



Ocumension Therapeutics



(Incorporated in the Cayman Islands with limited liability)



Stock code **pb** : 1477

2020

Annual Report



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Lian Yong CHEN (*Chairman of the Board*)  
Mr. Ye LIU (*Chief Executive Officer*)  
Dr. Zhaopeng HU  
Dr. Wei LI

### Non-executive Directors

Mr. Yanling CAO  
Mr. Lefei SUN (*resigned on March 19, 2021*)  
Ms. Yumeng WANG (*appointed on March 19, 2021*)

### Independent Non-executive Directors

Mr. Ting Yuk Anthony WU  
Mr. Lianming HE  
Mr. Yiran HUANG

## AUDIT COMMITTEE

Mr. Ting Yuk Anthony WU (*Chairman*)  
Mr. Lianming HE  
Mr. Yiran HUANG

## REMUNERATION COMMITTEE

Mr. Lianming HE (*Chairman*)  
Mr. Ting Yuk Anthony WU  
Mr. Yiran HUANG

## NOMINATION COMMITTEE

Dr. Lian Yong CHEN (*Chairman*)  
Mr. Lianming HE  
Mr. Yiran HUANG

## JOINT COMPANY SECRETARY

Ms. Yun JI  
Ms. Pui Chun Hannah SUEN (*ACIS, ACG*)

## AUTHORISED REPRESENTATIVES

Mr. Ye LIU  
Ms. Pui Chun Hannah SUEN

## REGISTERED OFFICE

The offices of Vistra (Cayman) Limited  
P.O. Box 31119 Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

## CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1858 Yinzhongnan Road  
Guoxiang Subdistrict  
Wuzhong District  
Suzhou  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited  
Second Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

## Corporate Information

### HONG KONG SHARE REGISTRAR

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

### HONG KONG LEGAL ADVISER

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

### AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*  
35/F One Pacific Place  
88 Queensway Admiralty  
Hong Kong

### COMPLIANCE ADVISER

Somerley Capital Limited  
20/F, China Building  
29 Queen's Road Central  
Hong Kong

### STOCK CODE

1477

### COMPANY WEBSITE

[www.ocumension.com](http://www.ocumension.com)

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years<sup>(1)</sup> is set out below:

	For the year ended December 31,		
	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	13,096	190	–
Cost of sales	(1,724)	(10)	–
Gross profit	11,372	180	–
Other income	19,271	3,877	25
Other gains and losses	(1,789,480)	(1,170,347)	(159,977)
Selling and marketing expenses	(50,729)	(2,479)	–
Research and development expenses	(179,550)	(99,464)	(40,679)
Administrative expenses	(232,811)	(57,185)	(8,769)
Listing expenses	(41,127)	–	–
Other expenses	(1,753)	–	–
Finance costs	(59)	(63)	(5)
<b>Loss and total comprehensive expense for the year attributable to:</b>			
– Owners of the Company	(2,264,866)	(1,312,311)	(207,608)
– Non-controlling interests	–	(13,170)	(1,797)
	<b>(2,264,866)</b>	<b>(1,325,481)</b>	<b>(209,405)</b>
<b>Loss per share</b>			
– Basic and diluted (RMB)	<b>(7)</b>	<b>(32)</b>	<b>(12)</b>
<b>Loss and total comprehensive expenses for the year</b>	<b>(2,264,866)</b>	<b>(1,325,481)</b>	<b>(209,405)</b>
<i>Add:</i>			
Fair value loss of financial liabilities at FVTPL	1,694,543	1,196,248	158,736
Share-based payment expenses	293,588	46,803	3,681
<b>Non-IFRS adjusted net loss for the year <sup>(2)</sup></b>	<b>(276,735)</b>	<b>(82,430)</b>	<b>(46,988)</b>

*Notes:*

- (1) The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on July 10, 2020.
- (2) Non-IFRS adjusted net loss for the year is defined as loss and total comprehensive expenses for the year adjusted by adding back (i) fair value loss of financial liabilities at fair value through profit or loss (“FVTPL”) and (ii) share-based payment expenses. The following table reconciles our non-IFRS adjusted net loss for the year with our loss and total comprehensive expenses for the year which is the most directly comparable financial measure calculated and presented in accordance with IFRS.

# Financial Summary

As of December 31,

	<b>2020</b>	2019	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	<b>496,158</b>	27,704	1,626
Current assets	<b>2,103,404</b>	1,261,993	92,996
Non-current liabilities	<b>(5,309)</b>	(3,318,750)	(867,872)
Current liabilities	<b>(91,925)</b>	(39,435)	(4,054)
Net assets	<b>2,502,328</b>	(2,068,488)	(777,304)
Equity (deficits) attributable to the owners of the Company	<b>2,502,328</b>	(2,068,488)	(821,096)
Non-controlling interests	–	–	43,792
Total equity (deficits)	<b>2,502,328</b>	(2,068,488)	(777,304)

## Chairman's Statement

Dear Shareholders,

Thank you for your recognitions and supports to Ocumension. It is the very first year after our Listing. I would like to take this opportunity to present the Company's results for the year of 2020 and its future planning.

We are of view that Ocumension is, in nature, a platform which integrates and optimises the resources of investors, employees and business partners, hereby generating synergies for value creation while servicing the society and bringing returns to all parties. Innovation is therefore one of our major focuses. With such value imbedded, Ocumension has been carrying on its in-width and in-depth expansion of product line in 2020. With the introduction of OT-702 (an Aflibercept biosimilar), the Company has strengthened its product lines in the field of ocular fundus diseases. Such efforts enabled Ocumension to become the largest leading enterprise in terms of innovative ophthalmic drug in China, offering close to 20 new drugs. Meanwhile, the Company has also established a laboratory in Suzhou to further strengthen its internal capability of research and development, laying a solid foundation for the Company's continuous development in the future. In addition, the Company also witnessed a strong advancement in its products under development in the year. As of the end of 2020, the Company had four products, i.e. OT-401, OT-301, OT-702 and OT-1001, that entered phase III clinical stage. Ocumension has become a China-based company with the greatest number of ophthalmic drugs in phase III clinical stage, thereby establishing its leading position in terms of innovative ophthalmic drug in China. In particular, OT-401, as one of the Company's key drug candidates, was conducted phase III bridging trial and RWS simultaneously to accelerate its registration significantly, which made it possible to launch to the market earlier than expected, helping numerous uveitis patients in China. On the other hand, OT-101, another key drug candidate of the Company, also made a steady progress in 2020 and entered phase III clinical stage in 2021.

Differentiated from many other biotech companies, the emphasis of Ocumension has placed on development of an ophthalmic platform covering the whole industrial chain integrating research, development, production and sales. As such, at the beginning of its establishment, the Company started to construct its factory and build up its commercial team without any hesitation. The construction of Ocumension's factory in Suzhou commenced on January 17, 2020. Despite numerous difficulties due to the COVID-19 pandemic, the Company has completed the major structural construction of its factory in January 2021 as scheduled. It is now carrying out interior decoration and fixture setting, and is expected to be put into service by the third quarter of 2021. Regardless of production quality, production capacity or environmental protection, Ocumension's factory in Suzhou is expected to be a leading manufacture base for ophthalmic drugs in China.

In respect of commercialization, Ocumension has built up an efficient and skilled team. Although the products currently sold by the Company, such as Ou Qin (sodium hyaluronate eye drop) and brimonidine eye drop, are under great competitive pressure, by leveraging the differentiated advantages of the Company's products and strong promotion coverage, Ocumension has achieved a month-on-month increase in sales. Furthermore, due to the high per capita output generated by its efforts with higher promotion efficiency, Ocumension has achieved its monthly break-even point of first-line sales personnel in less than a year after commercialisation of the drugs. Such accomplishment created a starting point for our upcoming new products such as OT-401 to form a high growth positive loop with extensive coverage upon their launch. Concurrently, it also laid a solid foundation for the Company's overall profit in the future.

## Chairman's Statement

Ocumension is of the view that the revenue is derived from the market recognition of the Company and the profit is derived from the efficient use of the Company's resources. Therefore, Ocumension attaches great importance to cost control, especially personnel expenses. It is the vision of the Company to realise a higher output with less headcount, which could also ensure the Company's market competitiveness in remuneration. In 2020, in spite of its various achievements in scientific research, production and commercialization as well as its large-scale infrastructure construction, the Company's overall cash expenditure remained at RMB277 million, including the payment of RMB41.10 million for IPO expenses. At the end of 2020, the Company had cash of RMB2.05 billion in total. Consequently, the Company's operating capital for the future has been secured. Meanwhile, benefiting from the development of corporate culture and the recognition of the Company's philosophy among its employees, the employee turnover rate of Ocumension in 2020 was 2.2%, which is far below the industry average. We believe that a stable team is a prerequisite and foundation for the Company's long-term and rapid development.

Ocumension is a young company filled with vibrancy. The robust development of China's capital market allows Ocumension to start high while possessing unlimited potential given Chinese' huge demands for ocular health. Capitalising on the upward trend, Ocumension focuses on becoming not only a leader in terms of the ophthalmic drug product line in China, but also a giant in the ophthalmic market in China in terms of business scale. Furthermore, it targets to go beyond China, embrace the world and, ultimately, become a global innovative ophthalmic pharmaceutical enterprise.

2021 will be the first full year after the listing of the Company and a milestone for its growth. In 2021, Ocumension will continue to expand and consolidate its leading position in the ophthalmic product line. The Company expects to include at least two more new products, especially the products for treatment of ocular fundus diseases. In addition to our four phase III clinical drugs in 2020, three more drugs of Ocumension will enter phase III clinical stage in 2021. The total number of phase III clinical drugs will reach seven, which is far ahead of the entire industry. At the same time, OT-202, a self-developed first class new drug of the Company, is expected to enter clinical trial stage in 2021. It is also one of the few new compounds in the ophthalmic field in recent years.

Ocumension will have its first approval and launch for Yutiq, one of its key drug candidates, in 2021 even though there was only a three-year history since the Company's establishment. This will help a large number of patients with chronic uveitis in China, while providing strong supports for the Company's business to reach a new stage, and the Company, at its all level, is ready to do this.

Upholding the vision of becoming the world's leading ophthalmic pharmaceutical enterprise, and in order to upgrade the Company's operation systems to conform to international advanced standards and reach a scale as soon as possible, Ocumension expects to conduct a series of mergers and acquisitions in 2021. Such mergers and acquisitions will include acquisitions of products and equity interests. This will also become the foundation for Ocumension's internationalization in the future.

In 2021, at its stride with research and development, coupled with the expected commencement of operation of its factory in Suzhou and the large-scale expansion of its commercial sales, Ocumension expects to achieve a business closed-loop. Since then, the Company will mainly utilize its organic resource cycle to drive growth. From a certain perspective, 2021 will be a year for Ocumension to truly become a bio-pharma company from a bio-tech company, or a year of metamorphosis to success. We hope that Ocumension, in this challenging but promising year, will continue to receive supports from our shareholders, to achieve better development, so as to extricate more patients from pain and create more values for its investors.

Thank you again!

Yours faithfully,

**Dr. Lian Yong CHEN**

*Chairman and executive Director*



# Management Discussion and Analysis

## OVERVIEW

We are a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies. Our vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China. We believe our platform positions us well to achieve leadership in China ophthalmology, with a first-mover advantage over future competitors.

Leveraging our platforms, we have built a strategically designed ophthalmic drug portfolio that is comprehensive, innovative and validated. To date, we had 17 drug assets in our portfolio, covering all major front- and back-of-the-eye diseases. We have five key drug candidates in phase III clinical trial stage, which we believe will potentially be first- or best-in-class if approved and have significant near-term revenue potential from as early as 2022. Our product portfolio includes three of the ten ophthalmic drugs approved by the FDA since 2015 that are not yet available in China in any formulation. Additionally, our product portfolio includes three drugs that are in or near the commercial stage.

## Our Portfolio

	Program	MOA	Indication	Commercial Rights	Partner	Pre-Clinical	IND Preparation	Phase I/II	Phase III	NDA/BLA
Key Drug Candidates	OT-401 (YUTIQ)	fluocinolone intravitreal implant	Chronic NIU-PS	Greater China, Korea, and 11 countries in Southeast Asia	EyePoint		China			US Approved (EyePoint)
	OT-101	Low-concentration Atropine	Myopia	Global		China and Europe	(1)			US
	OT-301 (NCX 470)	NO-donating prostaglandin analog	Glaucoma and ocular hypertension	Greater China, Korea and 12 countries in Southeast Asia	Nicox		Global & China			Phase III US (Nicox)
	OT-1001 (ZERVIATE)	Cetirizine	Allergic conjunctivitis	Greater China and 11 countries of the Southeast Asia	Nicox		China			US Approved (Nicox)
	OT-702	Anti-VEGF	wet AMD	China (apart from Hong Kong, Macau and Taiwan)			China			
Other Drug Candidates	OT-502 (DEXYCU)	Dexamethasone	Postoperative inflammation	Greater China, Korea, and 11 countries in Southeast Asia	EyePoint		China			US Approved (EyePoint)
	OT-202	Tyrosine kinase inhibitor	Dry eye	Global		China				
	OT-503 (NCX 4251)	Fluticasone propionate nanocrystals	Blepharitis	Greater China	Nicox	China	(2)			Phase II US completed (Nicox)
	OT-701	Anti-VEGF	wet AMD	Greater China	Senju	China				Phase III trial in Japan substantially completed and to submit NDA in Japan (Senju and GTS)
Commercial -Stage and Near Commercial -Stage	Ou Qin (sodium hyaluronate eye drops) <sup>(3)</sup>	Artificial eye drop	Dry eye	Mainland China	Huonland					China Approved in July 2019
	Brimonidine tartrate eye drop <sup>(4)</sup>	Brimonidine tartrate	Glaucoma and ocular hypertension	Mainland China	Huonland					China Approved in July 2016
	0.5% moxifloxacin eye drop	Moxifloxacin	Bacterial conjunctivitis	Global			China			
Pre Clinical Stage	OT-601-C	Moxifloxacin-dexamethasone sodium phosphate	Postoperative inflammation	Global		China	(1)			
	OT-302	Acetazolamide	Acute glaucoma	Global		China	(1)			
	OT-1301	Cyclosporine implant	Cornea graft rejection	Global		China	(1)			
	OT-1601	Stem cells	Retinitis pigmentosa and dry AMD	Greater China	SanBio	China	(1)			
	OT-1602	Stem cells	Optic neuritis	Greater China	SanBio	China	(1)			

■ In-licensed/acquired ■ Internally developed 🚫 Our Core Product. The Phase III clinical trial in China was approved by the NMPA. The clinical trial registration number is JXHL1900130

**Notes:**

1. May not require Phases I and II clinical trials prior to beginning Phase III clinical trials
2. May not require Phase I clinical trials prior to beginning Phase II clinical trials
3. We acquired Ou Qin from Huonland and are entitled to all drug registration certificates and data related to Ou Qin. We plan to register ourselves as the MAH of Ou Qin
4. We are the exclusive sales agent of brimonidine tartrate eye drop in Mainland China. Huonland is the drug registrant and registered manufacturer of brimonidine tartrate eye drop

## Management Discussion and Analysis

### BUSINESS REVIEW

Since the Listing Date, we have been making significant progress with respect to our pipeline products and business operations, including the following milestones and achievements:

#### Research and Development Performance

During the Reporting Period, despite the impact of the global COVID-19 pandemic, the research and development projects of our pipeline products had been carried out in a rapid and efficient manner. To date, we have five drug candidates entered phase III clinical trials, namely OT-401, OT-1001, OT-702, OT-301 and OT-101.

During the Reporting Period, with the vision of benefiting domestic patients in China with innovative ophthalmic drugs as early as possible, we actively explored innovative models of clinical research and development. As an innovative pharmaceutical enterprise, an innovation spirit means not only achieving a breakthrough of research and development of new drugs, but also a courage to take the lead in the innovation of research and development model. In the second half of 2020, we began the RWS on our Core Product of OT-401 (YUTIQ). We consolidated the RWS interim report with the clinical data of injection of OT-401 to uveitis patients at Hainan Boao Lecheng Super Hospital (海南博鳌樂城超級醫院). We have become one of the pilot companies the drugs of which have been included in RWS by the Hainan Provincial Drug Administration, which was the first time that drugs were included in RWS pilot programs in China, and represents a full-scale recognition of our product quality, research and development strengths and innovation spirit.

In October 2020, we licensed in a Aflibercept biosimilar, OT-702, which further increased the number of our pipeline products to 17. We have developed a number of products with an aim to provide solutions to certain indications to address their unmet demands for eye diagnosis and treatment, such as dry eye and wet age-related macular degeneration. Our innovative products are expected to become first-in-class or potentially best-in-class. As the marketing of ophthalmic drugs mainly relies on portfolio design of products, we have firmly taken our first-mover advantage.

#### Research and Development Milestones

##### OT-401 (Fluocinolone Intravitreal Implant)

On November 30, 2020, OT-401, an innovative therapy for the treatment of chronic non-infectious uveitis, officially launched its RWS in Boao, Hainan. RWS is a comprehensive analysis of medical parameters such as clinical use value and safety of drugs by collecting information related to patient dosages in a real medical environment.

On December 28, 2020, OT-401 was officially included in the list of drug real-world study pilot programs of Hainan Provincial Drug Administration, which is the first time for Hainan Provincial Drug Administration to include drugs in the RWS pilot programs. Our research and development and innovation capabilities are thereby recognized.

