Zhaoke Ophthalmology Limited
兆科眼科有限公司
(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)
(Stock Code: 6622)

(1) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EYPROTOR AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MASTER CMO SERVICE AGREEMENT

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EYPROTOR – THE ASSETS TRANSFER AGREEMENT

On November 13, 2023, Zhaoke Guangzhou and Lee's Pharm Hefei entered into the Assets Transfer Agreement, pursuant to which Lee's Pharm Hefei agreed to transfer the Target Assets relating to Eyprotor to Zhaoke Guangzhou for a total consideration of RMB60 million (subject to the Price Adjustment Mechanism).

CONTINUING CONNECTED TRANSACTION IN RELATION TO MASTER CMO SERVICE AGREEMENT

On November 13, 2023, Zhaoke Guangzhou and Lee's Pharm Hefei entered into the Master CMO Service Agreement, pursuant to which Zhaoke Guangzhou agreed to engage Lee's Pharm Hefei as a CMO service provider to manufacture and supply Eyprotor for Zhaoke Guangzhou.

LISTING RULES IMPLICATIONS

Each of Zhaoke Guangzhou and Zhaoke HK is an indirect wholly-owned subsidiary of the Company and Lee's Pharm is a Substantial Shareholder of the Company. Lee's Pharm Hefei is an indirect wholly-owned subsidiary of Lee's Pharm. Thus, Lee's Pharm Hefei is a connected person of the Company under the Listing Rules.

The Assets Transfer Agreement

As the highest applicable percentage ratio, as calculated under Rule 14A.77 of the Listing Rules, in respect of the one-off connected transaction contemplated under the Assets Transfer Agreement, exceeds 0.1% but is less than 5%, the transaction contemplated under the Assets Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Master CMO Service Agreement

As the highest applicable percentage ratio for each of the proposed caps for the two months ending December 31, 2023 and each of the two years ending December 31, 2024 and 2025 in connection with the continuing connected transactions contemplated under the Master CMO Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Master CMO Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On November 13, 2023, Zhaoke Guangzhou entered into (i) the Assets Transfer Agreement with Lee's Pharm Hefei pursuant to which the Lee's Pharm Hefei agreed to transfer the Target Assets relating to Eyprotor to Zhaoke Guangzhou; and (ii) the Master CMO Service Agreement with Lee's Pharm Hefei, pursuant to which Zhaoke Guangzhou agreed to engage Lee's Pharm Hefei as a CMO service provider to manufacture and supply Eyprotor for Zhaoke Guangzhou.

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EYPROTOR – THE ASSETS TRANSFER AGREEMENT

Principal Terms

The principal terms of the Assets Transfer Agreement are set forth follows:

Date: November 13, 2023

Parties:

- Zhaoke Guangzhou, as transferee;
- Lee's Pharm Hefei, as transferor; and

- Zhaoke HK, as payer

Each of Zhaoke Guangzhou and Zhaoke HK is a wholly-owned subsidiary of the Company. The ultimate beneficial owner of Lee's Pharm Hefei is Lee's Pharm, a Substantial Shareholder of the Company.

Subject Matter: Zhaoke Guangzhou agreed to acquire, and Lee's Pharm Hefei agreed to transfer, the Target Assets relating to Eyprotor, which include, among others, all intellectual property rights, technologies and process, and other relevant interests (including contractual interests) as well as the MAH and global distribution rights thereof.

