–	–	–	–	(207,608)	(207,608)	(1,797)	(209,405)
Issuance of ordinary shares *(note 24 iii)*	2	19	–	–	–	21	–	21
Issuance of ordinary shares to advisors *(note 24 iii)*	–	896	–	–	–	896	–	896
Issuance of restricted ordinary shares *(note 24 iv)*	–	3	–	–	–	3	–	3
Deemed distribution upon issuance of Series A Preferred Shares *(note a)*	–	–	(285,583)	–	–	(285,583)	–	(285,583)
Capital injection to a subsidiary by non-controlling shareholders	–	–	22,696	–	–	22,696	45,589	68,285
Effect of Share Purchase Option (as defined in note b) granted to the Onshore Investors	–	–	(354,306)	–	–	(354,306)	–	(354,306)
Vesting of restricted ordinary shares	–	231	–	(231)	–	–	–	–
Recognition of equity-settled share-based payment *(note 26)*	–	–	–	2,785	–	2,785	–	2,785
At December 31, 2018	2	1,149	(617,193)	2,554	(207,608)	(821,096)	43,792	(777,304)
Loss and total comprehensive expenses for the year	–	–	–	–	(1,312,311)	(1,312,311)	(13,170)	(1,325,481)
Issuance of ordinary shares *(note 24 v)*	2	19	7,157	–	–	7,178	(7,157)	21
Issuance of Series A Preferred Shares by exercising of the Share Purchase Option	–	–	26,950	–	–	26,950	(26,950)	–
Vesting of restricted ordinary shares	–	923	–	(923)	–	–	–	–
Recognition of equity-settled share-based payment *(note 26)*	–	–	(3,485)	34,276	–	30,791	3,485	34,276
At December 31, 2019	4	2,091	(586,571)	35,907	(1,519,919)	(2,068,488)	–	(2,068,488)

Notes:

a. The Company issued Series A Preferred Shares (as defined in note 23) at a consideration of US$1 per share to 6 Dimensions Affiliates Fund, L.P. ("6 Dimensions Affiliates") and 6 Dimensions Capital, L.P. ("6 Dimensions Capital") (collectively referred to as the "Offshore Investors"). The amounts in other reserves represented the deemed distribution to the Offshore Investors, who are also shareholders of the Company, which arised from the difference between the fair value of the Series A Preferred Shares at the allotment date and the consideration received by the Group.

b. The Group's subsidiary, Ocumension Therapeutics (Shanghai) Co., Ltd. ("Ocumension SH"), issued 44.94% of its equity interests of Ocumension SH to Suzhou Frontline BioVentures Venture Capital Fund II L.P. ("Suzhou Frontline II") and Suzhou 6 Dimensions Venture Capital Partnership L.P. ("Suzhou 6 Dimensions") (collectively referred to as the "Onshore Investors") for the total consideration of RMB68,285,000 in 2018. The equity interests held by the Onshore Investors were accounted as the non-controlling interests. In addition, the Company also provided the Onshore Investors with the put options right to convert their equity interests in Ocumension SH to the Company's ordinary shares and Series A Preferred Shares respectively ("Share Purchase Option"). Details of Share Purchase Option are set out in note 23.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	(209,405)	(1,325,481)
Adjustments for:		
Loss on changes in fair value of financial liabilities at FVTPL	158,736	1,196,248
Bank interest income	(25)	(3,877)
Depreciation of equipment	15	250
Depreciation of right-of-use assets	49	958
Finance costs	5	63
Share-based payment expenses	3,681	46,803
Gains from changes in fair value of other financial assets	(101)	(10,779)
Net unrealised foreign exchange loss (gain)	1,342	(13,133)
Operating cash flow before movements in working capital	(45,703)	(108,948)
Increase in trade and other receivables	(1,099)	(8,605)
Increase in inventories	–	(259)
Increase in trade and other payables	3,452	9,724
NET CASH USED IN OPERATING ACTIVITIES	(43,350)	(108,088)

	Period Ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received from banks	25	–
Placement of time deposit	–	(558,096)
Deposits for rental	(240)	(449)
Purchase of equipment	(278)	(766)
Redemption of other financial assets	36,707	1,061,608
Placement of other financial assets	(102,874)	(1,482,214)
NET CASH USED IN INVESTING ACTIVITIES	(66,660)	(979,917)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares *(note 24 iii and v)*	21	21
Proceeds from issuance of restricted ordinary shares *(note 26)*	3	–
Proceeds from issuance of Series A Preferred Shares *(note 23)*	68,723	72,703
Capital injection to Ocumension SH and proceeds from issuance of Share Purchase Option *(note 23)*	68,285	–
Proceeds from issuance of Series B Preferred Shares *(note 23)*	–	1,240,652
Acquisition of additional equity interests in Ocumension SH *(note 23)*	–	(70,749)
Payments of lease liabilities	(46)	(939)
Interest paid	(5)	(63)
NET CASH FROM FINANCING ACTIVITIES	136,981	1,241,625
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,971	153,620
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	25,629
Effects of exchange rate changes	(1,342)	13,155
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR, REPRESENTING BY BANK BALANCES AND CASH	25,629	192,404

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 27, 2018. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document. The Company and its subsidiaries (collectively referred to as the "Group") are a specialty biopharmaceutical platform, which committed to discovering (through either in-licensing or self-development), developing and commercialising innovative and best-in-class therapies for ophthalmic patients in the People's Republic of China (the "PRC"). Details of particulars of the subsidiaries are disclosed in note 32.

The functional currency of the Company and its subsidiaries is RMB, which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

During the Track Record Period, the subsidiaries were incorporated or established by the Company.

No audited statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.

3. APPLICATION OF NEW AND REVISED IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with the IFRSs issued by the IASB, which are effective for the accounting period beginning on January 1, 2019, including IFRS 16 *Leases* ("IFRS 16") consistently throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

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

4 Effective for annual periods beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRSs*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities of the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interest in a subsidiary is presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investment in a subsidiary

Investment in a subsidiary is included in the statements of financial position of the Company at cost less any identified impairment losses.

Leasing

Definition of 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.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception and modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

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

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

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options/restricted ordinary shares granted to employees

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

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

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Equipment

Equipment for administrative purpose are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets acquired separately

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortisation and any accumulated impairment losses.

