Ocumension Therapeutics
歐康維視生物
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF TRANSFERRED PRODUCTS, IN-LICENSING OF LICENSED PRODUCTS AND PROPOSED ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENT, ROYALTY PAYMENTS AND MILESTONE PAYMENTS

Independent Financial Adviser

Gram Capital Limited
嘉林資本有限公司

THE TRANSACTION

The Board is pleased to announce that on August 12, 2024 (after trading hours), the Group, a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies, and Alcon, the global leader in eye care with complementary businesses in surgical and vision care, agreed to enter into the Transaction, marking a long-term strategic relationship that encompasses the commercialization, manufacture and R&D of ophthalmic drugs in China.

Acquisition of Transferred Products and Royalty Payments under the Asset Purchase Agreement

Under the Asset Purchase Agreement, Ocumension HK, a wholly owned subsidiary of the Company, agreed to acquire from Alcon Research, a wholly owned subsidiary of Alcon, the Transferred Assets for the purpose of the manufacture and commercialization of the Transferred Products in the Territory. Ocumension HK also agreed to pay Alcon Research net sales-based royalties in respect of the Transferred Products during the Royalty Term.

In-Licensing the Licensed Products and Royalty Payments and Sales Milestone Payments under the License Agreement

Under the License Agreement, Ocumension HK obtained from Alcon Pharma an exclusive license to develop, manufacture and commercialize the Pipeline Product for dry eye uses and commercialize the Commercial Product in the Territory. Ocumension HK also agreed to pay Alcon Pharma (a) net sales-based royalties in respect of the Commercial Product during the Royalty Term, and (b) net sales-based royalties and sales milestone payments in respect of the Pipeline Product after the NMPA approves the Pipeline Product for commercialization during the Royalty Term.

Proposed Allotment and Issue of Consideration Shares under the Subscription Agreement

In consideration of the Acquisition and In-Licensing, the Company agreed to allot and issue 139,159,664 Consideration Shares to Alcon Pharma, a wholly owned subsidiary of Alcon under the Subscription Agreement, which was primarily agreed by the parties after arm's length negotiations. The 139,159,664 Consideration Shares represent approximately 20.06% of the total issued share capital of the Company as of the date of this announcement and approximately 16.71% of the total issued share capital of the Company immediately after the completion of the Share Issue, assuming that there will be no other change in the total share capital of the Company since the date of this announcement and up to the date of completion of the Share Issue. The aggregate market value of the 139,159,664 Consideration Shares amounted to HK$1,020.04 million (based on the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement).

The value of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products of HK$1,280.3 million as of June 30, 2024, as valued by the Valuer using the income approach, which divided by the 139,159,664 Consideration Shares, amounts to HK$9.20 per Share, representing a premium of approximately 25.51% over the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement.

Purchase arrangements under the Manufacture and Supply Agreement

In connection with the Acquisition and In-Licensing, Ocumension HK agreed to purchase from Alcon Pharma the Transferred Products and the Licensed Products during the periods agreed by the parties under the Manufacture and Supply Agreement, for the purpose of commercializing the Transferred Products and the Commercial Product and conducting pivotal study for the Pipeline Product in the Territory after the Closing.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, and Shareholders' approval requirements under the Listing Rules. As the Transaction involves issue of Consideration Shares as consideration, a Specific Mandate for the Share Issue shall be sought from the Shareholders at the EGM.

As Alcon Pharma will become a substantial Shareholder and a connected person of the Company immediately after the Share Issue, and each of Alcon Research and Alcon Pharma is a wholly owned subsidiary of Alcon, the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Share Issue. As one or more of the applicable percentage ratios in respect of each of the connected transactions exceeds 5%, each and all of the aforesaid connected transactions are subject to the reporting, announcement, and the independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG, has been formed to advise the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement.

Gram Capital has been appointed as the Independent Financial Adviser (a) to advise the Independent Board Committee and the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement; and (b) to express its opinion on term of the aforesaid purchase arrangement, royalty payments and sales milestone payments pursuant to Rule 14A.52 of the Listing Rules.

EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (a) the Transaction (including entering into the Transaction Documents and the Acquisition, the In-Licensing, the Share Issue and continuing connected transactions in respect of the purchase arrangement and royalty and milestone payments under the Transaction Documents), and (b) the Specific Mandate for the Share Issue.

A Circular containing, among other things, (a) details of (i) the Acquisition, the In-Licensing and the Share Issue; (ii) the valuation report in respect of the value of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products; and (iii) the continuing connected contractions in relation to the purchase arrangement, royalty payments and sales milestone payments; (b) a letter of advice from the Independent Board Committee to the independent Shareholders; and (c) a letter of advice from Gram Capital to the Independent Board Committee and the independent Shareholders, and other information required to be disclosed under the Listing Rules, together with a notice of the EGM is expected to be despatched to the Shareholders on or before September 2, 2024.

WARNINGS

As the Closing is subject to the fulfillment of the closing conditions set forth in the Transaction Documents which include but are not limited to the approval of the Transaction by the Shareholders at the EGM by way of ordinary resolutions, the Closing may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

I. THE TRANSACTION

The Board is pleased to announce that on August 12, 2024 (after trading hours), the Group, a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies, and Alcon, the global leader in eye care with complementary businesses in surgical and vision care, agreed to enter into the Transaction, marking a long-term strategic relationship that encompasses the commercialization, manufacture and R&D of ophthalmic drugs in China. The Transaction primarily consists of (a) the Acquisition of Transferred Products and royalty payments under the Asset Purchase Agreement, (b) the In-Licensing of Licensed Products and royalty payments and sales milestone payments under the License Agreement, (c) the Share Issue under the Subscription Agreement, and (d) the purchase arrangements under the Manufacture and Supply Agreement.

(A) PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS

(1) Acquisition under Asset Purchase Agreement

On August 12, 2024 (after trading hours), Ocumension HK (as the purchaser), a wholly owned subsidiary of the Company, entered into the Asset Purchase Agreement with Alcon Research (as the seller), a wholly owned subsidiary of Alcon, pursuant to which Ocumension HK agreed to acquire from Alcon Research the Transferred Assets for the purpose of manufacture and commercializing the Transferred Products in the Territory (the "**Acquisition**").

The principal terms of the Asset Purchase Agreement are set out below:

Subject Matter

Subject to the terms and conditions of the Asset Purchase Agreement, Alcon Research will sell, assign, transfer, convey and deliver to Ocumension HK all of its right, title and interest in and to the Transferred Assets in the Territory, and Ocumension HK shall purchase, acquire, accept and pay for the Transferred Assets and assume corresponding liabilities in respect of the Transferred Products in the Territory.