Consideration and Payment Terms: The total consideration is RMB60 million (subject to the Price Adjustment Mechanism as defined below) (the "**Consideration**"), which shall be payable by Zhaoke HK to Lee's Pharm Hefei in the manner set out below:

(1) Zhaoke HK shall pay Lee's Pharm Hefei RMB20 million as the first installment within 20 Business Days following the execution of the Assets Transfer Agreement;

(2) Zhaoke HK shall pay Lee's Pharm Hefei RMB20 million as the second installment within 20 Business Days following the date (the "**Closing Date**") when the Target Assets (including the MAH of Eyprotor) have been transferred from Lee's Pharm Hefei to Zhaoke Guangzhou and the relevant filing and registration with the regulatory authority in relation to such transfer have been completed (the "**Assets Transfer**");

(3) If the annual sales volume of Eyprotor reaches 1,000,000 units for the financial year ending December 31, 2024, Zhaoke HK shall pay Lee's Pharm Hefei RMB10 million as the third installment within 20 Business Days from the date when such sales volume target is achieved; and

(4) If the annual sales volume of Eyprotor reaches 1,150,000 units for the financial year ending December 31, 2025, Zhaoke HK shall pay Lee's Pharm Hefei RMB10 million as the fourth installment within 20 Business Days from the date when such sales volume target is achieved.

	The payment of the third and fourth installments of the Consideration are conditional upon the achievement of the annual sales volume targets as aforesaid. Should the annual sales volume targets for 2024 or 2025 not be met, the Consideration should be adjusted and the corresponding third or fourth installment shall be cancelled (the "**Price Adjustment Mechanism**"). The Consideration will be funded by the Group's internal resources. From the execution of the Assets Transfer Agreement to the Closing Date, Zhaoke Guangzhou shall be entitled to the net profit (excluding all operating, interest, and tax expenses) derived from the sales volume of Eyprotor.
Default:	If the Assets Transfer is not completed by June 30, 2024 (the "**Long Stop Date**"), each of Zhaoke Guangzhou and Zhaoke HK reserves the right to either extend the Long Stop Date to continue negotiations regarding the closing conditions and payment terms, or to terminate the Assets Transfer Agreement and demand a refund of the Consideration already paid.

Basis of Consideration

The Consideration was determined on normal commercial terms, after arm's length negotiation between the parties, and with reference to, the appraised value as stated in the valuation report (the "**Valuation Report**") issued by an independent valuer of the Company (the "**Valuer**"). The Directors (including the independent non-executive Directors) considered the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The methodology adopted in the preparation of the Valuation Report is market approach. According to the Valuation Report, the estimated market value of the Target Assets as of October 16, 2023 (the "**Valuation Date**") ranges from RMB60 million to RMB65 million. Details on the Valuation Report are as followed:

Valuation Methodology

After considering the purpose and basis of the valuation, the availability and reliability of information for analysis, and the relative pros and cons of each approach relative to the nature and circumstances of the Target Assets, the Valuer is of the view that the market approach is the most appropriate valuation approach for this valuation, as compared to income approach or cost approach, because: (i) income approach would be more dependent on long-term financial forecast which requires unobservable inputs and subjective assumption; (ii) cost approach does not directly incorporate information about the economic benefits contributed by the target assets or business; (iii) the market approach better reflects current market expectations for the relevant industry since the price multiples of comparable companies under the market approach are derived from market consensus and are likely to capture the potential future development of the Target Assets and it also introduces objectivity in application as publicly available inputs are used.

There are two common methods under the market approach, namely, guideline public company method and guideline transaction method. The guideline public company method involves identifying suitable guideline public companies and selection of appropriate trading multiples. In contrast, the guideline transaction method refers to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to target company's financial parameters.

In this valuation, the market value of the Target Assets was developed through the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Assets. In order to reflect the latest operation status of the Target Assets, it is considered that the suitable multiples in this valuation is EV/S ratio which are derived by the enterprise value ("**EV**") divided by revenue for last twelve months ("**LTM**") respectively as of the Valuation Date to determine the market value of the Target Assets.