Impairment on equipment, intangible asset and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its equipment, intangible asset and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Preferred Shares

The convertible preferred shares that the Group has no contractual obligation to redeem and the conversion option of which may be settled by the exchange of variable number of the Group's own equity are measured at FVTPL. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of convertible preferred shares is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 23.

Obligation arising from put options over the ordinary shares of a subsidiary written to non-controlling shareholders

Put options written by the Company to non-controlling shareholders are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognised in the profit or loss.

The gross financial liability arising from the put options is recognised when contractual obligation to repurchase the equity interest in a subsidiary for preferred shares of the Company is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and subsequently measured at fair value of the financial instruments to be issued to exchange for the equity interest in a subsidiary with the corresponding debit to "other reserves". Prior to the exercise of the put options by non-controlling shareholders for preferred shares of the Company, the remeasurement of the estimated gross obligations under the Share Purchase Option to the non-controlling shareholders is recognised in the profit or loss.

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Research and development expenses

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Fair value of financial liabilities at FVTPL

The Company has issued a series of Preferred Shares and written Share Purchase Option to the Onshore Investors during the Track Record Period as set out in note 23. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow, back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios such as qualified public offering, liquidation, and discount for lack of marketability, require management estimates. Management 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 financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL of the Group as at December 31, 2018 and 2019 are RMB867,348,000 and RMB3,318,750,000, respectively.

6. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the discovering, developing and commercialising ophthalmic therapies. The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer of the Group.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in note 4. Accordingly, only entity-wide disclosures are presented.

Geographical information

All of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

7. OTHER INCOME

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Bank interest income	25	3,877

8. OTHER GAINS AND LOSSES

	Period Ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
Net foreign exchange (loss) gain	(1,342)	15,122
Gain from changes in fair value of other financial assets		
– realised	40	10,181
– unrealised	61	598
Fair value loss of financial liabilities at FVTPL *(note 23)*	(158,736)	(1,196,248)
	(159,977)	(1,170,347)

9. FINANCE COSTS

	Period Ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	5	63

10. LOSS BEFORE TAX

	Period Ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
Loss before tax for the period/year has been arrived at after charging:		
Directors' emoluments *(note 12)*	3,486	33,242
Other staff costs:		
– salaries and other benefits	2,287	12,494
– discretionary bonus *(note)*	526	2,298
– retirement benefit scheme contributions	98	705
– share-based payments	790	18,374
	3,701	33,871
Depreciation of equipment	15	250
Depreciation of right-of-use assets	49	958
Auditors' remuneration	191	288

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

11. INCOME TAX EXPENSE

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

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the Group, since Ocumension (Hong Kong) Limited ("Ocumension HK") did not have tax assessable profit during the Track Record Period.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of the PRC subsidiary is 25% during the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the loss per the consolidated statements of profit or loss and other comprehensive expenses as follows:

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Loss before tax	(209,405)	(1,325,481)
Income tax expense calculated at 25%	(52,351)	(331,370)
Tax effect of expense that are not deductible for tax purpose	51,190	316,848
Tax effect of tax losses not recognised	1,140	11,569
Tax effect of deductible temporary differences not recognised	21	2,953
Income tax expenses recognised in profit or loss	–	–

At December 31, 2018 and 2019, the Group has unrecognised deductible temporary differences of RMB84,000 and RMB11,812,000. In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At December 31, 2018 and 2019, the Group has unrecognised tax losses of approximately RMB4,558,000 and RMB50,834,000. No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

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

	At December 31, 2018	**At December 31, 2019**
	RMB'000	*RMB'000*
2023	4,558	4,558
2024	–	46,276
	4,558	50,834

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

Details of the emoluments paid or payable to the directors and the Chief Executive Officer of the Company for the service provided to the Group during the Track Record Period are as follows:

	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Share-based payment *RMB'000*	Discretionary bonus *RMB'000* *(note vi)*	Total *RMB'000*
For the Period Ended December 31, 2018					
Chief Executive Officer and executive director:					
Mr. Ye Liu *(note iii)*	1,066	–	1,995	425	3,486
Non-executive directors:					
Dr. Lian Yong Chen *(note ii)*	–	–	–	–	–
Mr. Wei Li *(note ii)*	–	–	–	–	–
Mr. Qingsheng Zhu *(note iv)*	–	–	–	–	–
Mr. Chungsau Yin *(note iv)*	–	–	–	–	–
	1,066	–	1,995	425	3,486
For the year ended December 31, 2019					
Chief Executive Officer and executive director:					
Mr. Ye Liu *(note iii)*	3,649	–	28,429	1,164	33,242
Non-executive directors:					
Dr. Lian Yong Chen *(note ii)*	–	–	–	–	–
Mr. Wei Li *(note ii)*	–	–	–	–	–
Mr. Qingsheng Zhu *(note iv)*	–	–	–	–	–
Mr. Chungsau Yin *(note iv)*	–	–	–	–	–
Mr. Yanling Cao *(note iv)*	–	–	–	–	–
Mr. Ye Shen *(note iv)*	–	–	–	–	–
	3,649	–	28,429	1,164	33,242

Notes:

i. The directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group. None of the directors of the Company has waived any emoluments during the Track Record Period.

ii. Dr. Lian Yong Chen and Mr. Wei Li were appointed as the non-executive directors of the Company on May 23, 2018 and April 13, 2018 respectively and re-designated as executive directors of the Company on April 28, 2020.

iii. Mr. Ye Liu was appointed as executive director and chief executive officer of the Company on November 23, 2018 and August 1, 2018 respectively. Mr. Ye Liu was granted with share options, Series A Preferred Shares and restricted ordinary shares in respect of his service to the Group. Details are set out in notes 23, 24 and 26.

iv. Mr. Qingsheng Zhu and Mr. Chungsau Yin were appointed as non-executive directors of the Company on November 23, 2018 and February 27, 2018 respectively and resigned on June 18, 2019. Mr. Yanling Cao and Mr. Ye Shen were appointed as non-executive directors on June 18, 2019.

v. Mr. Ting Yuk Anthony Wu, Mr. Lianming He and Mr. Yiran Huang were appointed as the independent non-executive directors of the Company on [●].