The Transferred Assets include (a) Product Regulatory Materials, (b) certain contracts in the Territory, (c) Transferred IP, (d) books, records and files primarily relating to the Transferred Products in the Territory, (e) rights, claims, credits, causes of action or rights of set-off against third parties relating primarily to the Transferred Assets in the Territory, and (f) goodwill relating primarily to the Transferred Products in the Territory. For the avoidance of doubt, the Transferred Assets do not include, among others, assets not primarily related to the Transferred Products or corporate books and records that Alcon Research is required by law to retain.

Royalty Payment

Ocumension HK shall pay Alcon Research or its designee royalty payments at tiered percentage rates on a quarterly basis throughout the Royalty Term, the aggregate amount of which *per annum* will not in any event exceed 12% of the annual net sales of the respective Transferred Products sold in the Territory by or on behalf of Ocumension HK, its affiliates or its (sub)licensees. The Royalty Term in respect of each Transferred Product shall commence on the First Commercial Sale of such product and expire 15 years thereafter.

Closing and Closing Conditions

The closing conditions of the Asset Purchase Agreement include: (a) the parties are duly authorized to enter into the agreement, and executed counterparts of the transaction documents, (b) Alcon Research will have executed and delivered to Ocumension HK copies of each of the Alcon deliverables under the Asset Purchase Agreement, (c) Ocumension HK will have executed and delivered to Alcon Research each of the closing deliverables under the Asset Purchase Agreement, (d) the closing of the transactions contemplated by the Subscription Agreement shall have occurred pursuant to the terms thereof, and (e) no governmental authority has enacted any law or order making the transaction under the Asset Purchase Agreement illegal or restraining the performance under the Asset Purchase Agreement, and no pending action before any governmental authority prevents the performance under the Asset Purchase Agreement or declare the transactions thereunder unlawful, or cause them to be rescinded after consummation.

The sale and purchase of the Transferred Assets contemplated under the Asset Purchase Agreement shall take place as soon as reasonably practicable, and in any event within two Business Days, following the satisfaction or waiver of the aforesaid conditions (excluding conditions that by the terms are not expected to be satisfied until the date of Closing of the Asset Purchase Agreement, but subject to the satisfaction or waiver of such conditions), or at such other place and time as the parties may mutually agree in writing.

Transition Services after the Closing of the Asset Purchase Agreement

After the closing of the Asset Purchase Agreement, Alcon Research and its affiliates shall provide Ocumension HK with certain services and resources and perform certain obligations on a transitional basis during the Transition Period set forth in the transition services agreement to be entered into between Ocumension HK and Alcon Research. Pursuant to the transition services agreement, at Ocumension HK's reasonable request, Alcon Research and its affiliates shall provide Ocumension HK, among other services, reasonable assistance for the purpose of enabling Ocumension HK to understand and use, subject to a royalty-free, exclusive (subject to certain retained rights of Alcon Research), non-transferable, and sublicensable through multiple tiers license grant by Alcon Research, manufacturing know-how solely for Ocumension HK, its affiliates, and/or its subcontractor to manufacture the Transferred Products in the Territory. Such Transition Period shall commence from the date of Closing of the Asset Purchase Agreement until the earlier of (a) the expiry of the 48-month period after January 1, 2025; and (b) the date on which the necessary regulatory approval of the applicable Transferred Product is granted to the Group pursuant to a domestic drug license under the applicable regulatory process, in each case of (a) and (b), subject to potential extensions.

The Company has not entered into the transition services agreement as of the date of this announcement. The transition services will only be provided on a "as-needed" basis, and no amount will be paid or agreed to be paid by the Company upon signing of the transaction services agreement. The Company expects that even though the transition services will be incurred when needed, the amount to be paid for the transition services will be *de minimis* and therefore will be fully exempt under Chapter 14A of the Listing Rules. In the event that any such transition service under the transition services agreement constitutes a connected transaction that will not be fully exempt under Chapter 14A of the Listing Rules, the Company will take immediate steps to ensure re-compliance with Chapter 14A of the Listing Rules in due course.

(2) In-Licensing under the License Agreement

On August 12, 2024 (after trading hours), Ocumension HK (as the licensee) entered into the License Agreement with Alcon Pharma (as the licensor), pursuant to which Ocumension HK obtained from Alcon Pharma an exclusive license to develop, manufacture and commercialize the Pipeline Product for dry eye uses and to commercialize the Commercial Product in the Territory (the "**In-Licensing**").

The principal terms of the License Agreement are set out below:

Grant of the License

Subject to the terms and conditions of the License Agreement, Alcon Pharma shall grant Ocumension HK, during the term of the License Agreement, (a) a non-transferable, royalty-bearing, sub-licensable and exclusive license under the Licensed Technology for Ocumension HK to (i) manufacture, develop and commercialize the Pipeline Product for dry eye uses in the Territory, and (ii) commercialize the Commercial Product in the Territory, and (b) a sub-licensable license under certain of Alcon's trademarks for Ocumension HK and its sublicensees or subcontractors to commercialize the Commercial Product in the Territory.

Ocumension HK shall own the trademarks to be used in connection with the commercialization of the Pipeline Product and grant Alcon Pharma, during the term of the License Agreement, a non-transferable, royalty-free, sub-licensable and non-exclusive license under such trademarks for Alcon Pharma to perform its obligations under the Transaction Documents.

Development of Pipeline Product

Pursuant to the terms of the License Agreement, Ocumension HK shall be responsible at its own cost for developing the Pipeline Product in accordance with the License Agreement and the development plan agreed between the parties, in support of seeking and obtaining regulatory approval for the Pipeline Product in the Territory.

Ocumension HK shall initiate a pivotal study of the Pipeline Product in the Territory no later than twelve months after FDA approval of the Pipeline Product, and otherwise use commercially reasonable efforts to develop the Pipeline Product in support of seeking and obtaining regulatory approval for the Pipeline Product in the Territory.

Ocumension HK will be, at its own costs, solely responsible for all regulatory matters relating to the Pipeline Product in the Territory. The Group will own all Regulatory Materials with respect to the Pipeline Product, including any drug master files maintained by or on behalf of Ocumension HK solely with respect thereto in the Territory.