At the end of January 2021, the real-world database of OT-401 was locked and an interim report was compiled. 28 subjects completed a three-month follow-up activity of OT-401 implantation. Compared with the situation three-month prior to the implantation, the recurrence rate of uveitis after three months of the OT-401 implantation decreased significantly, which is statistically meaningful. OT-401 is able to significantly reduce the recurrence rate of uveitis after three months of uveitis surgery on NIU-PS patients whose visions after implantation have been gradually increasing, with a significantly decrease in dosage of systemic hormone medication, local eye hormone injection and local hormone eye drop. Compared with traditional treatments, a low recurrence rate of uveitis, a significant increase in vision and a significant decrease in hormone dosage were shown on the patients dosed with OT-401.

We expect to submit an NDA in China in the second quarter of 2021.

## Management Discussion and Analysis

### OT-101 (0.01% Atropine Sulfate Eye Drop)

On December 15, 2020, we made an application for phase III clinical trial of OT-101, a self-developed drug that can defer myopia progression in children, to the FDA in the United States.

On February 22, 2021, OT-101 was approved by the FDA to commence phase III clinical trial. Subsequently, we also plan to initiate such international multi-regional phase III clinical trial in Europe and China, which is, for low-concentration atropine or its analogues, the first international multi-regional phase III clinical trial involving Chinese population in the world, targeting an enormous market for the treatment of myopia progression worldwide. OT-101 adopted an exclusive and innovative close-ended separation device, which improves the reliability, sealing integrity and sterile conditions of the device, so that it is close to the current dosage condition of current in-patient preparation of low-concentration atropine, thereby solving the stability problem of low-concentration atropine, providing a suitable pH value to improve the comfort and compliance of patient.

We expect to make an application of phase III clinical trial in Europe and China in the second quarter of 2021.

### OT-1001 (0.24% Hydrochloride Cetirizine Eye Drop)

On September 21, 2020, OT-1001, a new drug for the treatment of allergic conjunctivitis, was approved by the NMPA for phase III clinical trial in China. OT-1001 is a new eye drop with hydrochloride cetirizine, which is the second generation of antihistamines that combines to histamine receptor to reduce swelling, itching and vasodilation. According to data of the clinical trial completed overseas, the 0.24% hydrochloride cetirizine eye drop is good for efficacy and comfort, and more importantly, it has also demonstrated safety and tolerability in infants between the ages of 2 and 3.

On December 29, 2020, the first patient was dosed in a random, observer blind, positive control, parallel phase III multi-center clinical trial of OT-1001 for the safety and efficacy on allergic conjunctivitis patients in China at the Second Affiliated Hospital of School of Medicine of Zhejiang University (浙江大學醫學院附屬第二醫院).

We expect to complete the patient enrollment for this phase III clinical trial by the end of 2021.

### OT-301 (NO-Donating Propaglandin Analog)

On October 23, 2020, Mont Blanc trial, the first phase III clinical trial of OT-301, a new drug for the reduction of IOP in open-angle glaucoma or ocular hypertension, was approved by the NMPA. It is the first international multi-regional phase III clinical trial of our Company in China. We will also continue to work with Nicox, our partner, to advance this international multi-regional clinical trial. The dual-channel eye pressure reduction mechanism of OT-301 is expected to become a potential best-in-class drug. Propaglandin promotes uveoscleral outflow of aqueous humor, and nitric oxide facilitates the outflow of aqueous humor through trabecular meshwork, thereby achieving better eye pressure reduction.

On March 3, 2021, OT-301 was approved for the second phase III clinical trial, namely the Denali trial, in China. The two international multi-regional phase III clinical trials of OT-301 have been both approved in China. The Denali trial is expected to enroll a total of 670 subjects in 50 research centers in China and the United States, and continue to evaluate the safety and effectiveness of OT-301 (0.1%) compared with latanoprost (0.005%). The Denali trial will discover the safety and tolerability of OT-301 after administration for up to 12 months. In November 2020, the Denali trial in the United States completed the first subject enrollment.

We expect to release top-line results for the phase III clinical trials of OT-301 by the end of 2022.

## Management Discussion and Analysis

### OT-702 (Aflibercept Biosimilar)

On October 30, 2020, we entered into an agreement with Shandong Boan Biotechnology Co., Ltd., a subsidiary of Luye Pharma Group Ltd. (HKEX: 2186), pursuant to which both parties will jointly develop OT-702, an aflibercept biosimilar of anti-VEGF drug, and we were granted the exclusive right to promote and commercialize OT-702 in China (excluding Hong Kong, Macau and Taiwan). The preclinical comparison of OT-702 to EYLEA® (Aflibercept) showed a high degree of similarity in both physical and chemical properties and biological activities. The results of its phase I clinical trial showed that OT-702 has a good safety and tolerability profile without serious adverse reactions.

On February 5, 2021, the first subject was enrolled at the First Hospital of Nanchang (南昌市第一醫院) in a random, double-blind, parallel-controlled, multi-center phase III clinical study on the comparison, in terms of efficacy and safety, between recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection (OT-702) and EYLEA® (aflibercept intraocular injection solution) in China for the treatment of wet age-related macular degeneration.

We expect to complete the enrollment of all subjects for the phase III clinical trial of OT-702 in China by the first half of 2022.

### Other Research and Development Milestones Expected to be Achieved in 2021

#### 0.5% Moxifloxacin Eye Drop

We expect to obtain the approval for marketing of our 0.5% moxifloxacin eye drop in June 2021.

#### OT-202 (Tyrosine Kinase Inhibitor)

OT-202 is class 1.1 new drug self-developed by our Company, which is an innovative topical targeted treatment for dry eye. We have completed over 60 experiments for selecting the best optimal crystal form and over 20 experiments for selecting the best optimal molecule form.

We expect to submit an IND application for OT-202 in China in the first half of 2021.

#### OT-601-C (Moxifloxacin-Dexamethasone Sodium Phosphate Hydrochloride Eye Drop)

OT-601-C includes both the antibiotic moxifloxacin and the anti-inflammatory dexamethasone, which has lower bacteria resistance rate than certain commonly used antibiotic drugs.

We expect to submit an IND application for OT-601-C in China in the second half of 2021.

#### OT-302 (Acetazolamide Injection)

Acetazolamide is a carbonic anhydrase inhibitor for acute glaucoma, which can effectively control the secretion of aqueous humor and reduce IOP.

We expect to submit an IND application for OT-302 in China in the second half of 2021.

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

## Management Discussion and Analysis

### Commercialized Products

In April 2020, we have commenced commercialization of our ophthalmic drugs, including Ou Qin for the treatment of dry eye and the brimonidine tartrate eye drop for lowering eye pressure of glaucoma. We have conducted an early commercial trial of OT-401 at Hainan Boao Super Hospital (海南博鳌超級醫院) while carrying out RWS on OT-401. In addition, we entered into a promotion agreement with OSAKI, a company engaging in the manufacture and marketing of medical accessories based in Japan, for in-licensing and marketing Kangshu (康姝), the eye cleaning cotton products, in China, which has been initiated in December, 2020.

For the year ended December 31, 2020, the total revenue generated from the marketing and sales of our products amounted to approximately RMB13.1 million, among which the sales of Ou Qin amounted to RMB10.4 million, representing approximately 79% of our total revenue. Ou Qin is an artificial tear product, which has a unique dosage form (0.3% concentration in a single dose package of 0.8ml) as compared to its market comparables. High viscosity artificial tears can provide longer-lasting lubrication. Ou Qin is equipped with a re-sealable cap available for multiple uses within a day, which has a better safety profile as it is not easily contaminated, convenient to carry and free of preservatives. These advantages have enabled Ou Qin to stand out among similar products and achieve rapid growth. Kangshu (康姝) is an eye-cleaning cotton containing 0.02% chlorine-fixation glucose hydrochloride. It can thoroughly clean the skin around an eye and precisely remove mites with no alcohol, providing a good safety profile. It is expected to create synergy with our ophthalmic drugs in the future.

As of December 31, 2020, we had approximately 69 first-line academic promoters, covering 267 hospitals across China, 53 of which are Grade III hospitals. We have established a dedicated promotion team with extensive experience and nationwide coverage in the ophthalmology market to promote a rapid application for hospitalized use as well as the launch of our commercialized products.

### MANUFACTURING

As of the date of this annual report, the construction of our Suzhou manufacture site was close to completion. The Suzhou manufacture site is planned to have four production workshops with a total planned capacity of up to 455.0 million doses per year. We expect the trial production to commence in our Suzhou manufacture site in the second half of 2021 with an aim to further lower product cost and increase sales profit margin.

### IMPACT OF COVID-19

Against the backdrop of the outbreak of COVID-19 pandemic in early 2020, there was a slight delay on patient enrollment and marketing activities for OT-401 during the first quarter of 2020. Since the beginning of the second quarter of 2020, benefited from the strong and effective control measures by the PRC government, the COVID-19 pandemic in China has been gradually brought under control, patient enrollment and marketing activities have resumed gradually. The overall operation of the Group has returned to normal and achieved a significant progress in the second half of 2020, where we have further initiated five phase III clinical trails for our relevant drug candidates.

## Management Discussion and Analysis

### FUTURE DEVELOPMENT AND OUTLOOK

The pharmaceutical market in China is undergoing unprecedented changes. The control of drug price policy has become more stringent on innovative drugs which has led to a more diversified segmental market.

We have established a comprehensive product line in ophthalmology field with a competitive advantage in most of the market segments of ophthalmology. Going forward, leveraging on our in-house R&D capability, we will continue to expand our product lines to strengthen our advantages in the field of innovative ophthalmic drugs. At the same time, we expect to accelerate the registration process through new application channels such as RWS, so as to enable the drug candidates to benefit the ophthalmic patients in China as early as possible.

Pilot operation is expected to commence in our Suzhou manufacture site in 2021, further laying a solid foundation for the future development of our Company. In the foreseeable future, there will be at least 20 drug products to be produced in the Suzhou manufacturing facility. We plan to use our Suzhou manufacturing facility to produce drugs that we have the manufacturing rights, including potentially OT-301, OT-1001 and OT-503. Such products will not only serve to meet the demand of the PRC market, but also be exported to overseas markets. Leveraging on the advanced design, large production capacity and high automation, the Suzhou manufacturing facility is expected to enable our Company to provide high-quality and affordable ophthalmic drugs to patients worldwide.

To date, we have preliminarily established a centralized commercialization team, which has been operating effectively. In the future, we will continue to expand our commercial coverage and improve drug accessibility with a view to achieving a certain extent of commercial income of our Company. We are targeting to establish a self-sufficient commercial team by 2021 so as to lay a foundation for our Company to break even as soon as possible.

With the rapid development of the Chinese society, eye health among social concerns is of more importance. In the meantime, people's demand for life quality is increasing, which presents a huge market opportunity for ophthalmic pharmaceutical enterprises. It is the vision of our Company to use our efforts to seize the opportunities to help ophthalmic patients in China, and further substantiate our value. We will spare no effort to make contributions to society against the backdrop of the extraordinary opportunities arising from this era.

For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, our prior announcements published on the websites of the Stock Exchange and our Company.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Overview

We recorded adjusted loss and total comprehensive expenses of RMB276.7 million for the year ended December 31, 2020, representing an increase of RMB194.3 million from RMB82.4 million for the year ended December 31, 2019, primarily attributable to the listing expenses of RMB41.1 million as well as an increase in selling and marketing expenses incurred for establishing our commercialization infrastructure.

This adjusted loss for the Reporting Period is arrived at by deducting the IFRS loss and total comprehensive expenses of RMB2,264.9 million (2019: RMB1,325.5 million) from (i) a one-time, non-cash, IFRS fair value adjustments loss of RMB1,694.5 million for our pre-IPO preferred shares, which was subsequently converted to Shares upon Listing, and (ii) the share-based payment expenses of RMB293.6 million.

#### For the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000
Revenue	13,096	190
Cost of sales	(1,724)	(10)
Gross profit	11,372	180
Other income	19,271	3,877
Other gains and losses	(1,789,480)	(1,170,347)
Selling and marketing expenses	(50,729)	(2,479)
Research and development expenses	(179,550)	(99,464)
Administrative expenses	(232,811)	(57,185)
Listing expenses	(41,127)	–
Other expenses	(1,753)	–
Finance cost	(59)	(63)
Loss and total comprehensive expenses for the years	(2,264,866)	(1,325,481)
<b>Non-IFRS measure:</b>		
Adjusted loss and total comprehensive expenses for the year	(276,735)	(82,430)

## Management Discussion and Analysis

### Revenue

The revenue of our Group increased from RMB0.2 million for the year ended December 31, 2019 to RMB13.1 million for the year ended December 31, 2020. The increase was mainly attributed to the increase in our promotion and sales of Ou Qin.

The revenue of our Group on sales of ophthalmic pharmaceutical products increased 4,685.8% from approximately RMB0.2 million for the year ended December 31, 2019 to approximately RMB9.1 million for the year ended December 31, 2020. The revenue from pharmaceutical products promotion services totaled approximately RMB4.0 million, for the year ended December 31, 2020 (2019: nil).

### Cost of Sales

Our cost of sales represent the purchase price of goods. Cost of sales of our Group increased from RMB0.01 million for the year ended December 31, 2019 to RMB1.7 million for the year ended December 31, 2020. The increase was mainly attributed to the cost in relation to our sales of Ou Qin.

### Gross Profit

The gross profit of our Group increased by 6,217.8% from approximately RMB0.2 million for the year ended December 31, 2019 to approximately RMB11.4 million for the year ended December 31, 2020. The increase in the gross profit was mainly in line with the growth in revenue.

### Other Income

Our other income consists of bank interest income and government subsidy income. Other income of our Group increased from RMB3.9 million for the year ended December 31, 2019 to approximately RMB19.3 million for the year ended December 31, 2020. The increase was primarily due to increased efficiency in treasury management.

### Other Gains and Losses

For the year ended December 31, 2020, our other gains and losses primarily consist of fair value loss of preferred shares of RMB1,789.5 million, increasing by 52.9% from RMB1,170.3 million for the year ended December 31, 2019. The RMB1,694.5 million fair value change of our convertible redeemable preferred shares was a one-time, non-cash accounting adjustment for our pre-IPO preference share.

After the conversion of our preferred shares upon Listing, we do not recognize any further loss or gain on fair value changes from preferred shares.



## Management Discussion and Analysis

### Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) expenses for the marketing and promotion of our drug; and (ii) salary and benefits expenses for our commercial team. For the year ended December 31, 2020, our selling expenses were RMB50.7 million, representing a significant increase of RMB48.2 million from RMB2.5 million for the year ended December 31, 2019, primarily attributable to the commercialization of our drug in 2020.

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

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000
Salary and benefits	19,480	1,912
Share-based compensation	16,378	–
Marketing and promotion	8,418	212
Others	6,453	355
<b>Total selling and marketing expenses</b>	<b>50,729</b>	<b>2,479</b>

### Research and Development Expenses

For the year ended December 31, 2020, our research and development expenses were RMB179.6 million, increasing by 80.5% from RMB99.5 million for the year ended December 31, 2019. The increase was primarily attributable to the increase in the research and development cost in preparation for the phase III clinical trials for our OT-101, OT-702, OT-1001 and OT-301.

The following table sets forth the components of our research and development expenses for the years indicated:

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000
Third-party contracting costs and upfront and milestone payments	65,832	79,280
Staff costs	107,676	16,341
Depreciation and amortization	989	108
Others	5,053	3,735
<b>Total research and development expenses</b>	<b>179,550</b>	<b>99,464</b>

## Management Discussion and Analysis

### Administrative Expenses

Our administrative expenses consist of salaries and other expenses such as benefits, travel and share-based compensation expenses.

For the year ended December 31, 2020, we recorded administrative expenses of RMB232.8 million, representing a significant increase from RMB57.2 million for the year ended December 31, 2019, which is primarily attributable to the increase in the share-based compensation expenses in relation to the options granted under the ESOP and RSUs granted under the RSU Scheme.

### Listing Expenses

For the year ended December 31, 2020, we recorded listing expenses of RMB41.1 million (2019: nil), reflecting the fees paid to professional parties engaged in preparation for our Listing in 2020.

### Loss for the Year

As a result of the above factors, for the year ended December 31, 2020, our loss and total comprehensive expenses was RMB2,264.9 million, representing an increase of RMB939.4 million from RMB1,325.5 million for year ended December 31, 2019 mainly from (i) a one-time, non-cash IFRS fair value adjustment loss of RMB1,694.5 of our pre-IPO preferred shares; and (ii) share-based payment expenses of RMB293.6 million.

### Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use a non-IFRS measure, adjusted net loss for the year, as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating impacts of such non-cash items (and, for fair value loss of financial liabilities at FVTPL, also an item that pertains to financial instruments that have ceased upon Listing) that our management considers to be not indicative of our operating performance and providing useful information to investors and Shareholders in evaluating our operating results in the same manner of our management. However, our presentation of the adjusted net loss for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and investors and Shareholders should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS. We define adjusted net loss for the year as loss and total comprehensive expenses for the year adjusted by adding back (i) fair value loss of financial liabilities at FVTPL and (ii) share-based payment expenses. The following table reconciles our non-IFRS adjusted net loss for the year with our loss and total comprehensive expenses for the year, which is the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000
Loss and total comprehensive expense for the year	(2,264,866)	(1,325,481)
<i>Add:</i>		
Fair value loss of financial liabilities at FVTPL	1,694,543	1,196,248
Share-based payment expenses	293,588	46,803
Non-IFRS adjusted net loss for the year	(276,735)	(82,430)

## Management Discussion and Analysis

### Selected Data from Statement of Financial Position

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Total current assets	2,103,404	1,261,993
Total non-current assets	496,158	27,704
<b>Total assets</b>	<b>2,599,562</b>	<b>1,289,697</b>
Total current liabilities	91,925	39,435
Total non-current liabilities	5,309	3,318,750
<b>Total liabilities</b>	<b>97,234</b>	<b>3,358,185</b>
<b>Net current assets (liabilities)</b>	<b>2,502,328</b>	<b>(2,068,488)</b>

#### Trade Receivables

We allow an average credit period of 30 to 60 days to its trade customers.