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

FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included one director of the Company for the Track Record Period, details of whose remuneration are set out above. Details of the remuneration for the remaining four highest paid employees for the Track Record Period are as follows:

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Salaries and other benefits	1,972	5,207
Discretionary bonus *(note)*	499	1,129
Retirement benefit scheme contributions	62	148
Share-based payments	790	15,339
	3,323	21,823

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

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

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	No. of employees	*No. of employees*
Nil to Hong Kong Dollars ("HK$") 1,000,000	3	–
HK$2,000,001 to HK$2,500,000	1	–
HK$5,000,001 to HK$5,500,000	–	2
HK$6,500,001 to HK$7,000,000	–	1
HK$7,000,001 to HK$7,500,000	–	1
	4	4

13. LOSS PER SHARE

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

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Loss for the period/year attributable to the owners of the Company for the purpose of basic and diluted loss per share	(207,608)	(1,312,311)

Number of shares

	Period Ended December 31, 2018	**Year ended December 31, 2019**
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	17,694,051	41,024,255

The computation of basic and diluted loss per share for the Track Record Period excluded the unvested restricted ordinary shares of the Company. Details of these restricted ordinary shares are set out in note 24.

The weighted average number of shares for the purpose of basic and diluted loss per share for the Track Record Period is calculated based on the assumption that the Sub-division (defined in note 35c) of Shares as disclosed in note 35 have been adjusted retrospectively.

The computation of diluted loss per share for the Period Ended December 31, 2018 and year ended December 31, 2019 respectively did not assume conversion of the preferred shares, the exercise of Share Purchase Option written to the non-controlling shareholders, the exercise of share options and the vesting of restricted ordinary shares since their assumed conversion or exercise would result in a decrease in loss per share.

14. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period since its incorporation.

15. INTANGIBLE ASSET

In December 2019, the Group acquired a drug protection right, which was approved by the National Medical Products Administration, from an independent third party at a consideration of RMB25,000,000, which is assessed to have 5 years useful life.

16. RIGHT-OF-USE ASSETS

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Carrying amount		
Vehicles	–	138
Properties	1,123	1,098
	1,123	1,236

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Depreciation for the period/year		
Vehicles	–	117
Properties	49	841
	49	958

	Period Ended December 31, 2018	**Year ended December 31, 2019**
	RMB'000	*RMB'000*
Expenses relating to short-term leases	24	394
Total cash outflow for leases	75	1,396
Additions to right-of-use assets	1,172	1,071

During the Track Record Period, the Group leases various properties, office equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 1 month to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases for office equipment and apartments. As at December 31, 2018 and 2019, the outstanding lease commitment relating to these office equipment and apartments are RMB232,000 and RMB1,064,000 respectively.

17. INVESTMENT IN A SUBSIDIARY

The Company

	At December 31, 2018	At December 31, 2019
	RMB'000	*RMB'000*
Unlisted shares, at cost	22,599	876,905

18. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	At December 31, 2018	2019
	RMB'000	*RMB'000*
Trade receivable *(note)*	–	96
Other receivables		
Prepayments for research and development services	944	7,365
Utility and rental deposits	85	409
Interest receivable	–	3,877
Value added tax recoverable	52	1,739
Others	18	95
	1,099	13,485
	1,099	13,581

Note: The amount represents receivables from the sole customer during the year ended December 31, 2019.

Analysis of trade and other receivables of the Group and the Company denominated in currencies other than RMB is set out below:

	At December 31, 2018	2019
	RMB'000	*RMB'000*
United States dollar ("US$")	–	3,877

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on revenue recognition dates:

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Within 3 months	–	96
	–	96

In order to minimise credit risk on trade and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, the impairment loss of trade receivable balances at the end of 2019 was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable as at the year ended December 31, 2019 and no impairment loss on ECL is recognised during the year ended December 31, 2019.

The Company

Other receivables

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Prepayments for research and development services	944	1,631
Interest receivable	–	3,877
	944	5,508

19. AMOUNT DUE FROM A SUBSIDIARY

The amount was non-trading in nature, unsecured, interest-free and repayable on demand.

20. OTHER FINANCIAL ASSETS

The other financial assets measured at FVTPL of the Group and the Company as at December 31, 2018 and 2019 are short-term investments issued by banks with no predetermined or guaranteed return and are not principal protected (the "Financial Products"). The Financial Products are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including bonds, debentures and other financial assets. The initial investment cost of the Financial Products of the Group and the Company as at December 31, 2018 and 2019 were RMB66,207,000 and RMB21,264,000, and RMB497,055,000 and RMB497,055,000 respectively. The expected return rate stated in the contract as at December 31, 2018 and 2019 ranged from 1%~4.25% per annum.

21. BANK BALANCES AND CASH/TIME DEPOSIT OVER THREE MONTHS

The Group

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rates which was nil as at December 31, 2018 and from nil to 2.50% as at December 31, 2019.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
US$	6,881	159,867

The Company

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rate which was nil as at December 31, 2018 and from nil to 2.50% as at December 31, 2019.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
US$	6,863	152,790

The Group and the Company

As at December 31, 2019, time deposit over three months represents deposit of the Company amounted to US$80,000,000 (approximately equivalent to RMB558,096,000) carried the fixed interest rate of 3.3% per annum with maturity on April 22, 2020.

22. TRADE AND OTHER PAYABLES

The Group

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Trade payables	13	3,940
Payables for		
– intangible asset, and research and development expenses	1,920	29,138
– legal and professional fee	265	309
– others	95	495
Other tax payables	50	200
Payroll payables	1,109	4,094
	3,452	38,176

The Company

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Trade payables	–	915
Payables for:		
– research and development expenses	1,661	1,593
– legal and professional fee	180	129
Payroll payables	1,109	2,369
	2,950	5,006

The average credit period on purchases of goods/services of the Group and the Company is 30 days, and the aging of trade payables of the Group and the Company, based on the invoice date, are within 30 days as at the end of each reporting period.