Under the guideline public company method, the Valuer has adopted the enterprise value (excluding cash) to sales as the key valuation metric because it is common industry practice to value tech-driven company, the category under which the Target Assets fall. The EV/Sales multiple is derived by dividing the enterprise value of the underlying company with its sales over a specific period. The formula is set out below:

EV/Sales = Enterprise Value/Sales

Enterprise Value = market capitalization + net debt + minority interest, as of the Valuation Date

Valuation Assumptions

In determining the market value of the Target Assets, the following key assumptions were made:

(1) the Target Assets are in the process of transactions and in open market, to which both transaction parties have sufficient opportunities to access, and their values are assessed according to the transaction conditions;

(2) the Target Assets have good titles and are in use and will continue to be used for the existing purpose;

(3) there are no hidden or unexpected conditions associated with the Target Assets that might adversely affect the reported value;

(4) the enterprise has complied with the relevant laws and regulations and has performed its obligations of an asset owner responsibly and managed the relevant assets effectively;

(5) there are no material changes in the relevant existing laws, regulations, policies, local political, economic and social environment of such places where the parties to the transaction are located; and

(6) there are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the Target Assets.

Selection Criteria for Comparables

In determining the price multiple, the initial selection criteria include the followings:

(1) The comparable companies are publicly listed;

(2) The comparable companies are mainly engaged in production and sales of ophthalmic drugs for correction and control in ophthalmic diseases and vision problems; and

(3) EV/S ratio as of the Valuation Date of the comparable companies are available.

Based on the above mentioned selection criteria as sourced from Wind, a reliable third-party database service provider, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and four comparable companies were identified. The details of these comparable companies are shown below:

Stock Code	**Company Name**	**Market Capitalization** *RMB million*	**EV** *RMB million*	**Revenue** *RMB million*	**EV/S Ratio**
300573.SZ	Shenyang Xingqi Pharmaceutical Co., Ltd.	19,218	19,275	1,250	15.1**
688566.SH	Jiangsu Jibeier Pharmaceutical Co., Ltd.	5,323	5,323	655	7.0
603168.SH	Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	3,464	3,540	550	5.8
1061.HK	Essex Bio-Technology Limited	1,653	2,098	1,318	1.2

Notes:

* Enterprise Value = market capitalization + net debt + minority interest, as of the Valuation Date

** As shown in the table above, the EV/S of the comparable companies ranges from approximately 1.2 times to 15.1 times with an average and median of approximately 7.3 times and 6.4 times, respectively. For illustrative purpose, an outlier is a datapoint which is more than 1 standard deviation away from the overall average. The standard deviation of the EV/Ss of the comparable companies has been calculated to be approximately 5.8 times. As a result, the upper boundary for identifying outliers is set at 13.1 (i.e. 7.3 + 5.8) times, while the lower boundary is set at 1.5 (i.e. 7.3 - 5.8) times. Therefore, the EV/S of approximately 15.1 times is regarded as outliers. If excluding this outlier, the adjusted EV/S of the comparable companies ranges from approximately 1.2 times to 7.0 times and the adopted median EV/S of approximately 5.8 times is still within the adjusted range.

Calculation of Valuation Result of the Target Assets

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Wind, as of the Valuation Date.

The calculation of the market value of Target Assets as of the Valuation Date is as follows:

	As of the Valuation Date
	RMB million
Model-EV/S Ratio:	
Median EV/S Ratio	5.8
Revenue for LTM ended 31 December 2022 of the Target Assets	11.1
Enterprise Value of the Target Assets	64.4

REASONS FOR AND BENEFITS OF THE ASSETS TRANSFER AGREEMENT

China has the largest number of eye disease patients in the world, and there is significant unmet demand from this vast and growing patient base. The Company is strategically focused on treatments that cover a wide range of ophthalmic diseases and is well positioned to capture the opportunity of a rapidly growing ophthalmology drug market.

Eyprotor, an ophthalmic drug, contains active ingredients derived from calf red blood cell using proprietary and patented technology. Eyprotor can promote the replacement and utilization of glucose and oxygen by eye tissues and cells, and further promote the cell energy metabolism and organize nutrition to stimulate cell regeneration and accelerate tissue healing.