A majority of the trade receivables aged less than 90 days.

#### Trade Payables

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

#### Working Capital and Source of Capital

Our primary uses of cash related to the development of our drug candidates and the payment for the purchase of equipment. We primarily funded our working capital requirement through equity financing and also generated cash from the limited sales of OT-401. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2020, our cash and cash equivalents amounted to RMB2,034.3 million (December 31, 2019: RMB192.4 million). The increase in our cash and cash equivalents is primarily attributable to the net proceeds we obtained from the Listing. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

## Management Discussion and Analysis

### **Borrowings**

As of December 31, 2020, we did not have any borrowings (December 31, 2019: nil).

### **Capital Commitment**

As of December 31, 2020, we have capital commitment of RMB197.5 million for the contracts in relation to the acquisition of property and equipment (December 31, 2019: nil).

### **Contingent Liabilities**

As of December 31, 2020, we did not have any contingent liabilities, guarantees or any litigation against it (December 31, 2019: nil).

### **Pledge of Assets**

As of December 31, 2020, we pledged RMB17.5 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2019: nil).

### **Gearing Ratio**

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2020, we were in a net cash position and thus, gearing ratio is not applicable.

### **Material Investments**

We did not make any material investments during the year ended December 31, 2020 (2019: nil).

### **Material Acquisitions and Disposals**

We did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended December 31, 2020.

### **Material Investments and Capital Assets**

Save as disclosed in this annual report, we had not authorized any plan for other material investments or acquisition of capital assets during the year ended December 31, 2020.

### **Foreign Exchange**

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, 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 currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, we manage the foreign exchange risk by closely monitoring our foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Management Discussion and Analysis

### Employees and Remuneration

As of December 31, 2020, we had a total of 136 employees. For the year ended December 31, 2020, the total remuneration cost incurred was RMB359.6 million (2019: RMB67.1 million). The following table sets forth a breakdown of our employees by function as of December 31, 2020:

<b>Function</b>	<b>Number</b>	<b>Percentage of total employees</b>
<b>Research and development</b>	31	22.8%
<b>Manufacturing</b>	17	12.5%
<b>Sales and Marketing</b>	69	50.7%
<b>General and administrative</b>	19	14.0%
	136	100.0%

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

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

The Company has also adopted the ESOP and the RSU Scheme to provide incentives for the Group's employees. Further details in respect of the ESOP and RSU Scheme are set out in the section headed "Report of Directors" on pages 55 to 59 of this annual report.

# Profiles of Directors and Senior Management

## DIRECTORS

### Executive Directors

- **Dr. Lian Yong CHEN**, aged 58, has been the Chairman of the Board and a Director since May 23, 2018. He was appointed as a non-executive Director on May 23, 2018 and was re-designated as an executive Director on April 28, 2020. Dr. Chen is responsible for providing overall guidance on the business and strategic development and the management of our Group.

Dr. Chen has over 20 years of experience in the life sciences industry. He is currently the founding managing partner and CEO of 6 Dimensions Capital. He has been the founder and managing partner at Frontline BioVentures since 2012 and a partner at FIL Capital Management (Hong Kong) Limited in Asia from May 2008 to March 2014.

Dr. Chen has been a director of 111, Inc. (111集團), a company whose shares are listed on NASDAQ (ticker symbol: YI), since May 2019. He has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. He has been a non-executive Director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616) since October 2018. Dr. Chen was appointed as a non-executive director of Hua Medicine (華領醫藥), a company whose shares are listed on the Stock Exchange (stock code: 2552), in January 2015. He has also been a director of Hua Medicine Technology (Hong Kong) Limited (華領醫藥技術(香港)有限公司) since January 2015 and Hua Medicine (Shanghai) Co., Ltd. (華領醫藥技術(上海)有限公司) from April 2014 to April 2016 and from August 2018 onwards, both of which are subsidiaries of Hua Medicine.

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

## Profiles of Directors and Senior Management

- **Mr. Ye LIU**, aged 49, joined our Group as CEO on August 1, 2018. He has been our executive Director since November 23, 2018. Mr. Liu is responsible for overall strategic planning, business direction and daily management of the Company.

Mr. Liu has over 20 years of experience in the pharmaceutical industry. Prior to joining our Group, he served as the chairman and general manager in Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司) from October 2014 to July 2018. From February 2009 to September 2014, Mr. Liu served as the head of pharmaceutical affair division and later became the general manager of Eisai (China) Inc. (衛材(中國)藥業有限公司), responsible for the management of pharmaceutical affairs and development, and the overall corporate operation, respectively. Mr. Liu has been serving as a director of EyePoint since January 2021.

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

- **Dr. Zhaopeng HU**, aged 48, joined our Group in September 3, 2018 as the vice president of registration affairs. He has been our executive Director since April 24, 2020, and our chief development officer since June 1, 2020. Dr. Hu is primarily responsible for participating in strategic planning and management of CMC and registration affairs.

Dr. Hu has around 20 years of experience in pharmaceutical industry. From July 2006 to August 2018, he held positions including plant technique and registration group manager, registration and pharmaceutical department director, clinical development department director and internal audit department director in Santen Pharmaceutical (China) Co., Ltd., mainly responsible for clinical development compliance and other drug-related regulations and compliance.

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

- **Dr. Wei LI**, aged 49, has been a Director since April 13, 2018. He was appointed as a non-executive Director on April 13, 2018 and was re-designated as an executive Director on April 28, 2020. Dr. Li is primarily responsible for participating in the formulation of Company's corporate and business strategies and the management.

Dr. Li has over 20 years of experience in the biotech industry. He is a founding partner of Creacion Ventures L.P. He has served as the Managing Partner of 6 Dimensions Capital since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures since July 2015. He has also been a non-executive director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616) since October 2018.

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

## Profiles of Directors and Senior Management

### Non-executive Directors

- **Mr. Yanling CAO**, aged 37, has been a non-executive Director since June 18, 2019.

Mr. Cao has over 11 years of experience in private equity investment and management. He served as a senior investment manager of General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for development, execution and management of equity investment from December 2007 to January 2011. He is one of the founding members of Boyu Capital Group Management Ltd. since March 2011 and is currently serving as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao served as a non-executive director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616), from April 2016 to March 2017 and has been a non-executive director since May 2019. He has been a non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2269), since May 2016; a non-executive director of Viela Bio, Inc., a company whose shares are listed on NASDAQ (ticker symbol: VIE) since February 2018; a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6996), since February 2019; and an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd., a company whose shares are listed on the Stock Exchange (stock code: 2126), since May 2020.

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

- **Mr. Lefei SUN**, aged 42, has been a non-executive Director from April 24, 2020 to March 19, 2021. Mr. Sun resigned as a non-executive Director due to his desire to devote more time to other business commitments.

Mr. Sun has been a non-executive director of Hong Kong Asia Medical Holding Limited (香港亞洲醫療股份有限公司), a leading hospital management group in Asia with hospital assets such as Wuhan Asia Heart Hospital (武漢亞洲心臟病醫院), since November 2018. He is also a non-executive director of various biotech companies such as Adagene Inc. and CANbridge Pharmaceuticals Inc.

Mr. Sun has served as head of China healthcare at the General Atlantic private equity group since May 2018, and has been a managing director from January 2020, in charge of private equity investment and portfolio management in healthcare and life sciences sectors in China. From December 2014 to April 2018, Mr. Sun was a founding partner and a member of investment committee of Beijing HuaTai Ruihe Investment Fund Management Company (LLP) (北京華泰瑞合投資基金管理合夥企業(有限合夥), also known as Huatai Healthcare Investment Fund (華泰醫療產業投資基金).

Mr. Sun obtained his master's degree in neurosciences from Johns Hopkins University School of Medicine in the United States in May 2006, and his bachelor's degree in basic sciences from Tsinghua University (清華大學) in Beijing, China in July 2002.



## Profiles of Directors and Senior Management

- **Ms. Yumeng WANG**, aged 30, has been a non-executive Director since March 19, 2021.

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

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

### Independent Non-executive Directors

- **Mr. Ting Yuk Anthony WU**, aged 66, has been an independent non-executive Director of the Company since June 23, 2020.

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

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

Mr. Wu has directorships in certain Hong Kong listed companies. He is an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company whose shares are listed on the Stock Exchange (stock code: 0006), Guangdong Investment Limited (粵海投資有限公司), a company whose shares are listed on the Stock Exchange (stock code: 0270) and China Taiping Insurance Holdings Company (中國太平保險控股有限公司) Limited, a company whose shares are listed on the Stock Exchange (stock code: 0966), the chairman and independent non-executive director of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1515) and the independent non-executive director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616) and Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2500).

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

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

## Profiles of Directors and Senior Management

- **Mr. Lianming HE**, aged 56, has been an independent non-executive Director of the Company since June 23, 2020.

Mr. He has over 30 years of experience as a lawyer. He is currently a senior partner at TMI Associates, a law firm in Japan. Mr. He was appointed as an adjunct professor by China University of Political Science and Law (中國政法大學) in May 2019. Mr. He has been an overseas committee member of the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) since September 2018. He served as a legal adviser of Embassy of the People's Republic of China in Japan (中華人民共和國駐日本大使館) from August 2005 to May 2019.

Mr. He was qualified as a lawyer in China in 1989 and was registered as a foreign lawyer in Japan in 1999. He obtained his master's degree in law from Chuo University in Japan in March 1999 and his bachelor's degree in law from China University of Political Science and Law in July 1988.

- **Mr. Yiran HUANG**, aged 66, has been an independent non-executive Director of the Company since June 23, 2020.

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

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

## Profiles of Directors and Senior Management

### SENIOR MANAGEMENT

- **Mr. Ye LIU**, aged 49, has been our CEO since August 1, 2018. For further details, please see the paragraphs headed “Profiles of Directors and Senior Management – Directors – Executive Directors” in this section.
- **Dr. Zhaopeng HU**, aged 48, has been our chief development officer since June 1, 2020. For further details, please see the paragraphs headed “Profiles of Directors and Senior Management – Directors – Executive Directors” in this section.
- **Dr. Changdong LIU**, aged 60, has been our chief scientific officer since October 28, 2019, responsible for leading scientific research and development.

Dr. Liu has around 35 years of experience in the biotech industry and ophthalmology. Dr. Liu joined our Group on July 10, 2018 and served as our chief medical officer before he was appointed as our chief scientific officer. Prior to joining our Group, from August 2016 to June 2018, he held positions including head of clinical oncology and vice president of clinical development in Livzon Mabpharm Inc. (珠海市麗珠單抗生物技術有限公司), responsible for clinical development and clinical trial execution. From December 2015 to July 2016, he served as chief medical officer and senior vice president in Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司), responsible for clinical development and clinical trial management. From November 2014 to December 2015, he served as senior vice president of clinical development department in Bio-Thera Solution, Ltd. (百奧泰生物製藥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 688177), responsible for product development and clinical development. From 2002 to 2014, he served in Alcon AG, a company whose shares are listed on the Switzerland Exchange (stock code: ALC), in Fort Worth, United States, and later became the clinical lead, responsible for global clinical and regulatory affairs.

Dr. Liu obtained his Master of Medicine in ophthalmology (comparable to master’s degree in medical sciences with specification in ophthalmology in the United States) and his Bachelor of Medicine (comparable to Doctor of Medicine in the United States) from Tongji Medical University (同濟醫科大學) in June 1988 and August 1983, respectively.

- **Dr. DongHong CHEN**, aged 50, has been our chief medical officer since October 28, 2019, responsible for leading clinical development.

Dr. Chen has around 30 years of experience in ophthalmology. From March 2016 to October 2019, she served as head of clinical development and medical affairs in Alcon Hong Kong Ltd., primarily responsible for clinical development and medical affairs in Hong Kong and Korea. From March 2015 to April 2016, she served as deputy general manager of R&D department in Vanway Pharmaceutical Holdings Ltd (宏威製藥集團有限公司), responsible for strategy planning of the department. From February 2013 to December 2014, she served as APAC medical director and clinical advisor in STAAR Surgical Company, a company whose shares are listed on NASDAQ (ticker symbol: STAA), responsible for leading company’s clinical and medical activities in APAC. From November 2010 to January 2013, she served as a senior scientist in GlaxoSmithKline (China) R&D Company Limited (葛蘭素史克(上海)醫藥研發有限公司), primarily responsible for clinical research and studies in ophthalmology.

## Profiles of Directors and Senior Management

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

- **Mr. Qinglei Zuo**, aged 37, has been our chief commercial officer since January 1, 2021, responsible for product commercialization.

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

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

### JOINT COMPANY SECRETARIES

- **Ms. Yun Ji**, aged 35, was appointed as one of the joint company secretaries of the Company on April 28, 2020. Ms. Ji has been our strategic project director since February 27, 2020, responsible for execution of our strategic market capitalization projects. Prior to joining our Group, she served as head manager of board of directors office in Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司) from September 2012 to February 2020, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601607) and the Stock Exchange (stock code: 2607), leading a team responsible for corporate governance, public disclosure, investor relations management and other securities affairs.

Ms. Ji obtained her bachelor's degree in business administration from Beijing Foreign Studies University in Beijing, China in July 2007.

- **Ms. Pui Chun Hannah SUEN**, aged 43, was appointed as one of the joint company secretaries of the Company on March 12, 2020. Ms. Suen is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over thirteen years of experience in providing full range of company secretarial services. Ms. Suen has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Chartered Governance Institute in United Kingdom since November 2019.

Ms. Suen obtained a Bachelor of Arts (Hons) in Translation and Interpretation from City University of Hong Kong (香港城市大學) in November 2000 and a Master of Corporate Governance from The Open University of Hong Kong (香港公開大學) in August 2019.

### CHANGES TO DIRECTORS' INFORMATION

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

# Corporate Governance Report

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

## CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since July 10, 2020. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. As the Company became listed on July 10, 2020, one Audit Committee meeting and no Nomination Committee meeting were held during the period from the Listing Date and up to December 31, 2020. During the period from the Listing Date and up to December 31, 2020, the Board believes that the Company has fully complied with the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD

### (1) Responsibilities

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

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

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

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

## Corporate Governance Report

### (3) Board Composition

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

#### Executive Directors

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

Mr. Ye LIU (*Chief Executive Officer*)

Dr. Zhaopeng HU

Dr. Wei LI

#### Non-executive Directors

Mr. Yanling CAO

Mr. Lefei SUN (*Note 1*)

Ms. Yumeng WANG (*Note 2*)

#### Independent Non-executive Directors

Mr. Ting Yuk Anthony WU

Mr. Lianming HE

Mr. Yiran HUANG

#### Notes:

1. Mr. Lefei SUN has resigned as a non-executive Director on March 19, 2021.
2. Ms. Yumeng WANG has been appointed as a non-executive Director on March 19, 2021.

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

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

## Corporate Governance Report

### (4) Board Diversity Policy

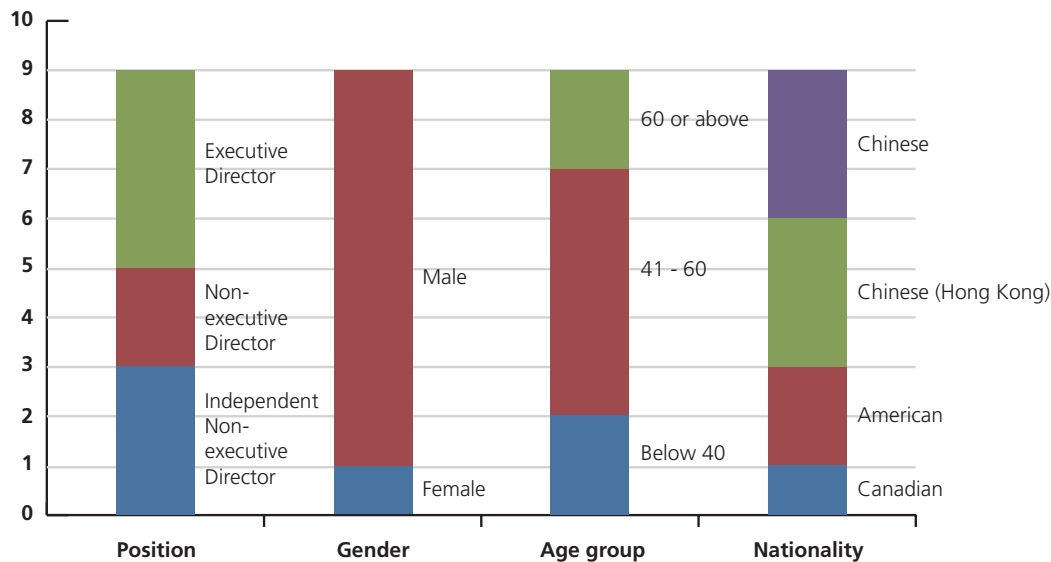
Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

The Company has adopted the board diversity policy (the “Board Diversity Policy”) which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of pharmaceutical and medical industry, business management, investment, finance, legal profession, auditing and accounting. They obtained degrees in various majors including pharmaceuticals, chemistry, neurosciences, economics and law. Furthermore, the Board has a wide range of age, ranging from 30 years old to 66 years old.