Analysis of trade and other payables of the Group and the Company denominated in currencies other than RMB is set out below:

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
US$	2,950	5,006

23. FINANCIAL LIABILITIES AT FVTPL

Preferred Shares

On May 23, 2018 and February 21, 2019, the Company, together with Ocumension SH and Ocumension HK, entered into share purchase agreements with the Offshore Investors and a director of the Company pursuant to which the Company issued 10,000,000 Series A Preferred Shares and 293,303 Series A Preferred Shares with par value of US$0.0001 each ("Series A Preferred Shares) at a price of US$1.00 per share with the total considerations of US$10,000,000 (equivalent to RMB68,723,000) and US$293,303 (equivalent to RMB1,975,000) respectively. For these Series A Preferred Shares granted to the Offshore Investors, the difference, amounted to RMB285,583,000, between the fair value of the respective Series A Preferred Shares and the consideration received was recognised as deemed distribution to the shareholders upon August 28, 2018 (the date of grant). For these Series A Preferred Shares granted to a director of the Company, the difference, amounted of RMB12,527,000, between the fair value of the respective Series A Preferred Shares and the consideration received was recognised as share-based payments in profit and loss upon February 21, 2019 (the date of grant).

On June 18, 2019, the Company issued 17,598,204 Series B Preferred Shares with par value of US$0.0001 each ("Series B Preferred Shares") to a group of investors for a cash consideration of US$180,000,000 (approximately equivalent to RMB1,240,652,000) or US$10.2283 per share.

	Date of grant	Number of investors	Total number of shares subscribed (cancelled)	Subscription price per share	Total consideration	Equivalent to RMB
					USD'000	*RMB'000*
Offshore subscription						
Series A						
Tranche 1	August 28, 2018	2	2,500,000	US$1	2,500	16,705
Tranche 2	November 22, 2018	2	7,500,000	US$1	7,500	52,018
Tranche 3	September 18, 2019	2	10,000,000	US$1	10,000	70,728
Tranche 4	February 21, 2019	1	293,303	US$1	290	1,975
			20,293,303		20,293	141,426
Series B						
Tranche	June 18, 2019	10	17,598,204	US$10.2283	180,000	1,240,652
Onshore subscription						
Series A*						
Tranche 3	July 12, 2018	2	10,000,000	US$1	10,000	68,285
	September 18, 2019	2	(10,000,000)	US$1	(10,000)	(70,728)

The key terms of Series A Preferred Shares and Series B Preferred Shares (collectively referred as the "Preferred Shares") are as follows:

(a) Dividend rights

The Preferred Shares shall be entitled to receive a proportionate share of any such dividend or distribution, based on the number of shares then held by each member on an as-converted basis. The Company cannot declare, pay or set aside any dividends on ordinary shares unless the Preferred Shares holders shall first receive, or simultaneously receive, such dividends. Such dividends are not cumulative. No dividends have been declared up to the date of this report.

(b) Conversion feature

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The Conversion Price shall initially be the respective issue price per Preferred Share. Such initial Conversion Price shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganisation or reclassification, and adjustment upon issuance of new securities for consideration per shares less than Conversion Price) and the initial conversion ratio for Preferred Shares to ordinary shares is 1:1.

Each Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a Qualified Public Offering (as defined below), or (ii) for each class or series of Preferred Shares, the written consent of the holders of a majority of such class or series of Preferred Shares.

Qualified Public Offering means a firm underwritten public offering of the ordinary shares of the Company on Hong Kong Stock Exchange, Nasdaq Stock Market, New York Stock Exchange, London Stock Exchange or recognised regional or national securities exchange approved by the holders of a majority of the outstanding Preferred Shares.

(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company in the sequence as follows:

(1) Series B Preferred Shares

(2) Series A Preferred Shares

(d) Voting rights

The holder of any ordinary share issued and outstanding shall have one vote for each ordinary share held by such holder, and the holder of any Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class except as otherwise provided herein. Holders of ordinary shares and Preferred Shares shall be entitled to notice of any members' meeting. Ordinary shares and Preferred Shares shall vote together as a single class and calculated on an as converted basis on matters to be voted by the holders of ordinary shares and Preferred Shares.

(e) Anti-dilution rights

In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share less than the respective conversion price of any class of Preferred Shares in effect on the date of and immediately prior to such issue, the respective applicable conversion price of that class of Preferred Shares shall be reduced, concurrently with such issue.

Share Purchase Options

On July 12, 2018, Ocumension SH issued 44.94% equity interests to the Onshore Investors for the total consideration of RMB68,285,000. Upon the equity investment, the Company also granted the Onshore Investors with the Share Purchase Option in which, the Onshore Investors were entitled to an option of subscribing 3,050,000 ordinary shares and 10,000,000 Series A Preferred Shares to be issued by the Company, when the Onshore Investors choose to dispose of equity interests in Ocumension SH to Ocumension HK. No Share Purchase Option has been exercised during the Period Ended December 31, 2018.

On September 18, 2019, the Onshore Investors exercised the Share Puchase Option and entered into an equity transfer agreement with Ocumension HK, pursuant to which, the Onshore Investors transferred all of their equity interests in Ocumension SH at a consideration of US$10 million (equivalent to RMB70,749,000) and the same consideration was settled by the Onshore Investors for 3,050,000 ordinary shares and 10,000,000 Series A Preferred Shares issued by the Company. After exercising the Share Purchase Option and completing the transfer of equity interests of Ocumension SH to Ocumension HK, Ocumension SH became an indirect wholly-owned subsidiary of the Company.

Presentation and Classification

The Preferred Shares are financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the financial liability attributable to the change in credit risk of the Group is minimal.

The Group recognised the gross obligations from Share Purchase Option for the Preferred Shares of the Company as financial liabilities carried at FVTPL as the put option is over the equity interests of Ocumension SH and therefore does not meet the definition of equity for the Company.

The Company has recognised the Share Purchase Option as financial liabilities carried at FVTPL.

Changes in fair value of the Preferred Shares and the Share Purchase Option are charged to profit or loss and included in "other gains and losses".

The Preferred Shares and Share Purchase Option were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, ValueLink Management Consultants Limited, which has appropriate qualifications and experiences in valuation of similar instruments. The address of ValueLink Management Consultants Limited is Room 1201, Jing Guang Centre Business Building, 1 Chaoyangmen Outer Street, Chaoyang District, Beijing, the PRC.