As disclosed in the Company's prospectus dated April 16, 2021, Eyprotor was listed on the First Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)) by the National Health Commission (國家衛生健康委員會) in June 2019. This inclusion, while recognizing Eyprotor's importance, also led to the stringent control and monitor on the use of Eyprotor, which in turn contributed to a contraction in the PRC market for Eyprotor. In addition, during that period, the Company was focused mainly on R&D, devoting most of its financial, technical and human resources to the R&D of drugs treating ophthalmic diseases, and thus had no intention to acquire Eyprotor prior to the Listing. Whilst Lee's Pharm granted the Group a right of first refusal to purchase the commercialization and intellectual property rights of Eyprotor on commercially reasonable terms and the Group is entitled to consider whether or not to exercise such option when the sales demand of Eyprotor rises.

In January 2023, Eyprotor was released from the Second Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (第二批國家重點監控合理用藥藥品目錄(化藥及生物製品)) by the National Health Commission. With the competent authorities having eased the previously stringent control on the use of Eyprotor, the Company has seen a gradual increase in demand for Eyprotor in the PRC market during the last ten months.

Moreover, as the Company is transiting from a pure R&D company to one with approved products, the Company is expanding its sales and marketing team and improving its commercial capabilities in preparation for the planned growth in commercialization activities. The addition of Eyprotor could enable the Company's sales and marketing team to develop and expand the sales network for tissue healing products before the registration and market launch of its own pipeline products. Also, the acquisition of Eyprotor will expand the range of products offered by the Group, provide the necessary economies of scale, and have synergy effects on the commercialization of the other ophthalmic diseases of the Company, which would in turn strengthen the overall competitiveness of the Group. As the previous stringent control and monitor on the use of Eyprotor imposed by the competent authorities has been relieved in early 2023, the Company believes the demand for Eyprotor in the PRC market would be picking up gradually.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that, as far as the Shareholders are concerned, the Assets Transfer Agreement is entered into in the ordinary course of business of the Company and on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER CMO SERVICE AGREEMENT

The principal terms of the Master CMO Service Agreement are set forth follows:

Date: November 13, 2023

Parties:

- Zhaoke Guangzhou, as purchaser; and
- Lee's Pharm Hefei, as supplier

Subject Matter: Zhaoke Guangzhou agreed to engage Lee's Pharm Hefei's as a CMO service provider to manufacture and supply Eyprotor for the commercial sale in compliance with GMP and relevant laws and regulations, at a pre-determined supply price per unit, subject to the relevant individual agreement or purchase order in the form and substance agreed by both parties from time to time.

The Master CMO Service Agreement is a framework agreement which provides the mechanism for operation of the connected transactions described therein. Lee's Pharm Hefei shall proceed within 5 Business Days upon receipt of any request for CMO services from Zhaoke Guangzhou in accordance with the separate individual agreement or purchase order entered into between both parties from time to time.

Terms: The Master CMO Service Agreement is set to take effect from the Closing Date and will remain in force until December 31, 2025. Upon the expiration of such terms, in compliance with the applicable laws and regulations (including the Listing Rules), it will automatically renew for an additional term of three years, unless either party raises an objection in writing to terminate it within 30 days prior to the expiration date.

Quantity of Eyprotor to be procured: The quantity of Eyprotor to be procured by Zhaoke Guangzhou during the term is not fixed at the outset. It will be determined on a quarterly basis, according to the remaining inventory and the estimated sales volume for the next quarter provided by Zhaoke Guangzhou to Lee's Pharm Hefei on the first day of each quarter.

Pricing Policy: The supply price is determined taking into consideration the estimated manufacturing cost and a gross profit margin of approximately 70%. As advised by China Insights Industry Consultancy Limited ("**CIC**"), a market research and consulting company and an Independent Third Party, such gross profit margin is determined in line with the market prevailing rate.

Lee's Pharm Hefei is responsible for the freight costs for delivery to the location designated by Zhaoke Guangzhou.

The fees will be settled on a quarterly basis and an invoice will promptly be issued to Zhaoke Guangzhou. The payment of such service fees is due within 60 days following each quarterly settlement.