Commercialization of the Pipeline Product and Commercial Product

Upon receipt of regulatory approval for the Pipeline Product in the Territory, Ocumension HK shall use commercially reasonable efforts to obtain the Pricing and Reimbursement Approval for the Pipeline Product in the Territory. Following receipt of Pricing and Reimbursement Approval for the Pipeline Product, Ocumension HK shall make a First Commercial Sale of the Pipeline Product in the Territory within 30 days of such receipt. Ocumension HK shall also use commercially reasonable efforts to (a) commercialize the Commercial Product and, following receipt of the Pricing and Reimbursement Approval in the Territory, the Pipeline Product; and (b) maximize sales of the Commercial Product and the Pipeline Product in the Territory during the Royalty Term to the extent consistent with applicable laws.

Ocumension HK will have the right to select, and will own, the trademarks to be used in commercialization of the Pipeline Product in the Territory.

Term of the License Agreement

The License Agreement shall be effective from the Closing, unless terminated earlier, until the date on which the Royalty Term expires for the final Licensed Products. Upon expiration of the License Agreement, the licenses granted from Alcon Pharma to Ocumension HK with respect to all Licensed Products in the Territory will become fully paid-up, irrevocable and perpetual, and the rights to commercialize the Commercial Product in the Territory and to R&D, manufacture and commercialize the Pipeline Product in the Territory will become owned by Ocumension HK at no additional cost.

Licensee and Licensor's Right of First Negotiation

If, during the term of the License Agreement, Alcon Pharma or any of its affiliates desires to license, sell or transfer the rights to any ophthalmic pharmaceutical product controlled by Alcon Pharma or its affiliates (without violating or breaching the terms of agreement or arrangement with any third party or incurring any additional payment obligations to the third party) in the Territory, Ocumension HK will have a first right of negotiation to, within a stipulated period and in accordance with certain agreed procedures, negotiate the terms of an agreement to obtain such rights.

If, during the term of the License Agreement, Ocumension HK or any of its affiliates desires to introduce, register, license, sell or otherwise transfer or grant the right to commercialize any products controlled by Ocumension HK or its affiliates (without violating or breaching the terms of agreement or arrangement with any third party or incurring any additional payment obligations to the third party) in any territories outside the Territory, Alcon Pharma will have a first right of negotiation to, within a stipulated period and in accordance with certain agreed procedures, negotiate the terms of an agreement to obtain such rights.

Royalty Payments and Sales Milestone Payments

Ocumension HK shall pay Alcon Pharma or its designee (a) royalty payments at tiered percentage rates on a quarterly basis throughout the Royalty Term, the aggregate amount of which *per annum* will not in any event exceed 12% of the annual net sales of the Commercial Product sold in the Territory by or on behalf of Ocumension HK, its affiliates or its (sub)licensees, (b) royalty payments at tiered percentage rates, the aggregate amount of which *per annum* will not in any event exceed 22% of the annual net sales of the Pipeline Product sold in the Territory by or on behalf of Ocumension HK, its affiliates, or its sublicensees throughout the Royalty Term, and (c) tiered, one-time sales milestone payments upon achievement of certain sales milestones of the Pipeline Product after the Pipeline Product is approved for commercialization in the Territory, the total amount of which will not in any event exceed US$50 million. The Royalty Term in respect of each Licensed Products shall commence on the First Commercial Sale of such product and expire 15 years thereafter.

(3) Proposed Allotment and Issue of Consideration Shares under the Subscription Agreement

In consideration of the Acquisition and In-Licensing as a whole, on August 12, 2024 (after trading hours), the Company entered into the Subscription Agreement with Alcon Pharma, a wholly owned subsidiary of Alcon, and agreed to allot and issue 139,159,664 Shares with an aggregate market value of HK$1,020.04 million (based on the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement) to Alcon Pharma (the "**Share Issue**").

The 139,159,664 Consideration Shares represent approximately 20.06% of the total issued share capital of the Company as of the date of this announcement and approximately 16.71% of the total issued share capital of the Company immediately after completion of the Share Issue, assuming that there will be no other change in the total share capital of the Company since the date of this announcement and up to the date of completion of the Share Issue.

Lock-Up

Alcon Pharma agreed that it shall not, for a period from the date of completion of the Share Issue until twelve months thereafter, (a) transfer, offer, pledge, hypothecate, assign, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise dispose of, or agree to dispose of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, directly or indirectly, any of the Consideration Shares, or (b) enter into any forms of transaction that would have the same effect, or enter into any swap, hedge, short sale or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Consideration Shares, whether any such transaction described above is to be settled by delivery of any of the Consideration Shares, in cash or otherwise, in each case other than: (i) transfers or dispositions to any corporation, partnership, limited liability company or other entity, all of the beneficial ownership interests of which are held by Alcon Pharma; (ii) transfers to partners, members or stockholders of Alcon Pharma, or to another partnership, limited liability company, corporation or other business entity that controls, is controlled by or is under common control with Alcon Pharma; or (iii) transfers pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction, approved by the board of directors of the Company, made to all holders of the Shares involving a change of control of the Company, provided that, in the event that such tender offer, merger, consolidation or other similar transaction is not completed, any Consideration Shares or securities convertible into or exercisable or exchangeable for any Consideration Shares held by Alcon Pharma shall remain subject to the restrictions on transfer set forth in the Subscription Agreement.

Closing Conditions of the Share Issue

The closing of the Share Issue is subject to the fulfillment or, to the extent permissible, waiver of the following closing conditions:

(a) the representations and warranties of the parties shall be true and correct in all material respects as of the date of Closing;

(b) the parties shall have performed and complied in all material respects with all covenants, agreements, obligations and conditions contained in the Subscription Agreement that are required to be performed or complied with by them on or prior to the date of Closing;

(c) all registrations, qualifications, permits and approvals, if any, required under applicable securities laws shall have been obtained for the lawful execution, delivery and performance of the Subscription Agreement;

(d) the Board shall have passed resolutions approving the Subscription Agreement and the transactions contemplated under the Transaction Documents (including Share Issue pursuant to the terms and conditions of the Subscription Agreement);

(e) the Subscription Agreement and the transactions contemplated thereunder shall have been authorized and approved by a simple majority of the votes of the Shareholders at the general meeting of the Company duly held in accordance with the applicable laws and the Listing Rules;

(f) the Company shall obtain the Specific Mandate for the Share Issue;

(g) the Stock Exchange shall have granted (and not withdrawn or revoked) approval for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

(h) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any governmental entity that prohibits the consummation of any of the transactions contemplated by the Transaction Documents;

(i) the Shares shall remain listed for trading on the Stock Exchange and there are no suit, action, proceeding or investigation pending or, to the knowledge of the Company, threatened against the listing status of the Shares;

(j) no material adverse effect shall have occurred; and

(k) the parties shall have received each of the items required to be delivered to them pursuant to the Subscription Agreement.