The Board Diversity Policy specifies that in the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience.

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

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 21 to page 25 of this annual report.



## Corporate Governance Report

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

### (5) Measurable Objectives

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

As disclosed in the Prospectus, the Company also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. In particular, the Chief Medical Officer, an advisor of the Company and the joint company secretaries of the Company are female. While the Company recognizes that the gender diversity at the Board level can be improved given its current composition of all-male Directors, the Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole. To enhance gender diversity of the Board, the Company plans to propose the appointment of female Director(s) at the forthcoming AGM and the Company will keep at least one female Director in the future. On March 19, 2021, the Company has convened the meetings of the Nomination Committee and Board to approve the appointment of Ms. Yumeng WANG as a non-executive Director, she shall be re-elected as a Director at the forthcoming AGM in accordance with Article 16.2 of the Article of Association. The Board is of the view that the Company will achieve these objectives after the re-election of Ms. Yumeng WANG as female Director approved by the Shareholders at the forthcoming AGM.

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

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



## Corporate Governance Report

### (7) Induction and Continuous Professional Development

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

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

During the Reporting Period, all Directors, namely Dr. Lian Yong CHEN, Mr. Ye LIU, Dr. Zhaopeng HU, Dr. Wei LI, Mr. Yanling CAO, Mr. Lefei SUN, Mr. Ting Yuk Anthony WU, Mr. Lianming HE and Mr. Yiran HUANG, were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

Prior to the Listing, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

### (8) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. For the period from the Listing Date and up to the date of this annual report, Dr. Lian Yong CHEN acted as the chairman of the Board and Mr. Ye LIU acted as the chief executive officer of the Company. The chairman of the Board and the chief executive officer of the Company do not have any relationships (including financial, business, family or other material or connected relationship).

The Board and the senior management, which comprises experienced and high calibre, individuals can ensure the balance of power and authority. As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

## Corporate Governance Report

### (9) Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service agreement with the Company on June 24, 2020. The initial term of their respective service agreements shall commence from the Listing Date and continue for a period of three years and subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than 30 days' prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company on June 24, 2020. The initial term for their respective appointment letters shall commence from the Listing Date and continue for a period of three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

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

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

## Corporate Governance Report

### (10) Board Meetings and Committee Meetings

The Company became listed on July 10, 2020. The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

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

Due to the fact that the Company was listed on July 10, 2020, seven Board meetings, one Audit Committee meeting, one Remuneration Committee meeting and no Nomination Committee were held during the period from the Listing Date and up to December 31, 2020.

## Corporate Governance Report

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date and up to December 31, 2020 is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the period from the Listing Date and up to December 31, 2020			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors:</b>				
Dr. Lian Yong CHEN	7/7	N/A	N/A	0/0
Mr. Ye LIU	7/7	N/A	N/A	N/A
Dr. Zhaopeng HU	7/7	N/A	N/A	N/A
Dr. Wei LI	7/7	N/A	N/A	N/A
<b>Non-executive Directors:</b>				
Mr. Yanling CAO	7/7	N/A	N/A	N/A
Mr. Lefei SUN	7/7	N/A	N/A	N/A
<b>Independent Non-executive Directors:</b>				
Mr. Ting Yuk Anthony WU	7/7	1/1	1/1	N/A
Mr. Lianming HE	7/7	1/1	1/1	0/0
Mr. Yiran HUANG	7/7	1/1	1/1	0/0

### (11) Model Code for Securities Transactions

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the period from the Listing Date and up to December 31, 2020.

## Corporate Governance Report

### (12) Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

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

### (13) Corporate Governance Function

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

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

## Corporate Governance Report

### BOARD COMMITTEES

#### (1) Nomination Committee

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

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The written terms of reference of the Nomination Committee are available on the respective website of the Stock Exchange and the Company.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Due to the fact that the Company was listed on July 10, 2020, no Nomination Committee meeting was held during the period from the Listing Date and up to December 31, 2020.

#### (2) Nomination Policy

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

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

## Corporate Governance Report

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

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

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

### (3) Remuneration Committee

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

The primary duties of the Remuneration Committee are to determine a policy and structure for the Directors' and senior management's remunerations, review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The written terms of reference of the Remuneration Committee are available on the respective website of the Stock Exchange and the Company.

## Corporate Governance Report

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group).

During the period from the Listing Date and up to December 31, 2020, one Remuneration Committee meeting was held. In the meeting, the Remuneration Committee discussed issues on bonus for the Listing project, and make recommendations to the Board for consideration.

Remuneration by band of the senior management (including two Directors) of the Group for the year ended December 31, 2020 are set out below:

<b>Remuneration band (HK\$)</b>	<b>Number of senior management</b>
0-10,000,000	1
10,000,001-20,000,000	1
20,000,001-30,000,000	1
30,000,001-40,000,000	1
170,000,001-180,000,000	1

#### (4) **Audit Committee**

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

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



## Corporate Governance Report

Due to the fact that the Company was listed on July 10, 2020, one Audit Committee meeting was held during the period from the Listing Date and up to December 31, 2020.

In the meeting, the Audit Committee reviewed the unaudited interim results and interim report of the Group for the six months ended June 30, 2020 as well as the report on review of condensed consolidated financial statements for the six months ended June 30, 2020 prepared by the external auditor relating to accounting issues and major findings in course of review.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

### **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

## Corporate Governance Report

### RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

## Corporate Governance Report

The Company reviewed and enhanced its internal control system regularly by revising and improving its internal control matrix and internal control manual once a year. The Company's existing system, operating procedures and control measures were adjusted in accordance with the needs of the Company's business management and external regulatory requirements. The Company carried out an annual internal control assessment to ensure that each of its departments has properly complied with its internal control system as well as any recommendation for rectification on any defects in its internal control identified when its self-assessment could be provided after internal communication and determination.

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

Our Company review risk management and internal control systems once a year. Our Group's internal control and risk management reports for the year ended December 31, 2020 were submitted to the Audit Committee and the Board of Directors for review in March 2021. The Board has reviewed and believes that the risk management and internal control systems of the Group for the year ended December 31, 2020 are complete, and are fully and effectively operated in all major aspects, which are sufficient to protect the interests of all stakeholders of the Group. The Board of Directors also confirmed that the resources, qualifications and experience of the staff in the accounting, compliance, risk management, internal audit and financial reporting functions of our Group.

## Corporate Governance Report

### AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2020 payable to the external auditors were approximately RMB8.2 million and the Group incurred approximately RMB1.7 million in 2020 for non-audit services related to review of interim financial information and profession service for tax filling.

### COMPANY SECRETARY

In compliance with Rule 3.29 of the Listing Rules, Ms. Yun Ji and Ms. Pui Chun Hannah SUEN both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period.

### GENERAL MEETING

The Company became listed on July 10, 2020. No general meeting was held after the Listing.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at [www.ocumension.com](http://www.ocumension.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

### SHAREHOLDERS' RIGHTS

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

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

## Corporate Governance Report

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

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

### (2) Procedures for putting forward proposals at general meeting

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

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

### (3) Enquiries to the Board

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

Address: Rooms 502-1, Want Want Plaza, No. 211 Shimen Yi Road, Jing'an District, Shanghai, the PRC

Email: [ir@ocumension.com](mailto:ir@ocumension.com)

## DIVIDEND POLICY

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

## Corporate Governance Report

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

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

### CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

# Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2020.

## BOARD OF DIRECTORS

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

The Directors during the year ended December 31, 2020 and up to the date of this annual report were:

### Executive Directors

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

Mr. Ye LIU (*Chief Executive Officer*)

Dr. Zhaopeng HU

Dr. Wei LI

### Non-executive Directors

Mr. Yanling CAO

Mr. Lefei SUN (*resigned on March 19, 2021 with immediate effect*)

Ms. Yumeng WANG (*appointed on March 19, 2021 with immediate effect*)

### Independent Non-executive Directors

Mr. Ting Yuk Anthony WU

Mr. Lianming HE

Mr. Yiran HUANG

## GENERAL INFORMATION

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

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business is set out in the sections headed "Management Discussion and Analysis" on page 14 of this annual report.

## Report of Directors

### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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



## Report of Directors

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

The Company's Environmental, Social and Governance Report will be prepared separately from this annual report and will be published within three months after the publication of this annual report.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

### EMPLOYEES AND REMUNERATION POLICIES

A review of the employees and remuneration policies of the Group for the Reporting Period are set out in the section headed "Management Discussion and Analysis" on page 20 of this annual report.

### RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme 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 only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension contributions of the Company are set out in note 26 to the Consolidated Financial Statements in this annual report.

## Report of Directors

### MAJOR SUPPLIERS

For the year ended December 31, 2020, the Group's suppliers primarily consisted of (i) licensors from which we obtained intellectual property rights in respect of our in-licensed drug candidates; and (ii) CROs, who provide third-party contracting services for research and development; (iii) suppliers of other materials for research and development activities, machines and equipment. The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. For the same year, the Group did not procure raw materials or equipment for commercial manufacturing because the construction of the Suzhou manufacturing facility had not been completed.

For the year ended December 31, 2020, purchases from the Group's five largest suppliers in the aggregate amounted to RMB190.6 million (2019: RMB66.9 million), accounted for 49.3% (2019: 56.5%) of the Group's total purchases for the same year. Purchases from the Group's largest supplier for the year ended December 31, 2020 amounted to RMB79.0 million (2019: RMB25.6 million), accounting for approximately 20.4% (2019: 21.7%) of the Group's total purchase amount for the same year.

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

During the year ended December 31, 2020, the Group did not experience any significant disputes with its suppliers.

### MAJOR CUSTOMERS

During the Reporting Period, the Group commenced the commercialization of its OT-401, brimonidine tartrate eye drop and Ou Qin. For the year ended December 31, 2020, sales from the Group's five largest customers in the aggregate amounted to RMB11.9 million (2019: RMB0.2 million), accounted for 91.1% (2019: 100%) of the Group's total sales for the same year. Sales from the Group's largest customer for the year ended December 31, 2020 amounted to RMB4.0 million (2019: RMB0.2 million), accounting for approximately 30.6% (2019: 100%) of the Group's total sales amount for the same year.

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

During the year ended December 31, 2020, the Group did not experience any significant disputes with its customers.

## Report of Directors

### KEY RELATIONSHIP WITH STAKEHOLDERS

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

#### Relationship with Our Employees

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

#### Relationship with Shareholders

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

### BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Profiles of Directors and Senior Management" on pages 21 to 27 of this annual report.

### SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company on June 24, 2020. The initial term of their respective service agreements shall commence from the Listing Date and continue for a period of three years and subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than 30 days' prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company on June 24, 2020. The initial term for their respective appointment letters shall commence from the Listing Date and continue for a period of three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

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

## Report of Directors

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this annual report, at no time during the year ended December 31, 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

### **REMUNERAION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**

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

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

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE**

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance, whether for the provision of services or otherwise, to the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2020.

### **CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE**

Save as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2020.

## Report of Directors

### **DIRECTORS INTERESTS IN COMPETING BUSINESS**

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2020.

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

### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed during the year ended December 31, 2020.

### **RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION**

Details on related party transactions for the year ended December 31, 2020 are set out in note 28 to the consolidated financial statements. Save as disclosed above, none of the related party transactions constitute a connected transaction or continuing connected transaction which is subject to the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period.

## Report of Directors

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

As of December 31, 2020, the interests and short positions of the Directors or chief executive of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest
Mr. Ye LIU	Beneficial owner	47,963,490 <sup>(1)</sup>	8.11%
Dr. Zhaopeng HU	Beneficial owner	3,881,940 <sup>(2)</sup>	0.66%

*Notes:*

- (1) Including 5,836,730 Shares directly held by him, 30,136,710 options granted under the ESOP and RSUs representing 11,990,050 Shares upon vesting granted under the RSU Scheme.
- (2) Including 2,528,250 options granted under the ESOP and RSUs representing 1,353,690 Shares upon vesting granted under the RSU Scheme.

Save as disclosed above, as of December 31, 2020, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of Directors

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

As of December 31, 2020, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in the Shares or underlying Shares of the Company

Name of shareholders	Nature of interest	Total number of Shares/ underlying shares	Approximate percentage in shareholding
6 Dimensions Capital (Note 1)	Beneficial interest	123,975,000	20.97%
6 Dimensions Affiliates (Note 1)	Beneficial interest	6,525,000	1.10%
6 Dimensions Capital GP, LLC (Note 1)	Interest in controlled corporation	130,500,000	22.08%
Suzhou Frontline II (Note 2)	Beneficial interest	91,350,000	15.45%
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業 (有限合夥)) (Note 2)	Interest in controlled corporation	91,350,000	15.45%
Suzhou 6 Dimensions (Note 2)	Beneficial interest	39,150,000	6.62%
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業 (有限合夥)) (Note 2)	Interest in controlled corporation	39,150,000	6.62%
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) (Note 2)	Interest in controlled corporation	130,500,000	22.08%
Ziqing CHEN (陳梓卿) (Note 2)	Interest in controlled corporation	130,500,000	22.08%
Summer Iris Limited (Note 3)	Beneficial interest	78,214,230	13.23%
Boyu Capital Fund IV, L.P. (Note 3)	Interest in controlled corporation	78,214,230	13.23%
Boyu Capital General Partner IV, Ltd. (Note 3)	Interest in controlled corporation	78,214,230	13.23%
Boyu Capital Group Holdings Ltd. (Note 3) (Note 4)	Interest in controlled corporation	80,856,730	13.68%
TLS Beta Pte. Ltd. (Note 5)	Beneficial interest	54,169,400	9.16%
Temasek Life Sciences Private Limited (Note 5)	Interest in controlled corporation	54,169,400	9.16%
Fullerton Management Pte Ltd (Note 5)	Interest in controlled corporation	54,169,400	9.16%
Temasek Holdings (Private) Limited (Note 5)	Interest in controlled corporation	54,169,400	9.16%

## Report of Directors

### Notes:

- (1) For the purpose of the SFO, 6 Dimensions Capital GP, LLC, as the general partner of each of 6 Dimensions Capital and 6 Dimensions Affiliates, is deemed to have an interest in the Shares held by each of 6 Dimensions Capital and 6 Dimensions Affiliates.
- (2) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is the general partner of Suzhou Frontline II. Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is the general partner of Suzhou 6 Dimensions. Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) is the general partner of each of Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) and Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)), and is wholly held by Ziqing CHEN (陳梓卿). Ziqing CHEN (陳梓卿) is the father-in-law of Dr. Lian Yong CHEN, the Chairman and executive Director of our Company.

For the purpose of the SFO, (i) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou Frontline II; (ii) Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou 6 Dimensions; and (iii) Ziqing CHEN (陳梓卿) and Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) are deemed to have an interest in the Shares held by each of Suzhou Frontline II and Suzhou 6 Dimensions.

- (3) For the purpose of the SFO, each of Boyu Capital Fund IV, L.P. (as the sole shareholder of Summer Iris Limited), Boyu Capital General Partner IV, Ltd. (as the general partner of Boyu Capital Fund IV, L.P.) and Boyu Capital Group Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner IV, Ltd.) is deemed to have an interest in the 78,214,230 Shares held by Summer Iris Limited.
- (4) For the purpose of the SFO, Boyu Capital Group Holdings Ltd. is deemed to have an interest in the 2,642,500 Shares held by Boyu Capital Opportunities Master Fund, as Boyu Capital Opportunities Master Fund is managed by Boyu Capital Investment Management Limited, which in turn is ultimately controlled by Boyu Capital Group Holdings Ltd.
- (5) TLS Beta Pte. Ltd. is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 54,169,400 Shares held by TLS Beta Pte. Ltd.

Save as disclosed above, as of December 31, 2020, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## EMPLOYEE STOCK OPTION PLAN

The ESOP was adopted by the Company dated May 23, 2018 and amended from time to time. The purpose of the ESOP is to recognize the contributions of the Directors and employees and to incentivize them to further promote the development of the Group by providing a means through which the Company may grant options to attract, motivate, retain and reward certain eligible employees. Subject to the terms of the ESOP, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the ESOP may be exercised. Further details of the ESOP are set out in the Prospectus and Note 25 to the consolidated financial statements.

The maximum number of Shares in respect of which options may be granted under this plan shall not, subject to reorganization of capital structuring and other corporate events provisions under the plan, exceed 60,328,890 Shares in the aggregate.

The ESOP became valid and effective for a period of 10 years commencing on the adoption date after which period no further options will be granted.



## Report of Directors

### Principal Terms of the ESOP

Below is a summary of the terms of the ESOP:

#### (a) Duration

Subject to the termination provisions under the Employee Stock Option Plan, the plan shall be valid and effective for the period of ten years commencing on the adoption date after which period no further options will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The Company will not grant options under the Employee Stock Option Plan after the Listing.

#### (b) Administration

This plan shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board may delegate any of its powers, authorities and discretions in relation to the plan to any committee, and any such delegation may be made on such terms and subject to such conditions as the Board may think fit and the Board may at any time remove any person so appointed and may annul or vary any such delegation.