Given that (1) Eyprotor is an animal-derived peptide with limited products of a similar nature existing in the PRC market; (2) there are very few manufacturers other than Lee's Pharm Hefei providing CMO services for products of a similar nature; and (3) other third party manufacturers may be concerned about the commercial impracticality and regulatory uncertainty caused by the change of the manufacturer and relocation of the manufacturing facility from Lee's Pharm Hefei, the Company is not able to obtain the quotations from other independent third parties that providing CMO services of similar types and natures. Based on the Company's independent assessment and commercial judgment, as well as CIC's confirmation that the gross profit margin aligns with the prevailing industry practice, the overall commercial terms (particularly the gross profit margin derived from the supply price) offered by Lee's Pharm Hefei is in line with the CMO industry practice.

Historical Amounts

As the Company had not engaged Lee's Pharm Hefei or any other connected person to provide CMO services for manufacturing Eyprotor in the past, no historical transaction amount is available for reference.

Proposed Caps and The Basis

The following table sets forth the proposed caps for the transaction amounts under the Master CMO Service Agreements:

	Proposed cap for the two months ending December 31, 2023	Proposed annual cap for the year ending December 31, 2024	2025
		(RMB in millions)	
Procurement of Eyprotor (exclude VAT)	2.0	16.0	21.0

The proposed caps for the two months ending December 31, 2023 and each of the two years ending December 31, 2024 and 2025 have been estimated in line with the pricing policy as stated above and primarily based on (i) the estimated sales volume of Eyprotor by the Group in the future, taking into account the anticipated increase in sales demand due to the easing of the regulatory restrictions on the use of Eyprotor since early 2023; (ii) the historical sales volume of Eyprotor by Lee's Pharm; and (iii) the anticipated increase in manufacturing costs arising out of the increase in the price of raw materials due to inflation.

REASONS FOR AND BENEFITS OF THE MASTER CMO SERVICE AGREEMENT

Lee's Pharm Hefei operates a manufacturing plant located in Hefei, Anhui Province of the PRC, comprising four well established GMP-compliant workshops for the production of topical gel, lyophilised powder for injection, small volume parenteral solutions and eye gel.

Lee's Pharm Hefei has demonstrated extensive manufacturing expertise, encompassing all stages of production of Eyprotor from extraction, purification, compounding, filling, packaging to robust quality assurance. This well-established in-house capabilities specific to Eyprotor production position Lee's Pharm Hefei as the ideal manufacturing partner, ensuring the secure and consistent supply of Eyprotor.

Currently, the Group lacks the requisite infrastructure and manufacturing facilities specifically tailored to meet Eyprotor's production demands. The Master CMO Service Agreement with Lee's Pharm Hefei effectively mitigates this challenge, obviating the need for any additional capital investment and time expenditure that would be required for the Assets Transfer.

In addition to the above, if the Group were to change the manufacturer of Eyprotor whether by directly acquiring the Eyprotor production line from Lee's Pharm and conducting the manufacturing by itself or engaging other third party CMO service provider, it would significantly interrupt or delay the process for completing the Assets Transfer for at least additional 6 to 12 months as the competent authorities impose more stringent requirements on the change of manufacturer and further delays might also occur due to unforeseen challenges arising out of this change. By entering into the Master CMO Service Agreement, it is advantageous and complementary for the Group and Lee's Pharm to avoid any relocation of manufacturing facility or change of the manufacturing arrangements that may cause disruptions and uncertainties in the manufacturing operations. Last but not least, the Master CMO Service Agreement reinforces the Group's capacity to optimize its economic benefits. It allows for a more efficient allocation of funding and human resources, and expedites the projected timeline for the return on investment.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that, as far as the Shareholders are concerned, the Master CMO Service Agreement is entered into in the ordinary course of business of the Company and on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control procedures in place to ensure that (i) the transactions contemplated under the Master CMO Service Agreement are conducted within the framework of such agreement; and (ii) the utilization of the proposed caps would be timely monitored and comply with the requirements under Rule 14A.54 of the Listing Rules:

1. the Company adopts and implements a management system on connected transactions and the Board and the various internal departments of the Company (including the procurement, finance and legal departments) will be jointly responsible for the control and daily management in respect of the continuing connected transactions;

2. the chief operating officer, chief medical officer, the head of the procurement department of the Group and the project manager will independently evaluate and closely monitor each transaction under the Master CMO Service Agreement to ensure each transaction is indeed conducted within the framework of such agreement and will timely monitor the utilization of the proposed caps;

3. the Board and various internal departments of the Company will regularly monitor the fulfillment status and the transaction updates under the Master CMO Service Agreement. In addition, the management of the Company will also regularly review the pricing policy of the Master CMO Service Agreement;

4. the auditors of the Company shall conduct annual reviews on pricing and proposed caps of such continuing connected transactions to ensure that the transaction amounts are within the proposed caps and that the transactions in all material aspects are conducted on the terms in the relevant agreement of such transactions;

5. the independent non-executive Directors of the Company shall conduct annual reviews on the proposed continuing connected transactions under the Master CMO Service Agreement to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole; and

6. the Company will re-comply with the announcement and shareholders' approval requirements under the Listing Rules before any cap is exceeded, or it proposes to renew the agreements or to effect a material change to their terms.

INFORMATION ON THE COMPANY, ZHAOKE HK, ZHAOKE GUANGZHOU AND LEE'S PHARM HEFEI

The Company is a leading ophthalmic pharmaceutical company dedicated to the R&D, manufacturing, and commercialization of therapies that address significant unmet medical needs in China and globally.

Zhaoke HK is a limited liability company incorporated in Hong Kong on July 24, 2017 and an investment holding company.

Zhaoke Guangzhou is a limited liability company established under the laws of the PRC on June 16, 2016, primarily engaging in research and development, and commercialization of ophthalmic drugs, and is the principal operating subsidiary of the Group.

Lee's Pharm Hefei is principally engaged in providing contract research organization services and is currently operating a manufacturing plant located in Hefei, Anhui Province of the PRC, comprising four GMP-compliant workshops for the production of topical gel, lyophilised powder for injection and small volume parenteral solutions.

Net Profits Attributable to Eyprotor

Pursuant to the audited accounts prepared in accordance with Hong Kong Financial Reporting Standards provided by Lee's Pharm, the net profits attributable to Eyprotor for the financial years ended 31 December 2021 and 2022 were as follows:

	For the financial year ended 31 December 2021		**For the financial year ended 31 December 2022**	
	Net profit before tax *(RMB million)*	**Net profit after tax** *(RMB million)*	**Net profit before tax** *(RMB million)*	**Net profit after tax** *(RMB million)*
Eyprotor	6.46	4.85	6.43	4.82

LISTING RULES IMPLICATIONS

As of the date of this announcement, each of Zhaoke Guangzhou and Zhaoke HK was indirectly wholly owned by the Company and Lee's Pharm, through Lee's Pharmaceutical International Limited and Lee's Healthcare Industry Fund L.P., was interested in approximately 25.8% of the total issued share capital of the Company, being a Substantial Shareholder of the Company. Lee's Pharm Hefei is an indirect wholly-owned subsidiary of Lee's Pharm. Therefore, Lee's Pharm Hefei is a connected person of the Company under the Listing Rules.