The Company used the discounted cash flow and back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a Binomial Option Pricing model ("OPM model") to arrive the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by discounted cash flow and back-solve method, other key valuation assumptions used in OPM model to determine the fair value are as follows:

	At August 28, 2018	At November 22, 2018	At December 31, 2018	At February 21, 2019	At June 18, 2019	At September 18, 2019	At December 31, 2019
Time to **[REDACTED]**	31/05/2023	31/05/2023	31/05/2023	31/05/2023	18/06/2022	18/06/2022	31/12/2020
Time to liquidation	31/05/2023	31/05/2023	31/05/2023	31/05/2023	31/05/2023	31/05/2023	31/05/2023
Risk-free interest	2.77%	2.88%	2.50%	2.51%	1.81%	1.42%	1.63%
Volatility-**[REDACTED]** scenario	72%	72%	72%	68%	64%	64%	72%
Volatility-liquidation scenario	72%	72%	72%	68%	65%	65%	67%
Dividend yield	–	–	–	–	–	–	–
Possibilities under liquidation scenario	85%	80%	80%	80%	70%	70%	65%
Possibilities under **[REDACTED]** scenario	15%	20%	20%	20%	30%	30%	35%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

The Group

	Preferred Shares *RMB'000*	Gross obligation from Share Purchase Option written *RMB'000*	Total *RMB'000*
At February 27, 2018 (date of incorporation)	–	–	–
Fair value at issuance date	354,306	354,306	708,612
Changes in fair value *(note)*	79,368	79,368	158,736
At December 31, 2018	433,674	433,674	867,348
Fair value at issuance date	1,255,154	–	1,255,154
Changes in fair value *(note)*	828,823	367,425	1,196,248
Exercise of Share Purchase Option	801,099	(801,099)	–
At December 31, 2019	3,318,750	–	3,318,750

The Company

	Preferred Shares *RMB'000*	Share Purchase Option *RMB'000*	Total *RMB'000*
At February 27, 2018 (date of incorporation)	–	–	–
Fair value at issuance date	354,306	22,599	376,905
Changes in fair value (*note*)	79,368	10,955	90,323
At December 31, 2018	433,674	33,554	467,228
Fair value at issuance date	1,255,154	–	1,255,154
Changes in fair value *(note)*	828,823	(33,554)	795,269
Exercise of Share Purchase Option	801,099	–	801,099
At December 31, 2019	3,318,750	–	3,318,750

Note: Changes in fair value presented in RMB includes effect of exchange on translation from US$ balances.

24. SHARE CAPITAL

	Number of shares	Share capital *US$'000*
Ordinary shares		
Ordinary shares of US$1 each		
Authorised		
At February 27, 2018 (date of incorporation)	50,000	50
Sub-division of ordinary shares of US$0.0001 each		
At May 23, 2018 *(note i)*	500,000,000	50
Reclassification and re-designation on issuance of Series A Preferred Shares *(note i)*	(20,000,000)	(2)
At December 31, 2018	480,000,000	48
Reclassification and re-designation on issuance of Series A Preferred Shares *(note ii)*	(293,303)	–
Reclassification and re-designation on issuance of Series B Preferred Shares *(note ii)*	(17,598,204)	(2)
At December 31, 2019	462,108,493	46

	Number of shares	Amount *US$'000*	Equivalent Amount of ordinary shares *RMB'000*
Issue and fully paid			
At February 27, 2018 (date of incorporation)	1	–	–
Issuance of ordinary shares *(note iii)*	3,154,999	–	2
Issuance of restricted ordinary shares *(note iv)*	435,555	–	–
At December 31, 2018	3,590,555	–	2
Issuance of ordinary shares by exercise Share Purchase Option for ordinary shares *(note v)*	3,050,000	–	2
December 31, 2019	6,640,555	–	4

Notes:

(i) On May 23, 2018, a special shareholder resolution was passed to subdivide the ordinary share capital of the Company from 50,000 Shares of a par value of US$1.00 each to 500,000,000 shares of a par value of US$0.0001 each ("Ordinary Shares"), and re-designated 20,000,000 Ordinary Shares into 20,000,000 Series A Preferred Shares of par value of US$0.0001 each.

(ii) On February 21, 2019, the Company redesignated and reclassified 293,303 shares in its authorised capital into Series A Preferred Shares and on May 29, 2019, the Company redesignated and reclassified 17,598,204 shares in its authorised capital into Series B Preferred Shares. Details of Preferred Shares are set out in note 23.

(iii) On May 23, 2018 and August 28, 2018, the Company issued 2,549,999 ordinary shares and 500,000 ordinary shares with a par value of US$0.0001 to the Offshore Investors at the total cash consideration of approximately RMB21,000.

On August 28, 2018, the Company issued 105,000 ordinary shares with a par value of US$0.0001 to advisors of the Group with the fair value RMB896,000, For those ordinary shares granted to advisors, the difference between the fair value of these ordinary shares and the cash consideration received was recognised as the share-based payments in profit and loss upon the date of grant.

(iv) On August 28, 2018, the Company issued 435,555 restricted ordinary shares with a par value of US$0.0001 each to certain a director and an employee of the Company. Details are set out in note 26.

(v) On September 18, 2019, as disclosed in note 23, the Onshore Investors exercised their Share Purchase Option to subscribe 3,050,000 ordinary shares of the Company at US$0.001 per share at a total consideration of RMB21,000.

25. RESERVES OF THE COMPANY

	Share premium *RMB'000*	**Other reserves** *RMB'000*	**Share-based payment reserve** *RMB'000* *(note 26)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At February 27, 2018 (date of incorporation)	–	–	–	–	–
Loss and total comprehensive expenses for the period	–	–	–	(136,596)	(136,596)
Issuance of ordinary shares *(note 24 iii)*	19	–	–	–	19
Issuance of ordinary share to advisors *(note 24 iii)*	896	–	–	–	896
Issuance of restricted ordinary shares *(note 24 iv)*	3	–	–	–	3
Issuance of Series A Preferred Shares *(note 23)*	–	(285,583)	–	–	(285,583)
Vesting of restricted ordinary shares	231	–	(231)	–	–
Recognition of equity-settled share-based payment *(note 26)*	–	–	2,785	–	2,785
At December 31, 2018	1,149	(285,583)	2,554	(136,596)	(418,476)
Loss and total comprehensive expenses for the year	–	–	–	(848,606)	(848,606)
Issuance of ordinary shares *(note 24 v)*	19	–	–	–	19
Recognition of equity-settled share-based payment *(note 26)*	–	–	34,276	–	34,276
Vesting of restricted ordinary shares	923	–	(923)	–	–
At December 31, 2019	2,091	(285,583)	35,907	(985,202)	(1,232,787)

26. SHARE-BASED PAYMENT TRANSACTIONS

Save for the share-based payment granted to a director of the Company and advisors, as disclosed in notes 23, and 24, the Group has the following share-based payment during the Track Record Period.