#### (c) Offer Letter

Any such options will be granted on substantially the form of offer letter most recently approved for use by the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an officer who is acting solely in the capacity of an officer to determine the fair market value of the Shares.

#### (d) Offer and Grant of Options

On and subject to the terms of this plan, the Board shall be entitled to make an offer to any eligible employee as the Board may in its absolute discretion select to take up options in respect of such number of Shares as the Board may determine at the strike price. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by the Company, any subsidiary, the grantee or any group of employees) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of this plan. A grantee is not required to pay for the grant of any option.

#### (e) Subscription Price and Vesting Schedule

The subscription price shall be approved by the Board and shall be set out in the offer letter. Unless otherwise approved by the Board and set forth in an offer letter, the vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the commencement date and, thereafter, quarterly vesting of equal instalments over the remaining 16 quarters.

## Report of Directors

### (f) Exercise of Options

Unless otherwise approved by the Board, an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do, except pursuant to repurchase provisions under the plan. Notwithstanding the foregoing, the Board may permit a grantee to transfer a granted option in a manner that is not prohibited by applicable tax and securities laws. Except as provided in an offer letter, any option shall become exercisable upon vesting.

### (g) Maximum Number of Shares

- (i) The maximum number of Shares in respect of which options may be granted under this plan shall not, subject to reorganisation of capital structure and other corporate events provisions under the plan, exceed 60,328,890 Shares (as adjusted after the Share Subdivision) in the aggregate.
- (ii) No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised, and, issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent of the aggregate number of Shares for the time being issued and issuable under this plan.
- (iii) The maximum number of Shares referred to in paragraphs (i) and (ii) will be adjusted, in such manner as an independent financial adviser or the auditors (acting as experts and not as arbitrators) shall confirm to the Board in writing, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever.

### (h) Reorganization of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, including but not limited to by way of capitalization of profits or reserves, rights issue, consolidation, sub-division and reduction of the share capital of the Company, such corresponding alterations (if any) shall be made to (i) the number or nominal amount of Shares subject to the option so far as unexercised; (ii) the subscription price; or (iii) any combination thereof, as an independent financial adviser or the auditors shall confirm to the Board in writing, either generally or as regard any particular grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value.

## Report of Directors

### (i) Accelerated Vesting upon a Listing

In case of a listing, the vesting schedule of the unvested Option shall be accelerated.

### (j) Alteration of the Employee Stock Option Plan

The Employee Stock Option Plan may be altered in any respect by the prior approval of the Board, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

### Outstanding Share Options

Details of the options granted under the ESOP as of December 31, 2020 are as follows:

Name of grantee	Date of grant	Option period	Exercise price (US\$ per share)	Number of shares underlying outstanding options as of December 31, 2020	Number of shares exercised as of December 31, 2020	Number of options cancelled/ forfeited/ lapsed from the Listing Date to December 31, 2020 and the exercise price
<b>Directors</b>						
Mr. Ye LIU	Between August 28, 2018 to January 22, 2020	10 years commencing on the adoption date	Between 0.001 to 0.188	30,136,710	0	0
Mr. Zhaopeng HU	Between January 22, 2019 to January 22, 2020	10 years commencing on the adoption date	Between 0.01 to 0.188	2,528,250	0	0
<b>Other grantees in aggregate</b>		10 years commencing on the adoption date	Between 0.001 to 0.201	27,613,365	0	50,565 <sup>(1)</sup>
<b>Total</b>				60,278,325	0	50,565

*Note:*

- (1) As of December 31, 2020, 50,565 options granted under the ESOP were canceled due to the resignation of relevant employees from the Group during the Reporting Period.

## Report of Directors

### RSU SCHEME

The RSU Scheme was approved by the Shareholders on April 28, 2020. The purpose of the RSU Scheme is to recognize the contributions of the Directors and employees of the Group and to incentivize them to further promote the development of the Group.

Pursuant to the RSU Scheme, an aggregate of 24,000,000 underlying Shares were held by Coral Incentivization, representing an aggregate of 3.88% of the total issued share capital of the Company as of the date of this annual report.

As of December 31, 2020, the Company had granted RSUs representing 22,866,920 Shares upon vesting to 70 grantees under the RSU Scheme, in which RSUs representing 58,116 Shares have been canceled due to resignation of the relevant employees. Further details of the RSU Scheme are set out in the Prospectus and Note 25 to the consolidated financial statements.

Save as disclosed in the Prospectus, no Share has been granted under the RSU Scheme throughout the year ended December 31, 2020.

### EQUITY-LINKED AGREEMENTS

Save for the ESOP and RSU Scheme as set out in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Group, or existed during the year ended December 31, 2020.

### MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2020.

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

Save for the global offering as described in the Prospectus, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

### SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2020 and details of the Shares issued during the year ended December 31, 2020 are set out in Note 24 to the consolidated financial statements.

### DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2020.

## Report of Directors

### **BANK LOANS AND OTHER BORROWINGS**

As of December 31, 2020, the Group did not have any bank loans or other borrowings.

### **CONVERTIBLE BONDS**

As of the date of this annual report, the Company has not issued any convertible bonds.

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

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

### **DIVIDENDS**

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2020.

### **PERMITTED INDEMNITY**

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

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

### **DISTRIBUTABLE RESERVES**

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

As of December 31, 2020, the Company did not have any distributable reserves.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on page 72.

### **CHARITABLE DONATIONS**

During the year ended December 31, 2020, the Group did not make any charitable donations (2019: nil).

## Report of Directors

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the Consolidated Financial Statements.

### USE OF PROCEEDS FROM LISTING AND PLACING

The total net proceeds from our Listing (including the full exercise of the over-allotment option and after deducting the underwriting fees and related Listing expenses) amounted to approximately HK\$1,646.41 million. As of December 31, 2020, such net proceeds were utilized as follows:

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds (%)	Utilized net proceeds as of December 31, 2020 (HK\$ million)	Unutilized net proceeds as of December 31, 2020 (HK\$ million)	Expected time frame for unutilized amount (HK\$ million)
<b>For the Core Product</b>					
1. For funding the costs and expenses in connection with research and development personnel as well as the continuing research and development activities of OT-401	197.57	12.00%	23.20	174.37	by the end of 2025
2. For milestone payments of OT-401	49.39	3.00%	33.90	15.49	by the end of 2022
3. For the commercialization of OT-401	246.96	15.00%	–	246.96	by the end of 2023
<b>For the other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701</b>					
1. For the continuing research and development activities of other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701	562.42	34.16%	87.73	474.69	second half of 2023
2. For milestone payments of our other in-licensed drug candidates	96.15	5.84%	58.11	38.04	by the end of 2023
3. For the further expansion of our sales and marketing team	164.64	10.00%	–	164.64	by the end of 2023
<b>For the acquisition of 100% equity interest in Suzhou Xiaxiang as disclosed in our announcement dated September 11, 2020</b>	<b>164.64</b>	<b>10.00%</b>	<b>89.65</b>	<b>74.99</b>	<b>by the end of 2021</b>
<b>For our working capital and other general corporate purposes</b>	<b>164.64</b>	<b>10.00%</b>	<b>71.82</b>	<b>92.82</b>	<b>by the end of 2022</b>
<b>Total</b>	<b>1,646.41</b>	<b>100.00%</b>	<b>364.41</b>	<b>1,282.00</b>	<b>by the end of 2023</b>

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

As of December 31, 2020, all the unused net proceeds are held by the Company in short-term deposits with licensed banks or authorised financial institutions.

## Report of Directors

On January 15, 2021, an aggregate of 28,000,000 placing Shares have been successfully placed by Morgan Stanley & Co. International plc to not less than six placees at the placing price of HK\$28.35 per Share in accordance with the placing and subscription agreement, and the placing and subscription of Shares have been completed on January 15, 2021 and January 22, 2021, respectively. The net proceeds arising from the placing and subscription amount approximately HK\$781.7 million, which are expected to be utilized according to our announcement dated January 22, 2021 and the table below:

Use of proceeds from placing and subscription	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds (%)	Utilized net proceeds as of the date of this annual report (HK\$ million)	Unutilized net proceeds as of the date of this annual report (HK\$ million)	Expected time frame for unutilized amount (HK\$ million)
Expansion of the Company's commercial team in view of the proposed launch of its new therapies	234.51	30%	-	234.51	by the end of 2025
Funding of international multi-centre clinical trials of the Company's therapies	273.60	35%	-	273.60	by the end of 2023
OT-702 (Eylea biosimilar)	99.66	12.75%	-	99.66	second half of 2023
OT-301 (NCX-470)	50.03	6.40%	-	50.03	second half of 2023
OT-101 (low-concentration atropine)	43.78	5.60%	-	43.78	by the end of 2024
OT-1001 (Zerviate)	30.10	3.85%	-	30.10	by the end of 2022
OT-202 (TKI)	50.03	6.40%	-	50.03	by the end of 2023
Building and development of new manufacturing facilities and equipment of Suzhou Xiaxiang and active pharmaceutical ingredients manufacturing facilities	195.43	25%	-	195.43	by the end of 2022
Other general corporate purposes	78.17	10%	-	78.17	by the end of 2023
<b>Total</b>	<b>781.70</b>	<b>100%</b>	<b>-</b>	<b>781.70</b>	<b>by the end of 2023</b>

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

As of the date of this annual report, all the unused net subscription proceeds have been deposited into the bank account(s) maintained by our Group.

## Report of Directors

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 32 to the consolidated financial statements.

### EVENTS AFTER REPORTING PERIOD

On January 1, 2021, the Company completed the subscription of 3,010,722 shares of common stock of EyePoint, for a total consideration of approximately US\$15.7 million (equivalent to approximately RMB102.5 million). Upon completion of the subscription, the Company holds approximately 16.6% equity interest in EyePoint. For further details, please refer to the Company's announcement dated January 4, 2021.

On January 22, 2021, the Company completed the placing of existing Shares and top-up subscription of new Shares. The gross proceeds from the subscription amount to approximately HK\$793.8 million (equivalent to approximately RMB663.7 million). An aggregate of 28,000,000 Shares have been successfully placed by Morgan Stanley & Co. International plc to not less than six places at the placing price of HK\$28.35 per Share in accordance with the placing and subscription agreement. For details, please refer to the Company's announcements dated January 13, 2021 and January 22, 2021, respectively.

On March 19, 2021, Ms. Yumeng WANG was appointed as a non-executive Director in replace of Mr. Lefei SUN, who resigned from such position on the same date. For details, please refer to the Company's announcement dated March 19, 2021.

Saved as disclosed herein, there was no event which has occurred after the year ended December 31, 2020 and up to the date of this annual report that would cause material impact on the Group.

### AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on June 29, 2021. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.



## Report of Directors

The register of members of the Company will be closed from June 24, 2021 to June 29, 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 23, 2021.

### CORPORATE GOVERNANCE

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### TAX RELIEF AND EXEMPTION

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

### PRE-EMPTIVE RIGHTS

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

### AUDITORS

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

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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

By Order of the Board

**Ocumension Therapeutics**

**Dr. Lian Yong CHEN**

*Chairman and executive Director*

Shanghai, the People's Republic of China, March 19, 2021

# Independent Auditor's Report

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

## OPINION

We have audited the consolidated financial statements of Ocumension Therapeutics (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 70 to 148, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## Independent Auditor's Report

### KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<b><i>Cut-off of research and development expenses</i></b>	
<p>The Group incurred significant research and development ("R&amp;D") expenses of RMB355 million (2019: RMB99 million) (before capitalisation) for the year ended December 31, 2020. In addition, R&amp;D expenses of RMB35 million (2019: RMB29 million) were accrued as at December 31, 2020 as set out in note 21 to the consolidated financial statements. A large portion of these R&amp;D expenses were service fees paid to outsourced service providers including contract research organisations ("CRO") and clinical trial sites (collectively referred to as the "Outsourced Service Providers").</p> <p>We identified the cut-off of R&amp;D expenses as a key audit matter due to its significant amount and risk of not accruing R&amp;D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.</p>	<p>Our procedures in relation to the cut-off of the R&amp;D expenses included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of key controls of the management in assessing and recording of the accrual of the R&amp;D expense, with the Outsourced Service Providers;</li> <li>• For the service fees paid to CRO, reading the key terms set out in service agreements and evaluating the completion status with reference to the progress reported by relevant CRO's representatives, on a sample basis, to determine whether the service fees were properly recorded according to the progress and/or relevant milestones achieved;</li> <li>• For the service fees paid to clinical trial centres, testing the accrual of the R&amp;D costs, on a sample basis, with reference to the supporting clinical trial data and terms of services.</li> </ul>

## Independent Auditor's Report

### OTHER INFORMATION

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

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

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

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

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

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

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

## Independent Auditor's Report

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

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

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

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

## Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau, Wing Chi.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

19 March, 2021

## Consolidated Statement of Profit or Loss and Other Comprehensive Expense

For the year ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	13,096	190
Cost of sales		(1,724)	(10)
Gross profit		11,372	180
Other income	6	19,271	3,877
Other gains and losses	7	(1,789,480)	(1,170,347)
Selling and marketing expenses		(50,729)	(2,479)
Research and development expenses		(179,550)	(99,464)
Administrative expenses		(232,811)	(57,185)
Listing expenses		(41,127)	–
Other expenses		(1,753)	–
Finance costs	8	(59)	(63)
<b>Loss and total comprehensive expenses for the year</b>	9	<b>(2,264,866)</b>	(1,325,481)
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		(2,264,866)	(1,312,311)
– Non-controlling interests		–	(13,170)
		<b>(2,264,866)</b>	(1,325,481)
Loss per share			
– Basic and diluted (RMB)	13	(7)	(32)

# Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	14	66,085	779
Right-of-use assets	15	15,940	1,236
Intangible assets	16	201,652	25,000
Deposits and prepayments	17	212,481	689
		<b>496,158</b>	<b>27,704</b>
<b>Current assets</b>			
Inventories	18	3,027	259
Trade and other receivables	17	48,558	13,581
Other financial assets	19	–	497,653
Bank balances and cash	20	2,051,819	750,500
		<b>2,103,404</b>	<b>1,261,993</b>
<b>Current liabilities</b>			
Trade and other payables	21	89,998	38,176
Lease liabilities	22	1,927	1,259
		<b>91,925</b>	<b>39,435</b>
<b>Net Current Assets</b>		<b>2,011,479</b>	<b>1,222,558</b>
<b>Total Assets Less Current Liabilities</b>		<b>2,507,637</b>	<b>1,250,262</b>
<b>Non-current liabilities</b>			
Lease liabilities	22	5,309	–
Financial liabilities at fair value through profit or loss ("FVTPL")	23	–	3,318,750
		<b>5,309</b>	<b>3,318,750</b>
<b>Net Assets (Liabilities)</b>		<b>2,502,328</b>	<b>(2,068,488)</b>
<b>Capital and reserves</b>			
Share capital	24	41	4
Reserves		2,502,287	(2,068,492)
<b>Total Equity (Deficits)</b>		<b>2,502,328</b>	<b>(2,068,488)</b>

The consolidated financial statements on pages 70 to 148 were approved and authorised for issue by the board of directors on 19 March, 2021 and signed on its behalf by:

**Ye Liu**  
DIRECTOR

**Zhaopeng Hu**  
DIRECTOR



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000 (note 24)	Share premium RMB'000	Other reserves RMB'000 (note)	Treasury share held in the trust RMB'000	Share-based payment reserve RMB'000 (note 25)	Accumulated losses RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	
At January 1, 2019	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)	2	19	7,157	-	-	-	7,178	(7,157)	21
Issuance of Series A Preferred Shares by excising 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 25)	-	-	(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)
Loss and total comprehensive expense for the year	-	-	-	-	-	(2,264,866)	(2,264,866)	-	(2,264,866)
Issuance of treasury shares hold in the trust (note 24)	2	-	-	(2)	-	-	-	-	-
Vesting of restricted ordinary share	-	1,384	-	-	(1,384)	-	-	-	-
Automatic conversion of Preferred Shares upon initial public offering ("IPO") (note 24)	27	5,013,266	-	-	-	-	5,013,293	-	5,013,293
Issue of shares pursuant to IPO (note 24)	7	1,401,484	-	-	-	-	1,401,491	-	1,401,491
Issue of shares by exercise of over-allotment option (note 24)	1	209,647	-	-	-	-	209,648	-	209,648
Transaction costs attributable to issuance of new shares	-	(82,338)	-	-	-	-	(82,338)	-	(82,338)
Recognition of equity-settled share-based payment (note 25)	-	-	-	-	293,588	-	293,588	-	293,588
Forfeited equity-settled share-based payment (note 25)	-	-	-	-	(225)	225	-	-	-
At December 31, 2020	41	6,545,534	(586,571)	(2)	327,886	(3,784,560)	2,502,328	-	2,502,328

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

# Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	NOTE	2020 RMB'000	2019 RMB'000
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(2,264,866)	(1,325,481)
Adjustments for:			
Loss on changes in fair value of financial liabilities at FVTPL		1,694,543	1,196,248
Bank interest income		(14,251)	(3,877)
Depreciation of plant and equipment		1,714	250
Depreciation of right-of-use assets		1,465	958
Amortisation of intangible assets		1,473	–
Financial cost		59	63
Share-based payment expense		293,588	46,803
Gain from changes in fair value of other financial assets		(7,630)	(10,779)
Net unrealized foreign exchange loss (gain)		103,642	(13,133)
Operating cash flow before movements in working capital		(190,263)	(108,948)
Increase in trade and other receivables		(28,135)	(8,605)
Increase in inventories		(2,768)	(259)
Increase in trade and other payable		8,592	9,724
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(212,574)</b>	<b>(108,088)</b>
<b>INVESTING ACTIVITIES</b>			
Interest received from bank		2,127	–
Placement of restricted bank deposit		(17,500)	–
Placement of time deposit		–	(558,096)
Release of time deposits		564,674	–
Deposits for rental		(905)	(449)
Payment for property, plant and equipment improvement		(50,167)	(766)
Payment of intangible assets		(254,442)	–
Redemption of other financial assets		1,832,083	1,061,608
Placement of other financial assets		(1,326,800)	(1,482,214)
Prepayment for investment of EyePoint Pharmaceuticals, Inc. (the "EyePoint")		(102,472)	–
Payment for acquisition of Suzhou Xiaxiang Biomedicine Co, Ltd ("Suzhou Xiaxiang")	29	(16,902)	–
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>629,696</b>	<b>(979,917)</b>

## Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	<i>NOTE</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		–	21
Proceeds from issue of Series A Preferred Shares		–	72,703
Proceeds from issuance of Series B Preferred Shares		–	1,240,652
Issuance of shares pursuant to IPO		<b>1,401,491</b>	–
Issuance of shares by exercise of over-allotment option		<b>209,648</b>	–
Payment of transaction costs attributable to IPO		<b>(82,338)</b>	–
Acquisition of additional equity interest in Ocumension Therapeutics (Shanghai) Co., Ltd. ("Ocumension Shanghai")		–	(70,749)
Payments of lease liabilities		<b>(1,382)</b>	(939)
Interest paid		<b>(59)</b>	(63)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1,527,360</b>	1,241,625
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,944,482</b>	153,620
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>192,404</b>	25,629
Effects of exchange rate changes		<b>(102,567)</b>	13,155
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<i>20</i>	<b>2,034,319</b>	192,404

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 1. GENERAL INFORMATION

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

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

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

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

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s Financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

#### **Amendments to IFRSs that are mandatorily effective for the current year** (continued)

##### **Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material**

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

##### **Impacts on application of Amendments to IFRS 3 Definition of a Business**

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

#### 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 and the related Amendments <sup>1</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2 <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after June 1, 2020.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2021.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 Basis of preparation of consolidated financial statements (continued)

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 these consolidated financial statements 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 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized 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.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies

##### Basis of consolidation

The consolidated financial statements 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income (expense) from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income (expense) are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income (expense) 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, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in 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.