Closing of the Subscription Agreement

The closing of the Subscription Agreement shall take place on (i) such date that is no later than five Business Days after each of the conditions set forth in the Subscription Agreement has been fulfilled or waived (other than those conditions that can be fulfilled only at the date of Closing of the Subscription Agreement), as is specified by the Company and Alcon Pharma, or (ii) such other date and location as may be mutually agreed in writing by the Company and Alcon Pharma. At the closing of the Subscription Agreement, the Company shall allot and issue the Consideration Shares to Alcon Pharma as fully paid and register Alcon Pharma as a Shareholder.

After the closing of the Subscription Agreement and within three Business Days, the Company shall submit a filing application in respect of the Share Issue and the Transaction to the CSRC in accordance with the "Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises" issued by the CSRC and its relevant regulations and shall promptly inform Alcon Pharma of the progress of the filing application and confirm the completion of the filing.

(4) Purchase arrangements under the Manufacture and Supply Agreement

In connection with the Acquisition and In-Licensing, on August 12, 2024 (after trading hours), Ocumension HK entered into the Manufacture and Supply Agreement, pursuant to which Ocumension HK agreed to purchase from Alcon Pharma the Transferred Products and the Commercial Product during the periods as agreed by the parties, for the purpose of commercializing the aforesaid products in the Territory after the Closing. Under the Manufacture and Supply Agreement, subject to the R&D progress of the Pipeline Product, Ocumension HK may also need to purchase the Pipeline Product from Alcon Pharma for the purpose of conducting a pivotal study in the Territory.

For details of the principal terms of the Manufacture and Supply Agreement and the purchase arrangements thereunder, see "II. Continuing Connected Transactions in Relation to the Purchase Arrangement, Royalty and Milestone Payments – (A) Purchase and Supply of the Transferred Products and Commercial Product under the Manufacture and Supply Agreement" hereunder.

(B) INFORMATION ON THE TRANSFERRED PRODUCTS AND THE LICENSED PRODUCTS

(1) Introduction of the Transferred Products

Tears Naturale® Forte (Lubricant eye drops) is designed to treat dry eyes by providing effective relief from burning, irritation, and discomfort. This slightly viscous solution acts as an artificial tear, soothing and lubricating eyes by replacing the missing natural tears. It features advanced TriSorb triple demulcent technology, which helps retain moisture on the eye's surface and slows the evaporation of the tear film. It is ideal for individuals experiencing dry eyes caused by a lack of natural tears, offering significant comfort and relief.

Tears Naturale® II (Lubricant eye drops), preserved with safe, non-sensitizing POLYQUAD® 0.0011% preservative. POLYQUAD® preservative has been shown to be 99% reaction-free in normal subjects and 97% reaction-free in subjects known to be preservative sensitive. With its unique formulation, neutral pH, low viscosity, and isotonicity, Tears Naturale® II replaces needed tear components to relieve dry eye symptoms and soothe irritated eyes.

Bion® Tears (Lubricant eye drops), an advanced tears substitute containing bicarbonate. It is specifically formulated to provide soothing relief from moderate to severe dry eye conditions, including symptoms associated with surgical procedures.

Alcaine (Topical local anesthetic eye drops), a branded proparacaine, is specifically formulated for short-duration corneal anesthesia. It is indicated for corneal and conjunctival procedures such as tonometry, gonioscopy, and the removal of foreign bodies and sutures. This solution provides rapid and effective anesthesia, making it ideal for use in various ophthalmic procedures.

Fluorescite (Diagnostic agent for IV administration), a sterile intravenous solution used as a diagnostic aid, is specifically indicated for diagnostic fluorescein angiography and angioscopy of the retina and iris vasculature. This solution helps in the visualization of retinal and iris blood vessels, facilitating accurate diagnosis and assessment of ocular conditions.

Cyclogyl® (Muscarinic antagonist eye drops), an anticholinergic, is prepared as a sterile, borate-buffered solution for topical ocular use. It is available in three strengths and is specifically formulated to induce mydriasis (pupil dilation) and cycloplegia (paralysis of the ciliary muscle), aiding in various diagnostic and therapeutic procedures.

(2) Introduction of the Licensed Products

Commercial Product

Systane® Ultra (Lubricant eye drops) delivers extended protection and rapid, enduring relief for individuals experiencing eye irritation, fatigue, or dryness. Tailored for moderate, intermittent sufferers, it accommodates contact lens wearers by facilitating pre- and post-insertion application. It is formulated to swiftly alleviate dry eye symptoms precipitated by environmental factors such as prolonged screen time, varying air quality, and seasonal conditions like low humidity or high winds. Notably, it effectively mitigates both the clinical indicators and subjective discomfort associated with dry eye, offering prompt relief for ocular irritation regardless of location.

Pipeline Product

The Pipeline Product, a novel topical drug candidate for dry eye, is a topical transient receptor potential melastatin 8 (TRPM8) agonist and a first-in-class product candidate for the treatment of the signs and symptoms of dry eye disease. It represents a groundbreaking advancement in treating dry eye disease (DED). In both pivotal efficacy and safety studies (COMET-2 and COMET-3) in the U.S., the primary endpoint was achieved by exhibiting significant improvements in tear production ($p < 0.0001$) without serious adverse events. With over 930 subjects in the phase III trials in the U.S., AR-15512 demonstrated rapid onset and sustained effectiveness, addressing a critical gap in DED treatment. The FDA submission is expected to be submitted in mid-2024, aiming to fulfill the unmet needs of the estimated 38 million DED sufferers in the U.S.

Subject to the Closing, the Group expects to submit the application for the initiation of a phase III clinical trial of the Pipeline Product in the PRC as soon as practicable after the FDA approval of the Pipeline Product is obtained, and will disclose the progress of the clinical trials and other milestones information of the Pipeline Product in the PRC as and when appropriate.

(3) Financial Information of the Products

Revenue

The unaudited revenue attributable to the Transferred Products and Commercial Product sold in the Territory for the years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 was US$30.6 million, US$35.1 million, US$38.7 million and US$15.4 million, respectively.

Net Profits before and after Taxation

The net profits before or after taxation of the Transferred Products and Commercial Product sold in the Territory are unavailable because it is impractical to isolate and extract the relevant financial information from Alcon's accounts due to its operational scale and business unit-level financial reporting.