Restricted share award

To provide the incentive and maintain the key management of the Group, on August 28, 2018, the Company issued 290,370 restricted ordinary shares to Mr. Ye Liu and 145,185 restricted ordinary shares to an employee (collectively referred to as "Restricted Person") at the total consideration of approximately RMB3,000 or at US$0.001 per share.

The Company shall have the right to repurchase the shares from the Restricted Person at the initial issuance price upon termination of the Restricted Person's employment or upon his voluntary termination of his employment with the Company (the "Repurchase Right").

None of the restricted ordinary shares may be sold, transferred, pledged, hypothecated, or otherwise disposed of, directly or indirectly, by the Restricted Person prior to the termination of the Repurchase Right. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted ordinary shares as of the grant date and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted ordinary shares. The restricted ordinary shares shall be vested over four years on a quarterly basis from August 28, 2018 until August 27, 2022.

The total expenses recognised in the consolidated profit or loss and other comprehensive expenses for the restricted ordinary shares granted are approximately RMB981,000 and RMB1,529,000 respectively for the Period Ended December 31, 2018 and the year ended December 31, 2019.

The restricted ordinary shares were valued by the directors of the Company with reference to the valuation carried out by Valuelink Management Consultants Limited, on the grant date of the restricted ordinary shares. The fair value of the restricted ordinary shares as determined to be RMB8.47 per share as of August 28, 2018.

The following table summarised the Group's restricted ordinary shares movement during the Track Record Period.

	Number of unvested restricted ordinary shares	Weighted average granted date fair value *RMB*
Restricted ordinary shares		
At February 27, 2018 (date of incorporation)	–	–
Granted	435,555	8.47
Vested	(27,222)	8.47
At December 31, 2018	408,333	8.47
Vested	(108,889)	8.47
At December 31, 2019	299,444	8.47

Fair value of restricted ordinary shares granted

Discounted cash flow method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the restricted ordinary shares granted. The key inputs into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	At August 28, 2018
Time to liquidation	31/05/2023
Risk-free interest rate	2.77%
Volatility	72%
Dividend yield	–
Possibilities under liquidation scenario	85%
Possibilities under [**REDACTED**] scenario	15%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to the expected liquidation date. Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation/[**REDACTED**] date.

Equity-settled share option scheme of the Company

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

The directors of the Company approved up to 2,396,480 shares of the Company after the sub-division of ordinary shares on May 23, 2018, in which options may be granted under the Option Scheme. On January 22, 2020, a resolution was passed by the board of the Company to increase the capacity of the Option Scheme to 6,032,889.

Option A, Option B and Option C granted under the Option Scheme generally vest over a 60-month period, consisting of a cliff vesting of 20% on the first trading date after the expiry of one year after the commencement date of the staff employment and a vesting of 5 percent (5%) of the options of each quarter after the expiry of one year after the commencement date of the staff employment. The exercisable period of the Option Scheme will be expired two years following the occurrence of an initial public offering of the Group.

Set out below are details of the movements of the outstanding options granted under the Option Scheme during the Track Record Period:

Option	**Name of grantee**	**Date of grant**	**Exercisable period**	**Exercise price** *US$*	**Outstanding as at 27.2.2018 (date of incorporation)**	**Granted during the period**	**Exercised during the period**	**Forfeited during the period**	**Outstanding as at 31.12.2018**
	Director								
Option A	Mr. Ye Liu	28.8.2018	*	US$0.01	–	871,110	–	–	871,110
	Employee								
Option A	Employee	28.8.2018	*	US$0.01	–	290,370	–	–	290,370
					–	1,161,480	–	–	1,161,480
	Exercisable at the end of the period								–
	Weighted average exercise price				–	US$0.01	–	–	US$0.01

Option	Name of grantee	Date of grant	Exercisable period	Exercise price *US$*	Outstanding as at 1.1.2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2019
	Director								
Option A	Mr. Ye Liu	28.8.2018	*	US$0.01	871,110	–	–	–	871,110
Option C	Mr. Ye Liu	1.9.2019	*	US$1.88	–	413,114	–	–	413,114
	Employees								
Option A	Employee	28.8.2018	*	US$0.01	290,370	–	–	–	290,370
Option B	Employees	22.1.2019	*	US$0.1	–	525,666	–	–	525,666
Option C	Employees	1.9.2019	*	US$1.88	–	296,219	–	–	296,219
					1,161,480	1,234,999	–	–	2,396,479
	Exercisable at the end of the year								605,358
	Weighted average exercise price				US$0.01	US$1.12	–	–	US$0.58

* The exercisable period of the Option Scheme will be expired two years following the occurrence of an initial public offering of the Company.

The fair value of the options granted was determined using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	Option A	Option B	Option C
Grant date option fair value per share	US$1.25	US$6.10	US$7.86
Exercise price	US$0.01	US$0.10	US$1.88
Expected volatility	73.7%	72.7%	68.0%
Expected life	6.76	6.36	4.80
Risk-free rate	2.83%	2.63%	1.40%
Expected dividend yield	nil	nil	nil
Fair value at grant date	RMB9,842,000	RMB21,750,000	RMB39,511,000

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognised the total expense of RMB1,804,000 and RMB32,747,000 for the Period Ended December 31, 2018 and the year ended December 31, 2019, respectively, in relation to share options granted by the Company.

27. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following transactions and balances with the related parties during the Track Record Period.

(a) Related party transactions

Expenses paid by related parties on behalf of the Group:

	2018 *RMB'000*	**2019** *RMB'000*
6 Dimensions Capital, L.P.	397	–
Frontline BioVentures (Shanghai) Limited ("崇凱創業投資諮詢(上海)有限公司")	474	–
Total	871	–

Note: 6 Dimensions Capital, L.P. is one of the shareholders of the Company and Frontline BioVentures (Shanghai) Limited is a wholly owned by the director of the Company.