##### Asset acquisitions

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Revenue from contracts with customers (continued)

###### Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. 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 and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office equipment and apartments that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-valued assets. Lease payments on short-term leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Leasing (continued)

##### The Group as a lessee (continued)

##### Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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 statement of financial position.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under 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;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Leasing (continued)

##### The Group as a lessee (continued)

##### Lease liabilities (continued)

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 lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement 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, less any lease incentives receivables, 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Foreign currencies

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

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

##### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

##### 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 recognised 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) after deducting any amount already paid.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Share-based payment

##### Equity-settled share-based payment transactions

Share options/restricted ordinary shares/restricted share unit ("RSU") 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-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options and RSU are exercised or the restricted ordinary share 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-based payments 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 year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Taxation (continued)

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

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

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

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

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 IAS 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 results 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 taxes levied to the same taxable entity by the same taxation authority.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

An item of property, plant and 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 property, 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Intangible assets

##### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets not yet available for use that are acquired separately are not amortised but tested individually for impairment annually and carried at cost less any subsequent accumulated impairment losses.

##### Internally-generated intangible assets-research and development expenditure

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### **Impairment on property, plant and equipment, right-of-use assets and intangible assets**

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Impairment on property, plant and equipment, right-of-use assets and intangible assets (continued)

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

##### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

##### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligations.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking in to account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the presented value of those cash flows (where the effect for the time value of money is material).

##### 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 attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

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, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

##### Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the 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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

##### Impairment of financial assets subject to impairment assessment under IFRS 9

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



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

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

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

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

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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 the 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

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

##### (i) Significant increase in credit risk (continued)

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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

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

##### (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. 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

The Group 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial liabilities and equity

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities

All financial liabilities are subsequently measured at amortized 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 (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it 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 IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as 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. 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial liabilities and equity (continued)

##### 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 for preferred shares of the Company

Put options written by the Company to non-controlling shareholders for preferred shares of the Company 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 written 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 the 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial liabilities and equity (continued)

##### Foreign exchange gains and losses (continued)

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.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Critical judgement in applying accounting policies

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

#### Research and development expenses

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

#### Critical judgements in applying accounting policies (continued)

##### Research and development expenses (continued)

During the year ended December 31, 2020, development cost amounted to RMB176 million (2019: nil) has been capitalized and research and development cost amounted to RMB180 million (2019: RMB99 million) are expensed when incurred.

#### Key source of estimation uncertainty

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

#### Impairment assessment of capitalised development costs

Capitalised development costs are stated at cost less accumulated amortisation and impairment, if any. For intangible assets not yet available for use, the Group would assess the assets individually for impairment annually. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates, estimated average selling price or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at December 31, 2020, the carrying amounts of capitalized development costs is RMB176 million (2019: nil), details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 16.

### 5. REVENUE AND SEGMENT INFORMATION

#### (i) Disaggregation of revenue from contracts with customers

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

	2020 RMB'000	2019 RMB'000
<b>Timing of revenue recognition</b>		
<i>At a point in time</i>		
Sales of ophthalmic pharmaceutical products	9,093	190
Pharmaceutical products promotion services	4,003	–
	<b>13,096</b>	190



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 5. REVENUE AND SEGMENT INFORMATION (continued)

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

##### Sales of ophthalmic pharmaceutical products

For the sale of ophthalmic pharmaceutical products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location, i.e. when the products are delivered and titles have passed to customers upon receipt by customer. Following delivery, the customer has the primary responsibility when selling the goods and bears the risk of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 30 to 60 days upon delivery. Under the Group's standard contract terms, customers can only return or request refund if the goods delivered do not meet required quality standards. Therefore, the probability of significant reversal in revenue in relation to sales return in the future is remote.

##### Pharmaceutical products promotion services

For pharmaceutical products promotion services, the Group is an agent under the pharmaceutical products promotion services contracts as its performance obligation is to arrange for sales and delivery of pharmaceutical products supplied by another parties. In this regards, the Group does not control the products provided by another party before those goods sold and delivered to customers. Accordingly, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for sales and delivery of pharmaceutical products pursuant to the service contracts. The normal credit term is 30 days upon delivery. Payment for services is not due from the customer until the Group's customer has received settlements for its sales and therefore a contract asset is recognised at the point of time in which the services are performed. No further obligation is bear by the Group after the promotion services have been completed.

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

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

#### Segment information

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 5. REVENUE AND SEGMENT INFORMATION (continued)

#### Geographical information

All revenue from external customers is attributed to the Group and all non-current assets of the Group are located in the PRC.

#### Information about major customers

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A (note i)	<b>4,003</b>	N/A
Customer B (note ii)	<b>3,839</b>	N/A
Customer C (note ii)	<b>3,275</b>	190

Notes:

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

### 6. OTHER INCOME

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	<b>14,251</b>	3,877
Government grant income (note)	<b>5,020</b>	–
	<b>19,271</b>	3,877

Note: Government grants include subsidies from the PRC government which are specifically for the incentive and other subsidies for IPO, employment support and training, which are recognised upon compliance with attached conditions.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 7. OTHER GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net foreign exchange (loss) gain	(102,567)	15,122
Gain from changes in fair value of other financial assets		
– realised	7,630	10,181
– unrealised	–	598
Fair value loss of financial liabilities at FVTPL (note 23)	(1,694,543)	(1,196,248)
	<b>(1,789,480)</b>	<b>(1,170,347)</b>

### 8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expense on lease liabilities	59	63

### 9. LOSS BEFORE TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (note 11)	171,176	33,242
Other Staff costs:		
– salaries and other benefits	48,187	12,494
– discretionary bonus (note)	10,482	2,298
– retirement benefit scheme contributions	161	705
– share-based payments	129,641	18,374
Total staff costs	<b>188,471</b>	<b>33,871</b>
Depreciation of property, plant and equipment	1,714	250
Depreciation of intangible assets	1,473	–
Depreciation of right-of-use assets	1,465	958
Cost of inventory recognised as an expense	1,724	10
Write-down of inventories	117	–
Auditor's remuneration:		
– audit-related service	2,550	288
– IPO-related service	5,683	–
– non-audit related service	1,690	–
	<b>9,923</b>	<b>288</b>

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 10. INCOME TAX EXPENSE

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated profits, Ocumension (Hong Kong) Limited ("Ocumension Hong Kong") did not have tax assessable profit for both years.

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% for both years.

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss before tax	<b>(2,264,866)</b>	(1,325,481)
Tax charge at PRC EIT rated 25%	<b>(566,217)</b>	(331,370)
Tax effect of expense not deductible for tax purpose	<b>541,857</b>	316,845
Tax effect of tax losses not recognised	<b>23,600</b>	14,072
Tax effect of deductible temporary differences not recognised	<b>760</b>	453
Tax charge for the year	-	-

At December 31, 2020, the Group has unrecognised deductible temporary differences of RMB4,936,000 (2019: RMB1,896,000). 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, 2020, the Group has unrecognised tax losses of approximately RMB154,593,000 (2019: RMB60,193,000). No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 10. INCOME TAX EXPENSE (continued)

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

	2020 RMB'000	2019 RMB'000
2023	3,905	3,905
2024	56,288	56,288
2025	94,400	–
	<b>154,593</b>	<b>60,193</b>

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

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

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
<b>For the year ended December 31, 2020</b>					
<i>Executive directors:</i>					
Dr. Lian Yong Chen (Chairman of the Board) (note i)	–	–	–	–	–
Mr. Ye Liu (Chief Executive Officer) (note ii)	–	3,000	–	2,375	5,375
Dr. Zhaopeng Hu (note iii)	–	1,139	–	181	1,320
Dr. Wei Li (note i)	–	–	–	–	–
<i>Non-executive directors:</i>					
Mr. Yanling Cao (note iv)	–	–	–	–	–
Mr. Lefei Sun (note iv)	–	–	–	–	–
Ms. Ye Shen (note iv)	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Mr. Ting Yuk Anthony Wu (note v)	178	–	–	–	178
Mr. Lianming He (note v)	178	–	–	–	178
Mr. Yiran Huang (note v)	178	–	–	–	178
	<b>534</b>	<b>4,139</b>	<b>–</b>	<b>2,556</b>	<b>7,229</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended December 31, 2019</b>					
<i>Executive director:</i>					
Mr. Ye Liu (Chief Executive Officer) (note ii)	–	3,649	–	1,164	4,813
<i>Non-executive directors:</i>					
Dr. Lian Yong Chen (note i)	–	–	–	–	–
Dr. Wei Li (note i)	–	–	–	–	–
Mr. Qingsheng Zhu (note iv)	–	–	–	–	–
Mr. Chungsau Yin (note iv)	–	–	–	–	–
Mr. Yanling Cao (note iv)	–	–	–	–	–
Ms. Ye Shen (note iv)	–	–	–	–	–
	–	3,649	–	1,164	4,813

*Notes:*

- Dr. Lian Yong Chen and Dr. Wei Li were appointed as non-executive directors of the Company in 2018 and re-designated as executive directors of the Company on April 28, 2020. Dr. Lian Yong Chen was also appointed as the Chairman of the Board on April 28, 2020.
- Mr. Ye Liu was granted with share options, restricted ordinary shares and RSU in respect of his service to the Group. During the year ended December 31, 2020, RMB154,657,000 (2019: RMB28,429,000) was recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive expenses. Details are set out in notes 23 and 25.
- Dr. Zhaopeng Hu was appointed as executive director of the Company on April 24, 2020. During the year ended December 31, 2020, RMB9,290,000 (2019: Nil) was recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive expenses.
- Mr. Qingsheng Zhu and Mr. Chungsau Yin were resigned as non-executive directors of the Company on June 18, 2019. Mr. Yanling Cao and Ms. Ye Shen were appointed as non-executive directors on June 18, 2019 and Ms. Ye Shen resigned on April 24, 2020. Mr. Lefei Sun was appointed as non-executive directors of the Company on April 24, 2020.
- Mr. Ting Yuk Anthony Wu, Mr. Lianming He and Mr. Yiran Huang were appointed as independent non-executive directors of the Company on June 23, 2020.

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

#### Five highest paid employees

The five highest paid individuals of the Group during the year included two directors (2019: one director) of the Company, details of whose remuneration are set out above. Details of the remunerations for the years of the remaining three (2019: four) highest paid in employees who are neither a director nor chief executive of the Company are as follow:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and other benefits	3,256	5,207
Discretionary bonus (note)	1,029	1,129
Retirement benefit scheme contributions	8	148
Share-based payment	59,382	15,339
	<b>63,675</b>	<b>21,823</b>

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

The emoluments of these employees (excluding two directors (2019: one director)) are within the following bands:

	Number of individuals	
	2020 <i>No. of employees</i>	2019 <i>No. of employees</i>
Nil to Hong Kong Dollars ("HK\$") 1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
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
HK\$11,500,001 to HK\$12,000,000	1	–
HK\$29,000,001 to HK\$29,500,000	1	–
HK\$30,000,001 to HK\$30,500,000	1	–
	<b>3</b>	<b>4</b>

### 12. DIVIDENDS

No dividend was paid or declared during the year ended December 31, 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 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:

	2020	2019
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB' 000)	<b>(2,264,866)</b>	(1,312,311)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	<b>302,348,710</b>	41,024,255

The computation of basic and diluted loss per share for the reporting period excluded the unvested restricted ordinary shares of the Company (note 25) and the shares held by Coral Inventivization Limited ("Coral Inventivization") for unexercised awarded restricted share units (note 24).

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both years are calculated based on the assumption that the sub-division of shares as disclosed in note 24 had been effected since January 1, 2019.

The computation of diluted loss per share for December 31, 2020 did not assume the exercise of share options and restricted share units, over-allotment option before exercise and the vesting of restricted ordinary shares since their assumed conversion or exercise would result in a decrease in loss per share.

The computation of diluted loss per share for December 31, 2019 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.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in process <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>				
At January 1, 2019	179	99	–	278
Additions	305	461	–	766
At December 31, 2019	484	560	–	1,044
Additions	1,710	6,284	50,955	58,949
Acquired on acquisition of Suzhou Xiaxiang (note 29)	–	–	8,071	8,071
At December 31, 2020	<b>2,194</b>	<b>6,844</b>	<b>59,026</b>	<b>68,064</b>
<b>DEPRECIATION</b>				
At January 1, 2019	7	8	–	15
Provided for the year	185	65	–	250
At December 31, 2019	192	73	–	265
Provided for the year	988	726	–	1,714
At December 31, 2020	<b>1,180</b>	<b>799</b>	<b>–</b>	<b>1,979</b>
<b>CARRYING VALUES</b>				
At December 31, 2020	<b>1,014</b>	<b>6,045</b>	<b>59,026</b>	<b>66,085</b>
At December 31, 2019	292	487	–	779

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

Leasehold improvement	Over the shorter of the terms of the leases or 10%
Furniture, fixtures and equipment	10-33%

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 15. RIGHT-OF-USE ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Carrying amount</b>		
Vehicles	10	138
Properties	7,206	1,098
Leasehold lands	8,724	–
	<b>15,940</b>	1,236
<b>Depreciation for the year</b>		
Vehicles	128	117
Properties	1,251	841
Leasehold lands	86	–
	<b>1,465</b>	958
Expense relating to short-term and low-value assets leases	1,542	394
Total cash outflow for leases	2,983	1,396
Additions to right-of-use assets	16,169	1,071

*Note:* Included in additions to right-of-use assets amounted of RMB8,810,000 are the acquisition of a leasehold land in the PRC through acquisition of Suzhou Xiaxiang (note 29).

For both years, the Group leases various properties, office equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 1 month to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the 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, 2020 and 2019, the outstanding lease commitment relating to these office equipment and departments are RMB422,000 and RMB1,064,000 respectively.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 16. INTANGIBLE ASSETS

	License right <i>RMB'000</i> <i>(note a)</i>	Software license <i>RMB'000</i>	Development cost <i>RMB'000</i> <i>(note b)</i>	Total <i>RMB'000</i>
<b>COST</b>				
At January 1, 2019	–	–	–	–
Additions	25,000	–	–	25,000
At December 31, 2019	25,000	–	–	25,000
Additions	–	2,249	175,876	178,125
At December 31, 2020	<b>25,000</b>	<b>2,249</b>	<b>175,876</b>	<b>203,125</b>
<b>AMORTISATION</b>				
At January 1 and December 31, 2019	–	–	–	–
Charge for the year	1,389	84	–	1,473
At December 31, 2020	<b>1,389</b>	<b>84</b>	–	<b>1,473</b>
<b>CARRYING VALUES</b>				
At December 31, 2020	<b>23,611</b>	<b>2,165</b>	<b>175,876</b>	<b>201,652</b>
At December 31, 2019	25,000	–	–	25,000

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

License right	18 years
Software license	5 years
Development cost	18 years

*Notes:*

- (a) In December 2019, the Group acquired a drug register right, which was approved by the National Medical Products Administration, from an independent third party at a consideration of RMB25,000,000.
- (b) The Group incurred costs in developing of its products and certain of the payments has been recognised as intangible assets during this year as the relevant pipelines have met the capitalization criteria in accordance with IAS 38 *Intangible Assets*.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 16. INTANGIBLE ASSETS (continued)

Intangible assets - development cost are intangible assets that are not yet available for use and therefore have not started to amortize. Each unit of intangible assets – development costs is tested for impairment annually on individual base. The recoverable amount has been determined based on a value in use calculations. The value in use calculations utilized cash flow projections which are based on cash flow forecasts adopted by management covering a three-year period, and with a pre-tax discount rate of approximately 18.7% to 19.4% at December 31, 2020. The remaining forecast cash flows beyond the initial three-year period are extrapolated for an additional five-year period using growth rate of approximately 16.6% to 21.4%, a growth rate that is in line with industry average, and then at steady 3.0% growth rate for remaining expected useful life which approximate the long-term inflation rate. The cash flow forecasts include gross revenue and cost of revenue and are based on the relevant unit's past performance and management expectations for the market development.