The Company has obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rule 14.58(7) of the Listing Rules as to the provision of net profits before and after taxation attributable to the Transferred Products and Commercial Product sold in the Territory for the two financial years ended December 31, 2022 and 2023 as (a) Alcon did not and was not under any obligation to conduct financial reporting separately on the Transferred Products and the Commercial Product because, as a major multinational pharmaceutical corporation, it only conducted financial reporting at business-unit level and group level historically; (b) Alcon was not able to provide the Group with relevant financial information and underlying books and records for the Group to compile the financial information required under Rule 14.58(7) of the Listing Rules in association with the Transferred Products and Commercial Product as such information and underlying books and record cannot be segregated from the relevant accounts of Alcon due to its business-unit and group level financial reporting; and (c) the Company is of the view that the alternative disclosures as set out above, namely the revenue attributable to the Transferred Products and Commercial Product sold in the Territory for the years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024, have provided the Shareholders and potential investors with sufficient and meaningful information as to the commercialization scale of the Transferred Products and Commercial Product to make informed investment decisions.

Book Value

The book value of each of the Transferred Products and Commercial Product is nil as each of the Transferred Products and the Commercial Product has been fully amortized as of the date of this announcement.

The book value of the Pipeline Product is not applicable as the Pipeline Product is currently under development and has not been capitalized as assets in Alcon's accounts.

(C) BASIS FOR THE CONSIDERATION AND VALUATION

(1) Basis of the Consideration

The consideration of the Acquisition and In-Licensing will be satisfied by way of the allotment and issue of 139,159,664 Consideration Shares to Alcon Pharma, which was primarily agreed by the parties after arm's length negotiations. The Consideration Shares have an aggregate market value of approximately HK$1,020.04 million, based on the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement.

Such consideration was determined with reference to (a) the historical sales performance of the Transferred Products and the Commercial Product, (b) the value of (i) the Transferred Assets in respect of the Transferred Products, (ii) the rights to commercialize the Commercial Product in the Territory, and (iii) the rights to develop, manufacture and commercialize the Pipeline Product in the Territory, all of which are valued in accordance with the discounted cash flow method of the income approach as set out in the Valuation Report prepared by the Valuer; (c) the market potential of the Transferred Products, the Commercial Product and the Pipeline Product as described in the subsection "Reasons for and Benefits of the Transaction" hereunder, and (d) the benefits and synergies that are expected to be brought to the Group as a result of the Transaction, as described in subsection "Reasons for and Benefits of the Transaction" hereunder.

(2) Valuation

Based on the valuation methodology adopted, the Valuer is of the opinion that the value of the rights related to the Transferred Assets and Licensed Products ("**License Rights**") as of June 30, 2024 was HK$1,280.3 million. The aggregate value of the License Rights divided by the 139,159,664 Consideration Shares amounts to HK$9.20 per Share, which represents:

(i) a premium of approximately 25.51% over the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement; and

(ii) a premium of approximately 26.1% over the average closing price of approximately HK$7.296 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of this announcement.

Since the discounted cash flow method of the income approach was adopted by the Valuer in the preparation of the Valuation Report, such valuation constitutes a Profit Forecast and the requirements under Rule 14.60A of the Listing Rules are therefore applicable.

Reasons for using the income approach

The generally accepted approaches to valuation are commonly referred to as the following:

(a) the income approach

The income approach is based on the premise that the value of a security or asset is the present value of the future earning capacity that is available for distribution to the subject investors in the security or asset. The most commonly used income approach to the valuation of securities or individual assets is a discounted cash flow analysis. A discounted cash flow analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate should consider the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued. This approach is most appropriate where an identifiable stream of income can be attributed to the particular asset being valued.

(b) the market approach

In the market approach, the value of an asset or security is based upon what investors are paying for similar assets or securities in the marketplace. The market approach includes the development of ratios of market prices to various metrics of the guideline assets or securities, which are then used to develop an estimate of value for the subject asset or security. Consideration is given to adjustments for differences between the subject and guideline assets or securities, as well as the date, source and depth of market data.

(c) the cost approach

A third approach to the valuation is the cost approach. The discrete valuation of an asset using a cost approach is based upon the concept of replacement as an indicator of value. A prudent investor would pay no more for an asset than the amount for which he could replace the asset new. The cost approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable. This approach generally provides the most reliable indication of the value of land improvements, special-purpose buildings, special structures, systems, and special machinery and equipment.

The Valuer has considered all three approaches to estimate the fair value of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products and have chosen to rely upon the income approach for the purpose of the analysis.

The income approach is preferred for valuing the subject rights because it focuses on the present value of future economic benefits, allowing detailed modeling of expected cash flows considering market demand, pricing, and growth rates. It directly assesses profitability by estimating future cash flows, incorporating various risk factors through discount rates to reflect uncertainties related to market acceptance, regulatory approval, patent life, and competition, offering a nuanced valuation aligned with the pharmaceutical industry's unique characteristics.

More specifically, the multi-period excess earnings method under income approach is employed in the valuation of the intangible assets. The multi-period excess earnings method is based on the following assumptions:

(a) it is based upon the premise that the value of an intangible asset represents the present value of the excess earnings attributable to the asset;

(b) excess earnings are the residual cash flows attributable to the subject intangible asset after subtracting the required return (or economic rent) for each contributory tangible and intangible asset; and

(c) contributory assets may include, but are not limited to net working capital, fixed asset and assembled workforce.

Market approach was not adopted due to the lack of sufficient comparable transactions, inconsistent data, and variable market conditions. The pharmaceutical market often lacks a sufficient number of comparable transactions for valuation purpose, as each drug can be unique in therapeutic area, development stage, and market potential. Even when comparables exist, data inconsistency and differences in licensing terms, market conditions, and deal structures make accurate comparisons difficult, leading to potential valuation inaccuracies.

The Valuer also considered that the cost approach was not an appropriate approach for the valuation. Cost approach fails to capture the intangible value of the subject rights, such as market potential, brand reputation, and competitive advantage, and does not consider future profitability and cash flows. It values the subject rights based on development costs, which do not necessarily correlate with market success, overlooking the fact that the value of the subject rights is related to its revenue-generating ability rather than historical expenses.

Assumptions of valuation

Pursuant to Rule 14.60A(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Valuation Report was based are as follows:

General assumptions

(a) it is assumed that there are no material changes in the current laws, regulations and policies, and the macroeconomic situation of the country, nor are there any material changes in the political, economic and social environment of the regions where the parties to the transactions are located;

(b) it is assumed that all basic information and financial information provided by Alcon and the Company are true, correct, and accurate. No other important information exists that would impact the valuation analysis of the Transferred Products and Licensed Products except for the information that have already been provided by the Company;

(c) it is assumed that there are no material changes in operating activities, tax policies relied upon in the valuation, exchange rates, etc.; and

(d) it is assumed that there are no other force majeure factors and unforeseeable factors to lead to a significant adverse impact on the Transferred Products and Licensed Products.