(b) Related party balances

Details of the outstanding balances with related parties are set out in note 19.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	2018 *RMB'000*	**2019** *RMB'000*
Short term benefits	2,783	8,505
Discretionary bonus *(note)*	879	2,334
Post-employment benefits	36	99
Share-based payment	2,785	39,665
	6,483	50,603

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

28. INVESTMENT COMMITMENT

Pursuant to the cooperation agreement entered with Suzhou Wuzhong Economic and Technological Development Zone Management Committee (蘇州吳中經濟技術開發區管理委員會) (the "Management Committee"), the Group committed to acquire 100% equity interests of Suzhou Xiaxiang Biomedicine Co., Ltd. (蘇州夏翔生物醫藥有限公司) ("Suzhou Xiaxiang"), which was established by Suzhou Wuzhong Asset Management Co., Ltd. (蘇州市吳中資產經營管理有限公司), a wholly owned subsidiary of the Management Committee, after the listing or within three years of the commencement of Suzhou Xiaxiang's operation, whichever is earlier, on the condition that relevant property ownership certificates have been obtained. The consideration of the acquisition will be determined by reference to the valuation result conducted by an independent third party upon the acquisition date.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to investors through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes Preferred Shares (net of bank balances and cash), and equity attributable to owners of the Company, comprising share capital and reserves.

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

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	66,268	497,653
Amortised cost (including cash and cash equivalents)	25,972	755,666
Financial liabilities		
Amortised cost	2,293	33,882
Designated as financial liabilities at FVTPL	867,348	3,318,750

The Company

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	21,264	497,653
Amortised cost (including cash and cash equivalents)	6,897	714,763
Financial liabilities		
Amortised cost	1,841	2,637
Designated as financial liabilities at FVTPL	467,228	3,318,750

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, other financial assets, time deposits, bank balances and cash, trade and other payables and financial liabilities at FVTPL. The Company's major financial assets and liabilities include other receivables, amount due from a subsidiary, other financial assets, time deposits, bank balances and cash, trade and other payables and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

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

Market risk

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

(i) Currency risk

Certain time deposits, bank balances and cash, other financial assets, trade and other receivables, trade and other payables, Preferred Shares and gross obligation from Share Purchase Option written are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

The Group

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Assets		
US$	29,071	1,214,068
Liabilities		
US$	870,298	3,323,756

The Company

	At December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Assets		
US$	29,105	1,214,068
Liabilities		
US$	470,178	3,323,756

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$, the foreign currency with which the Group and the Company may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year/period.

	Period ended December 31, 2018	Year ended December 31, 2019
	RMB'000	*RMB'000*
Impact on profit or loss		
The Group		
US$	42,061	105,484
The Company		
US$	22,054	105,484

(ii) Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate time deposits and bank deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from Preferred Shares, and gross obligation from Share Purchase Option, which were classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the ordinary shares of the Company had been changed based on the 5% higher/lower:

- the post-tax loss of the Group for the Period Ended December 31, 2018 would increase by approximately RMB43,020,000 and decrease by approximately RMB43,014,000; and
- the post-tax loss of the Group for the year ended December 31, 2019 would increase by approximately RMB161,836,000 and decrease by approximately RMB161,844,000.

If the equity value of the ordinary shares of the Company had been changed based on the 5% higher/lower:

- the post-tax loss of the Company for the Period Ended December 31, 2018 would increase by approximately RMB44,203,000 and decrease by approximately RMB44,197,000; and
- the post-tax loss of the Company for the year ended December 31, 2019 would increase by approximately RMB161,836,000 and decrease by approximately RMB161,844,000.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

The Group has concentration of credit risk as 100% of the total trade receivable were due from a reputable pharmaceutical company, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, as at 31 December 2019. According to assessment of the management, since all of the trade receivable balance is still within the credit term and there's no indicator that the credit risk would significantly increased in the foreseeable future, in the opinion of the management, the impairment loss for the trade receivable from this customer is immaterial.

In order to minimise the credit risk with customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each period/year.

For other receivables which are mainly interest receivable from bank deposit, the management considered those banks are with good reputation and transaction record.

The management of the Group believes that the Group's credit risk in trade and other receivables is significantly reduced.

The credit risk on time deposit and bank balances is limited because the counterparties are reputable financial institutions. The management are of the opinion that the average loss rate is insignificant and no impairment was provided at the end of each period/year.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on issuance of Preferred Shares as a significant source of liquidity.

During the Track Record Period, the Group issued Series A Preferred Shares and Series B Preferred Shares to shareholders and independent investors which do not contain any redemption term by the holders. [The directors of the Company are satisfied that the Group and the Company will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after review of the Group's cashflow projection covering a period of twelve months and taking into account of the aforesaid proceeds from the Preferred Shares and the expected working capital requirements for the next twelve months from the end of each reporting period.]

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year and on demand**	**1 to 2 years**	**Total**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group					
At December 31, 2018					
Trade and other payables	N/A	2,293	–	2,293	2,293
Lease liabilities	4.7	638	537	1,175	1,126
		2,931	537	3,468	3,419

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2019					
Trade and other payables	N/A	33,882	–	33,882	33,882
Lease liabilities	4.7	1,299	–	1,299	1,259
		35,181	–	35,181	35,141
The Company					
At December 31, 2018					
Trade and other payables	N/A	1,841	–	1,841	1,841
At December 31, 2019					
Trade and other payables	N/A	2,637	–	2,637	2,637

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's other financial assets including financial products (details refer to note 20) which are measured at fair value at December 31, 2018 and 2019 are grouped under Level 3 hierarchy. Fair value of these Financial Products was determined by discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments. As at December 31, 2018 and 2019, if the estimated return was 5% higher/lower and the other variables were held constant, the total carrying amount of other financial assets would increase/decreased by RMB3,000/RMB3,000 and RMB30,000/RMB30,000 respectively.

In addition, the Group's financial liabilities at FVTPL are measured at fair value at December 31, 2018 and 2019 and are grouped under Level 3 hierarchy. The fair values estimated based on discounted cash flow and back-solve method, detail valuation parameters and major assumptions used in the valuation are disclosed in note 23. Fair value of preferred shares is most significantly affected by volatility. A decrease in volatility would cause increase in the fair value of Preferred Shares.