As at December 31, 2020, the management determined that there is no impairment of development cost. Management believes that any reasonably possible change in any of the key assumptions would not cause the recoverable amounts of development cost to be lower than their carrying amounts of development cost.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 17. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivable	7,810	96
Prepayments for research and development services (note a)	108,593	7,365
Prepayments for investment in EyePoint (note b)	102,472	–
Prepayment for acquisition of property, plant and equipment	19,059	–
Utility and rental deposits	2,003	1,098
Interest receivable	309	3,877
Value added tax recoverable	11,937	1,739
Withholding tax receivables from employees (note c)	1,803	–
Government subsidy receivables (note d)	5,000	–
Others	2,053	95
	<b>261,039</b>	14,270
Current asset	<b>48,558</b>	13,581
Non-current asset	<b>212,481</b>	689
	<b>261,039</b>	14,270

*Notes:*

- a) The Company made prepayments for its research and development services carried out by collaborators or contracted research organizations. Certain of the payments will be recognized as intangible assets in the future periods as the relevant pipelines have met the capitalization criteria in accordance with IAS 38 *Intangible Assets* as at the reporting period ended and classified as non-current assets.
- b) On December 31, 2020 (US time) (which is January 1, 2021 China time), the Company executed an agreement to subscribe, 3,010,722 EyePoint (NASDAQ: EYPT) shares for a total consideration of approximately US\$15,704,829 (equivalent to approximately RMB102,472,000.) The Company hold approximately 16.6% of the enlarged total outstanding EyePoint shares. For details of investment in EyePoint, please refer to the Group announcement on January 4, 2021. As of December 31, 2020, the Company made prepayments for the aforesaid investment.
- c) During the year ended December 31, 2020, the directors of the Company approved the acceleration of the share options for the employees and therefore, receivables of the withholding tax paid on behalf of them recognised. As at December 31, 2020, the balances represents outstanding withholding tax receivable amount due from employees. The amounts are unsecured, non-interest bearing and repayable on demand.
- d) The government subsidy receivables represent the balance receivable from the PRC government for their incentive for IPO. The amount is recognized since the fulfillment with the attached conditions.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 17. TRADE AND OTHER RECEIVABLES (continued)

As at January 1, 2019, trade receivables from contracts with customers amounted to nil.

The Group allows an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of trade receivable, presented based on invoice date:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	<b>7,810</b>	96

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB358,000 (2019: nil) which are past due but within 90 days as at reporting date. The Group maintains adequate credit policy to access the credit quality of the customers and closely monitored to minimise any credit risk associated with the trade debtors. The Group's customers have good repayment history during the current year, and strong financial capacity as they are the subsidiaries of large listed corporate in PRC.

Details of impairment assessment of trade receivables and other receivables are set out in note 31.

### 18. INVENTORIES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Finished goods	<b>3,027</b>	259

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 19. OTHER FINANCIAL ASSETS

The other financial assets measured at FVTPL of the Group as at December 31, 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 expected return rate stated in the contract as at December 31, 2019 ranged from 1.15% to 3.48% per annum. All of the Financial Products have been redeemed during the year ended December 31, 2020.

Details of fair value measurement are set out in note 31.

### 20. BANK BALANCES AND CASH

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash at bank	1,149,256	192,404
Term deposits	902,563	558,096
	<b>2,051,819</b>	750,500
Analysed as:		
Cash and cash equivalents	2,034,319	192,404
Term deposits with maturity date between three months to one year	–	558,096
Pledged bank deposits (note)	17,500	–
	<b>2,051,819</b>	750,500

*Note:* Pledged bank deposits represented deposits pledged to a bank to secure the letter of credit granted to the Group and classified as current asset.

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

	2020	2019
Cash at bank	nil to 2.025%	nil to 2.5%
Term deposits	0.12% to 2.15%	3.3%

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 21. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	9,343	3,940
Payables and accruals for		
– intangible asset, and R&D expenses (note)	35,373	29,138
– legal and professional fee	3,832	309
– marketing expenses	2,533	–
– construction payable	27,841	–
– others	2,777	495
Other tax payables	1,439	200
Payroll payables	6,860	4,094
	<b>89,998</b>	<b>38,176</b>

Note: Amount included service fees paid to Outsourced Service Providers.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-30 days	9,281	3,940
31-60 days	62	–
	<b>9,343</b>	<b>3,940</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 22. LEASE LIABILITIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Lease liabilities payable:</b>		
Within one year	<b>1,927</b>	1,259
Within a period of more than one year but not exceeding two years	<b>1,837</b>	–
Within a period of more than two years but not exceeding five years	<b>3,472</b>	–
	<b>7,236</b>	1,259
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(1,927)</b>	(1,259)
	<b>5,309</b>	–

The weighted average incremental borrowing rates applied to lease liabilities amounted to 4.7% during the years ended December 31, 2020 and 2019.

### 23. FINANCIAL LIABILITIES AT FVTPL

#### Preferred Shares

On May 23, 2018 and February 21, 2019, the Company entered into share purchase agreements with the 6 Dimensions Affiliates Fund, L.P. ("6 Dimensions Affiliates") and 6 Dimensions Capital, L.P. ("6 Dimensions Capital") (6 Dimensions Affiliates and 6 Dimensions Capitals are also shareholders of the Company and are collectively referred to as 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 those 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 and November 22, 2018 (the date of issuance). For those 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 or loss on February 21, 2019 (the date of issuance).

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.

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 23. FINANCIAL LIABILITIES AT FVTPL (continued)

#### Preferred Shares (continued)

##### (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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 23. FINANCIAL LIABILITIES AT FVTPL (continued)

#### Preferred Shares (continued)

##### (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 shareholders 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 shareholders 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 shareholders' 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 Option

On July 12, 2018, Ocumension Shanghai issued 44.94% equity interests to the Onshore Investors for the total consideration of US\$10,000,000 (equivalent to RMB68,285,000). As part of 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 Shanghai to Ocumension Hong Kong at the consideration by reference to the valuation of Ocumension Shanghai determined by the Group and the Onshore Investors.

On September 18, 2019, the Onshore Investors exercised the Share Purchase Option and entered into an equity transfer agreement with Ocumension Hong Kong, pursuant to which, the Onshore Investors transferred all of their equity interests in Ocumension Shanghai 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 Shanghai to Ocumension Hong Kong, Ocumension Shanghai became an indirect wholly-owned subsidiary of the Company.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**23. FINANCIAL LIABILITIES AT FVTPL** (continued)**Share Purchase Option** (continued)

The two series of preferred shares and Share Purchase Option were issued as follows:

	Date	Number of investors	Total number of shares subscribed (cancelled)	Subscription price per share	Total consideration <i>US\$'000</i>	Equivalent to RMB <i>RMB'000</i>
<b>Offshore subscription</b>						
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	293	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
<b>Onshore subscription</b>						
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)
			–		–	(2,443)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 23. FINANCIAL LIABILITIES AT FVTPL (continued)

#### 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 Shanghai and therefore does not meet the definition of equity for the Company.

The Company has recognised the Share Purchase Option for the Preferred Shares of the Company 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".

Prior to the conversion into ordinary shares of the Company, 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 an OPM model to determine the fair value are as follows:

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**23. FINANCIAL LIABILITIES AT FVTPL** (continued)**Presentation and Classification** (continued)

	Preferred Shares <i>RMB'000</i>	Gross obligation from Share Purchase Option written <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2019	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
Changes in fair value (note)	1,694,543	–	1,694,543
Automatic conversion of Preferred Share upon IPO	(5,013,293)	–	(5,013,293)
At December 31, 2020	–	–	–

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

As at July 10, 2020, all Preferred Shares were automatically converted into ordinary shares and the fair value of the Preferred Shares were measured at the IPO issue price of HK\$14.66.

Changes in fair value of the other financial liabilities were recorded in “loss from changes in fair value of other financial liabilities measured at FVTPL”. Management considered that fair value change in the other financial liabilities that are attributable to changes of credit risk of this liability is not significant.

**24. SHARE CAPITAL**

	Number of shares	Share capital <i>USD'000</i>
<b>Ordinary shares</b>		
Ordinary shares of US\$1 each		
<b>Authorised</b>		
At January 1, 2019	480,000,000	48
Reclassification and re-designation on issuance of Series A Preferred Shares (note i)	(293,303)	–*
Reclassification and re-designation on issuance of Series B Preferred Shares (note i)	(17,598,204)	(2)
At December 31, 2019	462,108,493	46
Sub-division (note iv)	4,158,976,437	–
Automatic conversion of Preferred Shares upon IPO	378,915,070	4
At December 31, 2020	<b>5,000,000,000</b>	<b>50</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 24. SHARE CAPITAL (continued)

	Number of shares	Amount <i>USD'000</i>	Equivalent Amount of ordinary shares <i>RMB'000</i>
<b>Issued and fully paid</b>			
At January 1, 2019	3,590,555	—*	2
Issuance of ordinary shares by exercise Share Purchase Option for ordinary shares (note ii)	3,050,000	—*	2
At December 31, 2019	6,640,555	—*	4
Issuance of ordinary shares (note iii)	2,400,000	—*	2
Automatic conversion of Preferred Shares upon IPO Sub-division (note iv)	378,915,070 81,364,995	4 —	27 —
Issuance of shares on initial public offering (note v)	105,930,000	1	7
Issuance of shares on exercise of over-allotment option (note v)	15,889,500	—*	1
<b>At December 31, 2020</b>	<b>591,140,120</b>	<b>5</b>	<b>41</b>

\* Represented the relevant amount less than HK\$1,000.

*Notes:*

- (i) 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 and 17,598,204 shares in its authorized capital into Series B Preferred Shares. Details of preferred shares are set out in note 23.
- (ii) On September 18, 2019, the Onshore Investors exercised Share Purchase Option to subscribe 3,050,000 ordinary shares of the Company at US\$0.01 per share at a total consideration of RMB21,000.
- (iii) On April 30, 2020, the Company issued 2,400,000 ordinary shares to Coral Incentivization at par value of US\$0.0001 on trust for the benefits of selected employees of the Company pursuant to the terms of the pre-IPO RSU Scheme.
- (iv) Pursuant to written resolutions of the Company's shareholders passed on June 23, 2020, each ordinary shares and preferred shares in the Company's issued and unissued share capital with par value of US\$0.0001 each have been subdivided into 10 shares of the corresponding class with par value of US\$0.00001 each (the "Sub-division").
- (v) In connection with the Company's IPO, 105,930,000 and 15,889,500 ordinary shares of US\$0.00001 par value each were issued at HK\$14.66 per share for a total gross cash consideration of HK\$1,552,934,000 and HK\$232,940,000 (equivalent to RMB1,401,491,000 and RMB209,648,000), on July 10, 2020 and August 5, 2020, respectively.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS

Save for the Series A Preferred Shares granted to a director of the Company and ordinary shares granted to advisors, as disclosed in notes 23 and 24 respectively, the Group has the following share-based payment.

#### (a) 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 (at US\$0.001 per share).

The Company shall have the right to repurchase the unvested 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 and accelerated the vesting schedule upon completion of IPO.

The total expenses recognised in the consolidated profit or loss and other comprehensive expenses for the restricted ordinary shares granted are approximately RMB965,000 for the year ended December 31, 2020 (2019: RMB1,529,000).

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 weighted average grant date 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 years:

	Number of unvested restricted shares	Weighted average granted date fair value <i>RMB</i>
<b>Restricted ordinary shares</b>		
At January 1, 2019	408,333	8.47
Vested	(108,889)	8.47
At December 31, 2019	299,444	8.47
Vested prior to the Sub-division	(54,444)	(8.47)
Sub-division	2,205,000	N/A
Total after the Sub-division	2,450,000	0.847
Vested after the Sub-division	(1,088,880)	(0.847)
At December 31, 2020	<b>1,361,120</b>	<b>0.847</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### (b) Pre-IPO share option scheme of the Company

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

The directors of the Company approved up to 2,396,480 shares prior to the Sub-division of the Company 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 directors of the Company to increase the capacity of the Option Scheme to at a maximum of 6,032,889 shares prior to the Sub-division. The options granted to one director and certain employees of the Group in 2020 under the Option Scheme generally vest over 60-months with a cliff vesting of 20% on the first trading date after the expiry of one year after the commencement date of the director and staff employment and a vesting of 5 percent (5%) of each quarter for the following sixteen quarters and the vesting schedule shall be accelerated upon completion of IPO. The exercisable period of the option will be expired with the later of the second anniversary of the IPO of the Group or three months after option is fully vested.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### (b) Pre-IPO share option scheme of the Company (continued)

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

	Number of share options			
	Directors of the Company		Employees	
	2020	2019	2020	2019
At the beginning of the period	<b>1,284,224</b>	871,110	<b>1,112,255</b>	290,370
Granted prior to the Sub-division	<b>1,729,447</b>	413,114	<b>1,906,963</b>	821,885
Reclassification (note)	<b>252,825</b>	–	<b>(252,825)</b>	–
Sub-division	<b>29,398,464</b>	–	<b>24,897,537</b>	–
Forfeited after the Sub-division	–	–	<b>(101,130)</b>	–
<b>Total at the end of the year</b>	<b>32,664,960</b>	1,284,224	<b>27,562,800</b>	1,112,255

*Note:* On April 24, 2020, an employee was appointed as executive director of the Company and 252,825 options granted under Option Scheme has been reclassified.

During the current year, the weighted average exercise price of share options granted prior to the Sub-division is US\$1.88 for the directors of the Company (2019: US\$1.88) and US\$1.88 for the employees (2019: US\$0.74), respectively.

As at December 31, 2020, total of 60,227,760 share options were outstanding (2019: 2,396,479 share options prior to the Sub-division), with the weighted average exercise price of US\$0.14 (2019: US\$0.58 prior to the Sub-division). Among them total of 29,786,000 share options were exercisable (2019: 605,358 share options prior to the Sub-division), with the weighted average exercise price of US\$0.13 (2019: US\$0.58 prior to the Sub-division).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### (b) Pre-IPO share option scheme of the Company (continued)

The fair value of the options granted was determined using the binominal option pricing model. The range of fair value of shares and corresponding inputs for the Pre-IPO share options (prior to the Sub-division) were as follows:

	2020	2019
Grant date fair value of shares	<b>US\$10.81-US\$11.48</b>	US\$6.18-US\$9.36
Exercise price	<b>US\$1.88</b>	US\$0.10-US\$1.88
Expected volatility	<b>66.9%-76.5%</b>	68.0%-72.7%
Expected life	<b>2.81 years-3.22 years</b>	4.80 years-6.36 years
Risk-free rate	<b>0.22%-1.53%</b>	1.40%-2.63%
Expected dividend yield	<b>nil</b>	nil
Fair value at grant date	<b>RMB227,978,000</b>	RMB61,261,000

The Company used the discounted cash flow and back-solve method to determine the underlying share value of the Company. The directors of the Company estimated the risk-free interest rate based on the yield of 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 RMB198,841,000 for the year ended December 31, 2020 (2019: RMB32,747,000) in relation to share options granted by the Company.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

On April 28, 2020, the Company adopted a RSU Scheme, under which, at the maximum of 2,400,000 shares (prior to the Sub-division) can be issued by the Company under the RSU Scheme. Up to December 31, 2020, the Company has granted 2,286,692 RSU (prior to the Sub-division) to certain directors of the Company and employees under the RSU Scheme. For all granted RSU, 20% of the shares are to be vested on the first anniversary of the vesting commencement date, and the remaining shares are to be vested with equal quarterly instalments over the following sixteen quarters.

The following table discloses movements of the Company’s RSU held by grantees for the current year:

	Number of RSUs held by	
	Directors of the Company	Employees
At the beginning of the year	–	–
Granted prior to the Sub-division	1,334,374	952,318
Sub-division	12,009,366	8,570,862
Forfeited after the Sub-division	–	(58,270)
<b>Total after the Sub-division at the end of the year</b>	<b>13,343,740</b>	<b>9,464,910</b>

The RSUs are granted on April 30, 2020 and June 15, 2020, with the weighted average exercise price of US\$1.89 (prior to the Sub-division). During the year ended December 31, 2020, 58,270 RSUs were forfeited, among them 10,150 RSUs forfeited after the vesting date which led RMB67,000 recognised in share-based payments reserve to be transferred to accumulated losses. As at December 31, 2020, total of 8,812,780 RSUs are vested but unexercised and 13,995,870 RSUs remained unvested.