Special assumptions

(a) it is assumed that the Company will continue to invest and advance the development and clinical trials of the Pipeline Product, and expand the sales of the Transferred Products and Commercial Product;

(b) it is assumed that the Pipeline Product will be commercialized in the PRC according to the anticipation of the Company. Nevertheless, a probability of success derived from clinical trial statistics is factored in to address potential risks associated with trial failures;

(c) it is assumed that the Company's intellectual property rights related to the Pipeline Product are adequately protected, allowing for exclusivity during the period of intellectual property protection;

(d) it is assumed that the Company has a sound commercialization strategy in place for the Transferred Products, and Licensed Products; and

(e) it is assumed that the expected sales of the Transferred Products and Licensed Products can be reasonably estimated by considering demographic, epidemiologic and commercial factors.

Key inputs in respect of valuation and computation process

Forecast period

The forecast period for all products is 15 years, starting from the First Commercial Sale expected to be in 2024 for Transferred Products and the Commercial Product, and in 2028 for the Pipeline Product.

Revenue

The revenue projection is based on individual forecasts for the volume and unit price of each product. Sales volumes are estimated using epidemiological data, including but not limited to population, prevalence of disease, diagnosis rate and patient proportions, etc. and management's forecasted market share. The unit prices of Transferred Products and Commercial Product are predicted to decline gradually from the current selling price. Importantly, these mature products are not expected to be significantly impacted by patent expiration or centralized procurement.

The revenue of the Transferred Products and the Commercial Product is estimated to maintain double-digit growth for the first half of the forecast period, after which the growth rate will gradually slow down. This growth is primarily driven by the expansion of the sales team, increased channel presence in private hospitals, public hospitals, and online sales, and leveraging a strong logistics network.

The Pipeline Product is an anti-inflammatory medication for moderate to severe dry eye disease. Its initial sales price has been estimated by reference to similar medications in the industry, while considering the impact of inclusion into the national medical insurance catalog post launch. Its suitability for adolescents and superior user experience enhances market penetration. Launching in 2028, it is expected to achieve peak sales by 2042.

Cost of goods sold

Cost projections are based on the supply agreement prices, under the assumption that the Company will continue to procure products from Alcon for future sales. The gross margin for the intangible assets being assessed falls within this range of average gross margin of comparable companies.

Operating expenses

Operating expenses mainly consist of (i) sales & marketing expenses; (ii) general & administrative expense; and (iii) royalty fees and milestone payments.

Sales expenses as of revenue for artificial tears products are forecasted based on historical data and comparable company ratios, gradually decreasing as sales stabilize. The sales investment for surgical products is relatively small, as marketing has relatively minor impact on their sales. For the Pipeline Product, significant sales expenses are expected in the first five years post launch. Since the product will enter the medical insurance catalog, the expense ratio is anticipated to drop gradually to a normalized level. General and administrative expenses are forecasted as a percentage of revenue in the first year and adjusted annually by a growth rate thereafter. Royalty fees and milestone payments are based on the Asset Purchase Agreement and projected sales revenue.

Additionally, since the operating expenses are incurred by affiliated companies in Mainland China, these expenses will be charged to the Ocumension HK with a certain markup. The markup is subject to the taxation of Mainland China.

Research and development expenses

As the Pipeline Product is currently in the clinical trial phase, the management anticipates future clinical stage research and development expenditures based on the research plan.

Tax

As the intangible assets are acquired by a Hong Kong entity, the standard tax on corporate income of 16.5% in Hong Kong is applied. Additionally, markups on sales management expenses incurred in Mainland China are taxed at a rate of 25%.

Contributory assets charge

Under the multi-period excess earnings method, the value of intangible assets is derived from the post-tax cash flow after deducting the required returns on contributory assets, which represents the excess earnings. The contributory assets for the subject products include net working capital, fixed assets, and assembled workforce.

Discount rate

The Valuer adopted the weight average cost of capital (the "**WACC**") as the benchmark discount rate in valuing the value of the License Rights. WACC calculates a company's cost of capital, proportionately weighing its use of debt and equity financing. The cost of equity capital is determined using the Capital Asset Pricing Model, while the cost of debt is calculated as after-tax corporate borrowing rate. The concluded WACC (rounded) is 15.5%. Certain risk premiums are applied for intangible assets.

Success rate

To reflect uncertainty, a success rate is applied to the financial forecast of the Pipeline Product based on the R&D status by considering the historical success rates of ophthalmology drugs from clinical stage to commercial stage.

Sensitivity analysis

Among all the valuation assumptions, WACC is a particularly important parameter that assess market and company specific risk. Therefore, the Valuer has conducted a sensitivity analysis on WACC to understand its impact on the valuation.

The Valuer tested WACC values within a range of ±1% from the base case. 1% increase in WACC leads to a reduction in value of License Rights by approximately 7%, whereas a 1% decrease results in a similar percentage increase in value of License Rights.

Confirmations

The Reporting Accountant has been engaged to report on the calculations of the discounted future cash flows used in the Valuation Report prepared by the Valuer. The Reporting Accountant has reported that so far as the calculations are concerned, the discounted future cash flows have been properly complied, in all material aspects, in accordance with the assumptions as set out in the Valuation Report. A letter from the Reporting Accountant dated August 12, 2024 in relation to the arithmetical accuracy of the calculations of the discounted future cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

The Directors have reviewed the key assumptions (including the special assumptions) upon which the Profit Forecast was based and are of the view that the Profit Forecast has been made after due and careful enquiry. A letter from the Board dated August 12, 2024 is set out in Appendix II to this announcement for the purpose under Rule 14.60A(3) of the Listing Rules.

(D) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Pursuant to the Subscription Agreement, the consideration for the Acquisition and the In-Licensing will be satisfied by way of the allotment and issue of 139,159,664 Consideration Shares to Alcon Pharma. The Consideration Shares are of an aggregate nominal value of US$1,392 (with a par value of US$0.00001 each), have an aggregate market value of approximately HK$1,020.04 million, based on the closing price of HK$7.33 per Share as quoted on the Stock Exchange on the date of this announcement.

As of the date of this announcement, the Company had 693,654,850 Shares in issue. The Consideration Shares represent:

(i) approximately 20.06% of the total number of Shares in issue (excluding treasury Shares) as of the date of this announcement; and

(ii) approximately 16.71% of the total number of Shares in issue (excluding treasury Shares) immediately upon completion of the Share Issue.