A 5% increase/decrease in the volatility and holding all other variables constant would decrease/increase the fair value of the Preferred Shares and gross obligation from Share Purchase Option of the Group by RMB11,534,000/RMB11,430,000 as at December 31, 2018 and RMB68,420,000/RMB41,054,000 as at December 31, 2019.

A 5% increase/decrease in the volatility and holding all other variables constant would decrease/increase the fair value of the Preferred Shares and Share Purchase Option of the Company by RMB6,177,000/RMB6,113,000 as at December 31, 2018.

There were no transfers between level 1 and level 2 during the period/year.

(ii) Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of other financial assets during the Track Record Period:

	RMB'000
At February 27, 2018 (date of incorporation)	–
Purchase of other financial assets	102,874
Redemption of other financial assets	(36,707)
Net gain on other financial assets	101
At 31 December 2018	66,268
At 1 January 2019	66,268
Purchase of other financial assets	1,482,214
Redemption of other financial assets	(1,061,608)
Net gain on other financial assets	10,779
At 31 December 2019	497,653

Details of reconciliation of Level 3 fair value measurement for Preferred Shares and Share Purchase Option are set out in note 23.

Fair value gains or losses on financial liabilities at FVTPL are included in "other gains and losses".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

31. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB98,000, and RMB705,000 for the period ended December 31, 2018 and for the year ended December 31, 2019 respectively.

32. PARTICULARS OF SUBSIDIARIES

As at December 31, 2018 and 2019 and the date of this report, the Group's subsidiaries are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group as at December 31,		Equity interest attributable to the Group up to the date of this report	Principal activities
			2018	*2019*		
			%	%	%	
Ocumension HK	Hong Kong March 7, 2018	US$1	100	100	[100]	Investment holding
Ocumension SH	Shanghai May 25, 2018	US$15,003,030	55.06	100	[100]	Researching, developing and commercialising therapies for ophthalmic patients

All of the subsidiaries adopted December 31 as financial year end.

No statutory financial statements have been prepared for the Company, as there is no statutory audit requirement.

The statutory financial statements of Ocumension HK for the period from March 7, 2018 to December 31, 2018 and [for the year ended December 31, 2019] were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by TAI WAN SANG & CO. Certified Public Accountants.

The statutory financial statements of Ocumension SH for the period from May 25, 2018 to December 31, 2018 and for the year ended December 31, 2019 were prepared in accordance with People's Republic of China Generally Accepted Accounting Principles and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

None of the subsidiaries has issued any debt securities as at December 31, 2018 and 2019.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at December 31, 2018	2019	Loss allocated to non-controlling interests Year ended December 31, 2018	2019	Accumulated non-controlling interests as at December 31, 2018	2019
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ocumension SH	PRC	44.94%	–*(note)*	(1,797)	(13,170)	43,792	–

Note: In 2019, upon the exercise of the Share Purchase Option, the non-controlling interests of Ocumention SH became ordinary and preferred shareholders of the Company (note 23).

Summarised financial information in respect of Ocumention SH that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At December 31, 2018
	RMB'000
Current assets	97,440
Non-current assets	1,626
Current liabilities	1,104
Non-current liabilities	524
Equity attributable to owners of the Company	53,646
Non-controlling interests of Ocumention SH	43,792

	For the period from July 12, 2018 to December 31, 2018	For the period from January 1, 2019 to September 18, 2019
	RMB'000	*RMB'000*
Other income	4	1,267
Expenses	(4,380)	(30,599)
Loss and total comprehensive expenses for the period	(4,376)	(29,332)
Loss and total comprehensive expenses attributable to:		
Owners of the Company	(2,579)	(16,162)
Non-controlling interests of Ocumension SH	(1,797)	(13,170)
Loss and total comprehensive expenses for the period	(4,376)	(29,332)

	For the period from July 12, 2018 to December 31, 2018	For the period from January 1, 2019 to September 18, 2019
	RMB'000	*RMB'000*
Net cash outflow from operating activities	(3,964)	(57,416)
Net cash (outflow) inflow from investing activities	(45,522)	43,789
Net cash inflow from financing activities	68,234	34,393
Net cash inflow	18,748	20,766

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At February 27, 2018 (date of incorporation)	–	–	–
Financing cash flows	137,008	(51)	136,957
Interest expenses	–	5	5
New leases entered	–	1,172	1,172
Deemed distribution to shareholders	571,604	–	571,604
Fair value changes	158,736	–	158,736
At December 31, 2018	867,348	1,126	868,474
Financing cash flows	1,242,627	(1,002)	1,241,625
Interest expenses	–	63	63
New leases entered	–	1,072	1,072
Share-based payment expenses	12,527	–	12,527
Fair value changes	1,196,248	–	1,196,248
At December 31, 2019	3,318,750	1,259	3,320,009

34. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2019 and up to the date of this report.]

35. SUBSEQUENT EVENTS

Saved as disclosed in the report, the following significant events took place subsequent to December 31, 2019:

a. [The outbreak of the 2019 Novel Coronavirus ('COVID-19') in the world and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group since February 2020. The outlook of economy slowdown and/or negative business sentiment could potentially have an indirect impact on the ophthalmic drug market and the business operation and financial condition may be adversely affected. The directors are still assessing the financial impact that the COVID-19 will have on the Group's financial position and operating results as at the date that this Historical Financial Information is authorised for issuance.]

b. pursuant to written resolutions of the Company's shareholders passed on [●], the directors of the Company had authorised to subdivide each share in the Company's issued and unissued share capital with par value of US$0.0001 each into 10 shares of the corresponding class with par value of US$0.00001 each (the "Sub-division").

c. The Company adopted the RSU Scheme (as defined in this document) on April 28, 2020. 2,400,000 shares (before the Share Subdivision), representing an aggregate of [**REDACTED**] of the total issued share capital of the Company immediately following the Share Subdivision and the [**REDACTED**] (assuming no exercise of the [**REDACTED**]),will be issued by the Company under the RSU Scheme prior to the [**REDACTED**]. The Company had not issued any share or identified any grantee under the RSU Scheme.