#### Fair value of the Pre-IPO RSU granted

The fair value of the RSUs granted during the current year was determined by using the binomial option pricing model. Key assumptions are acquired to be determined by the directors of the Company with best estimate. The range of fair value of shares and corresponding inputs for the RSUs (prior to the sub-division) were as follows:

	June 15, 2020	April 30, 2020
Grant date fair value of shares	US\$11.48	US\$10.81
Exercise price	US\$1.88	US\$1.88-US\$2.01
Expected volatility	76.6%	76.6%
Expected life	10 years	10 years
Risk-free rate	0.72%	0.65%
Expected dividend yield	nil	nil
Fair value at grant date	RMB2,187,000	RMB148,831,000

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

##### Fair value of the Pre-IPO RSU granted (continued)

The Company used the discounted cash flow method to determine the underlying share value of the Company. The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the year from the valuation date to the expected liquidation date. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the RSUs. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB93,782,000 for the year ended December 31, 2020 in relation to the RSUs granted by the Company (2019: nil).

### 26. RETIREMENT BENEFITS PLANS

The employees of the Group’s subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB161,000 (2019: RMB705,000) for the year ended December 31, 2020.

### 27. CAPITAL COMMITMENTS

	<b>2020</b> <b>RMB’000</b>	2019 RMB’000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	<b>197,471</b>	–

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 28. RELATED PARTY DISCLOSURES

#### Compensation of key management personnel

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Short term benefits	8,693	8,505
Discretionary bonus (note)	4,359	2,334
Post-employment benefits	4	99
Share-based payments	214,456	39,665
	<b>227,512</b>	50,603

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

### 29. ACQUISITION OF SUZHOU XIAXIANG

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") on October 18, 2019, the Group committed to acquire 100% equity interests of 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 IPO of the Company or within three years of the commencement of Suzhou Xiaxiang's operation, whichever is earlier, on the condition that relevant leasehold lands 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.

The Group completed the acquisition on September 11, 2020 and acquired the entire interest in Suzhou Xiaxiang at a cash consideration of RMB36,005,000. Suzhou Xiaxiang holds a production facility construction located in Suzhou, the PRC, to be used for production after the construction completed. The acquisition has been accounted for as acquisition of assets as it does not operate any business prior to the date of acquisition.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 29. ACQUISITION OF SUZHOU XIAXIANG (continued)

#### Assets and liabilities recognised at the date of acquisition

	<i><b>RMB'000</b></i>
Bank balances and cash	19,103
Other receivable	26
Property, plant and equipment	8,071
Right-of-use assets	8,810
Other tax payable	(5)
	<hr/> 36,005 <hr/>
	<i><b>RMB'000</b></i>
Net cash outflows arising on acquisition:	
Consideration paid in cash	36,005
Less: bank balances and cash acquired	(19,103)
	<hr/> 16,902 <hr/>

### 30. CAPITAL RISK MANAGEMENT

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 31. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Financial assets</b>		
Financial assets at FVTPL	–	497,653
Amortized cost (including cash and cash equivalents)	<b>2,065,797</b>	755,666
<b>Financial liabilities</b>		
Amortized cost	<b>81,699</b>	33,882
Designated as financial liabilities at FVTPL	–	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, 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 activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 31. FINANCIAL INSTRUMENTS (continued)

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

##### Market risk (continued)

##### (i) Currency risk

Certain 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 currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Assets</b>		
US\$	996,139	1,214,068
<b>Liabilities</b>		
US\$	26,808	3,323,756

##### Sensitivity analysis

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Impact on profit or loss</b>		
US\$	(36,350)	105,484

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 31. FINANCIAL INSTRUMENTS (continued)

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

##### Market risk (continued)

##### (ii) Interest rate risk

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

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

##### (iii) Other price risk

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

##### Sensitivity analysis

The sensitivity analysis 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 year ended December 31, 2019 would increase by approximately RMB161,836,000 and decrease by approximately RMB161,844,000 as a result of the changes in fair value of other financial assets measured at FVTPL.

##### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, other receivables.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 31. FINANCIAL INSTRUMENTS (continued)

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

##### Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

##### Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 57.2% and 100% of the total trade receivables were due from the Group's largest customer and the four largest customers respectively (2019: 100% of the total trade receivable was due from a single customer). In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group has performs impairment assessment under the ECL model on trade balances individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

According to individual assessment of the management, since all of the trade receivables balances are due from reputable pharmaceutical companies which have low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers is immaterial.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

31. FINANCIAL INSTRUMENTS (continued)(b) Financial risk management objectives and policies (continued)**Credit risk** (continued)**Other receivables**

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

**Bank balances**

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
<b>Financial asset at amortised cost</b>						
Bank balances	20	A1-A3	N/A	12m ECL	2,051,819	750,500
Other receivables	17	N/A	N/A (note a)	12m ECL	6,168	5,070
Trade receivables from contracts with customers	17	N/A	N/A (note b)	Lifetime ECL	7,810	96

*Notes:*

- (a) For the purpose of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at December 31, 2020, the balances of other receivables and rental deposits are not past due and the internal credit rating of these balances are considered as low risk.
- (b) For trade receivables, the Group has applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables 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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 31. FINANCIAL INSTRUMENTS (continued)

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

##### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

##### Liquidity table

	Weighted average effective interest rate %	Within 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At December 31, 2020						
Trade and other payables	N/A	81,699	–	–	81,699	81,699
Lease liabilities	4.7	1,976	1,975	3,995	7,946	7,236
		83,675	1,975	3,995	89,645	88,935
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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

31. FINANCIAL INSTRUMENTS (continued)

## (c) Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Notes	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2020 RMB'000	2019 RMB'000				
(1) Other financial assets	19	-	497,653	Level 3	Discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.	Expected return	Note a
(2) Financial liability at FVTPL	23	-	3,318,750	Level 3	The fair values of Preferred Shares estimated based on discounted cash flow and back-solve method and detail valuation parameters or major assumptions used in the valuation are disclosure in note 23.	Volatility	Note b

## Notes:

- a) As at December 31, 2019, if the estimated return amount was 2% higher/lower and the other variables were held constant, the total carrying amount of these other financial assets would increase/decrease by RMB12,000/RMB12,000.
- b) 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 written of the Group by RMB RMB68,420,000/41,054,000 as at December 31, 2019.

There were no transfers between level and level 2 during the years.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 31. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurements of financial instruments (continued)

##### (ii) Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of other financial assets during the years:

	<i><b>RMB'000</b></i>
At January 1, 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 December 31, 2019	497,653
Purchase of other financial assets	1,326,800
Redemption of other financial assets	(1,832,083)
Net gain on other financial assets	7,630
At December 31, 2020	-

Details of reconciliation of Level 3 fair value measurement for Preferred Shares and gross obligation from Share Purchase Option written are set out in note 23 and the fair value gains or losses are included in "other gains and losses".

##### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 32. PARTICULARS OF SUBSIDIARIES

As at December 31, 2020 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/operation	Issued and fully paid share capital/ registered capital		Equity interest attributable to the Group as at December 31,		Principal activities
		2020	2019	2020	2019	
				%	%	
Ocumension Hong Kong	Hong Kong March 7, 2018	Issued capital of US\$1 and paid-up capital of US\$1	Issued capital of US\$1 and paid-up capital of US\$1	100	100	Investment holding
Ocumension Shanghai* 歐康維視生物醫藥(上海)有限公司	Shanghai March 25, 2018 (note i)	Registered capital of US\$109,081,433 and paid-up capital of US\$42,003,030	Registered capital of US\$15,003,030 and paid-up capital of US\$15,003,030	100	100	Researching, developing and commercialising therapies for ophthalmic patients
Suzhou Ocumension Biotech Co., Ltd.* 蘇州歐康維視生物醫藥有限公司	PRC February 11, 2020 (note i)	Registered capital of US\$50,000,000 and paid-up capital of US\$42,999,965	N/A	100	N/A	Researching, developing and commercialising therapies for ophthalmic patients
Ocumension (Zhejiang) Therapeutics Co., Ltd.* 歐康維視(浙江)醫藥有限公司	PRC May 11, 2020 (note i)	Registered capital of US\$29,000,000 and paid-up capital of US\$20,499,980	N/A	100	N/A	Researching, developing and commercialising therapies for ophthalmic patients
Suzhou Xiaxiang* 蘇州夏翔生物醫藥有限公司	PRC October 18, 2019 (note ii)	Registered capital of RMB200,000,000 and paid-up capital of RMB35,000,000	N/A	100	N/A	Plant construction
Ocumension (Shanghai) Supply Chain Co., Ltd. 歐康維視(上海)供應鏈有限公司	PRC October 9, 2020 (note i)	Registered capital of US\$2,000,000 and paid-up capital of nil	N/A	100	N/A	Trading of pharmaceutical products

\* English translated name of identification only.

## Notes:

- (i) The subsidiaries are domestic limited liability companies incorporated in PRC.
- (ii) During the year ended December 31, 2020, the Group acquired equity interest of 100% in Suzhou Xiaxiang, a domestic limited liability company incorporated in PRC. Details are set out in note 29.

None of the subsidiaries has issued any debt securities as at December 31, 2020 and 2019.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 32. PARTICULARS OF SUBSIDIARIES (continued)

#### Details of non-wholly owned subsidiary that have material non-controlling interests

On September 18, 2019, the Group has exercised the share purchase option and the non-controlling interests of Ocumension Shanghai have become preferred shareholders of the Company (note 23). As a result, as at December 31, 2019, there is no accumulated non-controlling interests. During the year ended December 31, 2019, loss allocated to non-controlling interests was RMB13,170,000.

	<b>For the period from January 1, 2019 to September 18, 2019 RMB'000</b>
Other income	1,267
Expenses	(30,599)
Loss and total comprehensive expenses for the period	(29,332)
Loss and total comprehensive expenses attributable to:	
Owners of the Company	(16,162)
Non-controlling interests of Ocumension Shanghai	(13,170)
Loss and total comprehensive expenses for the period	(29,332)
Net cash outflow from operating activities	(57,416)
Net cash inflow from investing activities	43,789
Net cash inflow from financing activities	34,393
Net cash inflow	20,766

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**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.

	<b>Financial liabilities at FVTPL RMB'000</b>	<b>Lease liabilities RMB'000</b>	<b>Accrued issue cost RMB'000</b>	<b>Total RMB'000</b>
At January 1, 2019	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
Financing cash flows	–	(1,441)	(82,338)	(83,779)
Interest expenses	–	59	–	59
New leases entered	–	7,359	–	7,359
Transaction costs attributable to issuance of new shares	–	–	82,338	82,338
Automatic conversion of Preferred Shares upon IPO	(5,013,293)	–	–	(5,013,293)
Fair value changes	1,694,543	–	–	1,694,543
At December 31, 2020	–	7,236	–	7,236

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Investments in subsidiaries		887,835	876,926
Intangible asset		122,162	–
Prepayments		89,235	–
		<b>1,099,232</b>	876,926
<b>Current assets</b>			
Other receivable		1,910	5,508
Amounts due from subsidiaries		105,480	–
Other financial assets		–	497,653
Bank balances and cash		1,624,302	710,886
		<b>1,731,692</b>	1,214,047
<b>Current liabilities</b>			
Trade and other payables		23,887	5,006
Amounts due to subsidiaries		404	–
		<b>24,291</b>	5,006
<b>Net Current Assets</b>		<b>1,707,401</b>	1,209,041
<b>Total Assets Less Current Liabilities</b>		<b>2,806,633</b>	2,085,967
<b>Non-current liabilities</b>			
Financial liabilities at FVTPL	23	–	3,318,750
<b>Net Assets (Liabilities)</b>		<b>2,806,633</b>	(1,232,783)
<b>Capital and reserves</b>			
Share capital	24	41	4
Reserves		2,806,592	(1,232,787)
<b>Total Equity (Deficits)</b>		<b>2,806,633</b>	(1,232,783)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movement of the reserves of the Company are as follows:

	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i> (note)	Share-based payment reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2019	1,149	(285,583)	2,554	(136,596)	(418,476)
Loss and total comprehensive expense for the year	–	–	–	(848,606)	(848,606)
Issuance of ordinary shares (note 24iii)	19	–	–	–	19
Recognition of equity-settled share-based payment	–	–	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)
Loss and total comprehensive expense for the year	–	–	–	(2,796,268)	(2,796,268)
Vesting of restricted ordinary shares	1,384	–	(1,384)	–	–
Automatic conversion of Preferred Shares upon IPO (note 24)	5,013,266	–	–	–	5,013,266
Issue of shares pursuant to IPO (note 24)	1,401,484	–	–	–	1,401,484
Issue of shares by exercise of over-allotment option (note 24)	209,647	–	–	–	209,647
Transaction costs attributable to issuance of new shares	(82,338)	–	–	–	(82,338)
Recognition of equity-settled share-based payment	–	–	293,588	–	293,588
Forfeited equity-settled share-based payment (note 25)	–	–	(225)	225	–
At December 31, 2020	<b>6,545,534</b>	<b>(285,583)</b>	<b>327,886</b>	<b>(3,781,245)</b>	<b>2,806,592</b>

Note: The Company issued Series A Preferred Shares at a consideration of US\$1 per share to Offshore Investors. The amounts in other reserves represented the deemed distribution to the Offshore Investors, who are also shareholders of the Company, which arose from the difference between the fair value of the Series A Preferred Shares at the date of issuance and the consideration received by the Company.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 35. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2020, the Group entered into new lease agreements for the use of office for 1-3 years. At the dates of lease commencement, the Group recognised an aggregate amounts of RMB7,359,000 of right-of-use assets and RMB7,359,000 lease liabilities (2019: RMB1,072,000 of right-of-use assets and RMB1,072,000 lease liabilities).

### 36. SUBSEQUENT EVENTS

On January 1, 2021, the Company executed and completed the subscription of 3,010,722 shares of EyePoint, for a total consideration of approximately US\$15.7 million (equivalent to approximately RMB102.5 million).

On January 22, 2021, the Company completed the placing of existing shares and top-up subscription of new shares. The gross proceeds from the subscription amount to approximately HK\$793.8 million (equivalent to approximately RMB663.7 million). An aggregate of 28,000,000 shares have been successfully placed by Morgan Stanley & Co. International plc to six places at the Placing Price of HK\$28.35 per Share in accordance with the Agreement.

On March 19, 2021, Ms. Yumeng WANG was appointed as a non-executive Director in replace of Mr. Lefei SUN, who resigned from such position on the same date.

## Definitions

“AGM”	the annual general meeting of the Company
“AMD”	age-related macular degeneration, a disease that causes damage to the macula and leads to progressive loss of central vision
“Articles of Association”	the articles of association of the Company conditionally adopted on June 23, 2020 and affective on the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“CDE”	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
“chronic NIU-PS”	chronic non-infectious uveitis affecting the posterior segment of the eye
“Coral Incentivization”	Coral Incentivization Limited, a business company incorporated in the BVI with limited liability on March 31, 2020
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our Core Product refers to OT-401 (YUTIQ)
“COVID-19”	an infectious disease caused by the most recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
“CTA”	the clinical trial application
“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
“ESOP”	the employee stock option plan adopted by our Company on May 23, 2018, as amended from time to time, the details of which are set out in the Prospectus
“EyePoint”	EyePoint Pharmaceuticals, Inc., a company whose shares of common stock are listed on the NASDAQ (ticker symbol: EYPT) and a biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases
“FDA”	the United States Food and Drug Administration
“FVTPL”	financial liabilities at fair value through profit or loss

## Definitions

“Group”, “our Group”, “the Group”, “we” or “Ocumension”	the Company and its subsidiaries
“Grade III hospitals”	a top-level hospital in China, as hospitals in China are divided into three classes by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huonland”	Beijing Huonland Pharmaceutical Co., Ltd. (北京匯恩蘭德製藥有限公司), a limited liability company established under the laws of the PRC on August 3, 2012 and one of our licensing partners. Hounland primarily engages in development, production and sales of ophthalmology products
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application, or CTA, in China
“IOP”	intraocular pressure, the fluid pressure inside the eye
“Listing” or “IPO”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	July 10, 2020, being the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“MAH”	marketing authorization holder, who is allowed to market a drug product within a certain region or country
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

## Definitions

"NASDAQ"	The Nasdaq Stock Market LLC
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
"Nicox"	Nicox S.A., a corporation incorporated under the laws of France on February 15, 1996, one of our licensing partners whose shares are listed on the Euronext exchange (ticker symbol: COX)
"NMPA"	National Medical Products Administration, the institution that performs the functions of CFDA instead according to the Institutional Reform Plan of the State Council
"NO"	nitric oxide, colorless gas and is one of the principal oxides of nitrogen
"Ocumension", "Company", "our Company", "the Company" or "we"	Ocumension Therapeutics (歐康維視生物), a company incorporated under the laws of the Cayman Islands with limited liability on February 27, 2018, the shares of which were listed on the Main Board of the Stock Exchange on July 10, 2020,
"OSAKI"	a Japanese company manufactures and markets medical accessories
"Prospectus"	the prospectus issued by the Company dated June 29, 2020
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the one-year period from January 1, 2020 to December 31, 2020
"RSU(s)"	the restricted share unit
"RSU Scheme"	the restricted share unit scheme adopted by the Company on April 28, 2020, the details of which are set out in the Prospectus
"RWS"	real-world study
"Share(s)"	ordinary shares in the share capital of our Company of US\$0.00001 each
"Shareholder(s)"	holder(s) of Shares



## Definitions

“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Written Guidelines”	the Guidelines for Securities Transactions by Directors adopted by the Company

*In this annual report, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*



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