The Assets Transfer Agreement

As the highest applicable percentage ratio, as calculated under Rule 14A.77 of the Listing Rules, in respect of the one-off connected transaction contemplated under the Assets Transfer Agreement, exceeds 0.1% but is less than 5%, the transaction contemplated under the Assets Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Master CMO Service Agreement

As the highest applicable percentage ratio for each of the proposed caps for the two months ending December 31, 2023 and each of the two years ending December 31, 2024 and 2025 in connection with the continuing connected transactions contemplated under the Master CMO Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Master CMO Service Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Dr. Li Xiaoyi, the chairman of the Board, executive Director and chief executive officer of the Company and Ms. Leelalertsuphakun Wanee, the non-executive Director of the Company, currently hold directorships in Lee's Pharm, Dr. Li Xiaoyi and Ms. Leelalertsuphakun Wanee have abstained from voting on the Board resolutions approving the Assets Transfer Agreement and the Master CMO Service Agreement as well as the transactions contemplated thereunder.

Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the Assets Transfer Agreement and the Master CMO Service Agreement, and thus no other Director has abstained from voting on the Board resolutions approving the Assets Transfer Agreement and the Master CMO Service Agreement as well as the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

"Assets Transfer Agreement"	the Assets Transfer Agreement dated November 13, 2023 entered into between Zhaoke Guangzhou and Lee's Pharm Hefei pursuant to which Lee's Pharm Hefei agreed to transfer the Target Assets relating to Eyprotor to Zhaoke Guangzhou
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in the PRC, Hong Kong and the British Virgin Islands are generally open for normal banking business
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"Company"	Zhaoke Ophthalmology Limited (兆科眼科有限公司) (previously known as China Ophthalmology Focus Limited), a company incorporated in the British Virgin Islands on January 20, 2017 with limited liability and continued in the Cayman Islands on April 29, 2020 as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6622)

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	Director(s) of the Company
"GMP"	good manufacturing practice
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of the Company within the meaning of the Listing Rules
"intellectual property"	means any form of intellectual property including patents (including invention patents or utility models), trade dress, works of authorship, copyright, ideas, processes, trade secrets, know-how, design specifications, inventions, proprietary information, research and development data, pre-clinical and human data (de-identified), manufacturing procedures, suggestions, information, software, mask works, registered designs or design patents, or applications or priority rights for any of the foregoing
"Lee's Pharm"	Lee's Pharmaceutical Holdings Limited (李氏大藥廠控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 950)
"Lee's Pharm Hefei"	Zhaoke Pharmaceutical (Hefei) Company Limited (兆科藥業(合肥)有限公司), previously known as Hefei Siu-Fung USTC Pharmaceutical Company Limited (合肥兆峰科大藥業有限公司), a limited liability company established in the PRC on February 7, 1994 and an indirect wholly-owned subsidiary of Lee's Pharm
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"MAH"	Marketing Authorization Holder, an authorization acquired by the holder upon receipt of the drug registration certificate granted by the National Medical Products Administration (國家藥品監督管理局), which allows the holder to partner with contract manufacturing organizations to manufacture the drug concerned
"Master CMO Service Agreement"	the master CMO service agreement dated November 13, 2023 entered into between Zhaoke Guangzhou and Lee's Pharm Hefei, pursuant to which Zhaoke Guangzhou agreed to engage Lee's Pharm Hefei as a CMO service provider to manufacture and supply Eyprotor
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC" or "China"	the People's Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"R&D"	research and development
"Share(s)"	ordinary shares in the share capital of the Company of US$0.00000025 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Assets"	with regard to Eyprotor, among others, (i) the MAH and global distribution rights therefor, (ii) all intellectual property rights relating thereto, including all technologies and process relating to the R&D, registration and commercialization, (iii) contractual interests associated therewith, (iv) trademarks employed thereby, and (v) the remaining inventory thereof, as held by Lee's Pharm Hefei
"Zhaoke Guangzhou"	Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd. (兆科(廣州)眼科藥物有限公司), a limited liability company established in the PRC on June 16, 2016 and an indirect wholly-owned subsidiary of the Company

"Zhaoke HK"	Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited (兆科（香港）眼科藥物有限公司), a limited liability company incorporated in Hong Kong on July 24, 2017 and a wholly owned subsidiary of our Company
"%"	per cent

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

Hong Kong, November 13, 2023

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