Immediately following the completion of Share Issue, Alcon Pharma will own approximately 16.71% of the enlarged issued share capital of the Company (assuming that there are no other changes in the issued share capital of the Company prior to the completion of the Share Issue). Therefore, the Share Issue will not result in a change of control of the Company. The Consideration Shares, when issued, shall rank pari passu in all respects with the Shares in issue as of the date of completion of the Share Issue.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM. Save for the lock-up arrangements as agreed between the Company and Alcon Pharma, there are no restrictions which apply to the subsequent sale of the Consideration Shares.

(E) EFFECT OF THE ISSUANCE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon the issue of the Consideration Shares (to the best knowledge of the Company and assuming that there are no other changes in the issued share capital of the Company since the date of this announcement and up to the Closing) are set out as follows:

	As of the date of this announcement		**Upon the Closing**	
	Number of Shares held	*Approximate % of shareholding*[(1)]	*Number of Shares held*	*Approximate % of shareholding*[(1)]
Non-Public Float	**371,123,725**	**53.50%**	**427,303,659**	**51.31%**
Controlling Shareholders				
6 Dimensions Capital, L.P. ("**6D Capital**")[(2)]	119,890,000	17.28%	119,890,000	14.40%
6 Dimensions Affiliates Fund, L.P. ("**6D Affiliates**")[(2)]	6,310,000	0.91%	6,310,000	0.76%
Suzhou Frontline BioVentures Venture Capital Fund II L.P. ("**Suzhou Frontline**")[(2)]	88,340,000	12.74%	88,340,000	10.61%
Suzhou 6Dimensions Venture Capital Partnership L.P. ("**Suzhou 6D**")[(2)]	37,860,000	5.46%	37,860,000	4.55%
Other Substantial Shareholder				
Summer Iris Limited[(3)]	78,214,230	11.28%	–	–
Boyu Capital Opportunities Master Fund[(3)]	4,765,500	0.69%	–	–
Directors				
Mr. Ye LIU[(4)]	32,009,730	4.61%	32,009,730	3.84%
Dr. Zhaopeng HU[(5)]	3,734,265	0.54%	3,734,265	0.45%
Alcon Pharma	**–**	**–**	**139,159,664**	**16.71%**
Public Float[(6)]	**322,531,125**	**46.50%**	**405,510,855**	**48.69%**
Total	**693,654,850**	**100.00%**	**832,814,514**	**100.00%**

Notes:

(1) The percentage figures included in this column have been subject to rounding adjustments, and therefore, such figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

(2) Each of 6D Capital and 6D Affiliates is controlled by 6 Dimensions Capital GP, LLC as its general partner. Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) ("**Suzhou Fuyan**") is the general partner of Suzhou Frontline. Suzhou Tongyu Investment Management Partnership (Limited Partnership) ("**Suzhou Tongyu**") is the general partner of Suzhou 6D. Suzhou Yunchang Investment Consulting Co., Ltd., the general partner of Suzhou Fuyan and Suzhou Tongyu, is ultimately beneficially owned by Ziqing CHEN (陳梓卿). 6D Capital, 6D Affiliates, Suzhou Frontline, and Suzhou 6D are managed by their respective investment committees, each of which comprises the same members who ultimately control the making of investment decisions, and are therefore our controlling shareholders (as defined under the Listing Rules).

(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.

For the purpose of the SFO, Boyu Capital Group Holdings Ltd. is deemed to have an interest in the 4,765,500 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.

(4) Save for the 32,009,730 Shares directly held by him, Mr. Ye LIU, an executive Director and chief executive officer, is also interested in 44,103,260 underlying Shares representing the options and awards which have been granted to him but not yet vested or exercised.

(5) Save for the 3,734,265 Shares directly held by him, Dr. Zhaopeng HU, an executive Director, is also interested in 449,750 underlying Shares representing the restricted share units, options and awards granted but not yet vested or exercised.

(6) Including the 78,214,230 Shares held by Summer Iris Limited and the 4,765,500 Shares held by Boyu Capital Opportunities Master Fund, which collectively represent 9.96% of the total issued share capital of our Company upon completion of the Share Issue.

(F) REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction, and the long-term relationship with Alcon embedded therein, will bring multiple strategic benefits to the Company by working with Alcon, a worldwide leading company in the ophthalmic field, which possesses extensive R&D experience and advanced technologies in ophthalmology. The Transaction will enable the Group to further enhance its R&D, manufacture and commercialization capabilities and product quality, thereby allowing the Group to gain a more advantageous position in the highly competitive ophthalmic market.

Moreover, through the Transaction, the Company will further enhance its competitive position in the ophthalmic drug sector, especially strengthening the competitiveness of its business in the dry eye field. Dry eye syndrome is a prevalent ophthalmic issue globally, and the Company has already accumulated significant experience and market share in this area. By acquiring the Transferred Products and licensing-in the Licensed Products, the Company will be capable of offering more comprehensive and advanced treatment solutions, further meeting patient needs and expanding the Group's market share.

Most critically, acquiring the Transferred Products and licensing-in the Licensed Products will significantly enhance the Company's profitability. The Commercial Product and the Transferred Products which have been commercialized in the PRC and the Pipeline Product with high potential to realize commercialization, will enlarge the Group's market share in ophthalmic yield. Therefore, the introduction of the Transferred Products and Licensed Products will not only diversify the Group's product lines but also bring substantial economic benefits. By optimizing resource allocation and market promotion strategies, equipped with the Company's strong commercialization and localization capabilities, the Company expects these products to achieve profitability in the short term and provide a stable revenue stream for the Company in the long term.

The Company constantly seeks to develop cutting-edge eye care solutions, enhance patient outcomes, and constantly expand its global reach. Looking beyond, the long-term relationship with Alcon aims to leverage both parties' extensive expertise with the ambition to expand global footprint. The Transaction not only demonstrates the Company's unwavering commitment to business sustainability but also showcases the Company's visionary perspective that extends beyond the present. This relationship signifies the Company's determination to create a lasting influence and its aspiration to explore new horizons of growth and innovation.

In summary, such strategic relationship with Alcon will not only help improve the Group's overall strength in the ophthalmic drug field but also bring significant economic benefits, ensuring that the Group maintains a leading position in future market competition. In light of the foregoing, the Board considers that the terms of agreements under the Transaction, which are agreed after arm's length negotiations between the Company and Alcon, are on normal commercial terms which are fair and reasonable, and the entering into of such agreements is in the interests of the Company and the Shareholders as a whole. None of the Directors had any material interest in the Transaction nor were required to abstain from participating in the passing of the resolutions for the approval of Transaction.

II. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENT, ROYALTY PAYMENTS AND MILESTONE PAYMENTS

After completion of the Share Issue, Alcon Pharma will become a substantial Shareholder, holding approximately 16.71% of the total issued share capital of the Company as enlarged by the Share Issue. Each of Alcon Research and Alcon Pharma is a wholly owned subsidiary of Alcon. Therefore, Alcon Research will become an associate of a connected person of the Company. The purchase arrangements contemplated under the Manufacture and Supply Agreement, the royalty payments contemplated under the Asset Purchase Agreement and royalty payments and milestone payments contemplated under the License Agreement will constitute continuing connected transactions of the Company and are subject to the requirements under Chapter 14A of the Listing Rules.

Set forth hereunder is a summary of the continuing connected transactions contemplated under the Manufacture and Supply Agreement, the Asset Purchase Agreement, and the License Agreement.

				Proposed annual caps (in HK$ millions)		
Agreement	**Term of the agreement**	**Transaction under the agreement**	**Term of the transaction**	**From Closing to December 31, 2024**	**December 31, 2025**	**December 31, 2026**
Manufacture and Supply Agreement	From the date of agreement and remain in force for so long as the Commercial Product will be commercialized in the Territory	Purchase of Transferred Products during the Transition Period	Currently expected to commence from date of Closing and expire within four years after January 1, 2025 (subject to extensions and authority approvals)	53.4	199.7	237.7
		Purchase of the Commercial Product	From the date of Closing and will remain in force for so long as the Commercial Product will be commercialized in the Territory			
		Purchase of the Pipeline Product for pivotal study	From the date of Closing and subject to the R&D progress			

Agreement	Term of the agreement	Transaction under the agreement	Term of the transaction	Proposed annual caps (in HK$ millions) From Closing to December 31, 2024	December 31, 2025	December 31, 2026
Asset Purchase Agreement	From the date of agreement and remain in force until the Royalty Term of the Transferred Products expires	Royalty payments for the Transferred Products	From the First Commercial Sale and throughout the Royalty Term in respect of each Transferred Product	10.2	39.2	46.5
License Agreement	From the date of agreement and until the Royalty Term of the Pipeline Product expires	Royalty payments for the Commercial Product	From the First Commercial Sale and throughout the Royalty Term in respect of the Commercial Product			
		Royalty payments and sale milestone payments for the Pipeline Product	From the First Commercial Sale and throughout the Royalty Term in respect of the Pipeline Product, after the Pipeline Product is approved for commercialization in the Territory	N/A	N/A	N/A

(A) PURCHASE AND SUPPLY OF THE TRANSFERRED PRODUCTS AND COMMERCIAL PRODUCT UNDER THE MANUFACTURE AND SUPPLY AGREEMENT

(1) Principal terms of the Manufacture and Supply Agreement

As the Group can only commence manufacture of the Transferred Products after the Group becomes the market authorization holder of the Transferred Products in the Territory pursuant to a domestic drug license, which is expected to occur after a period of time from the Closing, the Group intends to purchase the Transferred Products from Alcon Pharma during the Transition Period for commercialization of such products in the Territory. As manufacture of the Commercial Product has been and will be conducted outside the Territory, the Group intends to purchase the Commercial Product from Alcon Pharma for commercialization throughout the term of the parties' relationship. Subject to the R&D progress of the Pipeline Product, Ocumension HK may also need to purchase the Pipeline Product from Alcon Pharma for the purpose of conducting a pivotal study in the Territory. For the aforesaid purpose, on August 12, 2024, Ocumension HK and Alcon Pharma entered into the Manufacture and Supply Agreement, pursuant to which Ocumension HK shall purchase from Alcon Pharma, and Alcon Pharma or its subcontractors shall manufacture and supply to Ocumension HK the Transferred Products and the Licensed Products during the periods as agreed by the parties. Such purchase arrangements under the Manufacture and Supply Agreement will constitute continuing connected transactions of the Company after completion of the Share Issue.

(2) Term of the purchase arrangements and the Manufacture and Supply Agreement

Subject to the terms of the Manufacture and Supply Agreement and unless terminated earlier by the parties as agreed in the agreement, Ocumension HK will purchase from Alcon Pharma, among others, the Commercial Product for so long as the Commercial Product will be commercialized in the Territory. Therefore, the Manufacture and Supply Agreement does not have a fixed term and will continue in force for so long as the purchase arrangements of the Commercial Product remain in place.

Rule 14A.52 waiver

Rule 14A.52 of the Listing Rules stipulates that the period for an agreement for continuing connected transactions must have a fixed period and such fixed period shall normally be no more than three years, unless special circumstances justify a longer period based on the nature of the transaction.

The purchase arrangements in respect of the Commercial Product do not have a fixed term because the relationship between the Group and Alcon Pharma in relation to the Commercial Product is long term in nature. Accordingly, the Manufacture and Supply Agreement does not have a fixed term and will continue in force unless the purchase arrangements in respect of the Commercial Product are terminated.

The Company considers that such arrangements are customary in the pharmaceutical industry for purchase and supply arrangements in relation to transactions of these types and will apply to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules such that the Manufacture and Supply Agreement and the purchase arrangements in respect of the Commercial Product thereunder can be of an indefinite term commencing from the date of the Closing and continue to be in full force for so long as the purchase arrangements in respect of the Commercial Product are in place.

The Company will further disclose the reasons for applying the Rule 14A.52 waiver in the Circular, and has appointed Gram Capital as the independent financial adviser as required by Rule 14A.52 of the Listing Rules to advise the Shareholders in the Circular why the term of the Manufacture and Supply Agreement cannot be fixed and requires a period longer than three years, and to confirm that it is normal business practice for agreements of this type to be of such duration.

(3) Pricing policy

The payment payable by Ocumension HK to Alcon Pharma or its designee under the Manufacture and Supply Agreement within respective periods will be determined in accordance with the following formula:

*Amount payable = Supply Price[(i)] for each product * quantity (with a minimum payable per contract year, in the aggregate, of 80% of the Target Volume (where applicable) of such relevant product)[(ii)]*

Notes:

(i) Ocumension HK shall purchase the Transferred Products and/or Commercial Product from Alcon Pharma at the supply price (the "**Supply Price**") in effect on the day a firm purchase order is issued by Ocumension HK. The initial Supply Price for each of the Transferred Products and Commercial Product has been agreed by the parties as of the date of Closing and continuing through December 31, 2024. Each calendar year thereafter, the Supply Price for each Transferred Product and/or Commercial Product shall be adjusted annually as set forth in the Manufacture and Supply Agreement until the expiration of terms for the purchase arrangements for such Transferred Product and/or Commercial Product. Subject to the R&D progress and for the purpose of conducting a pivotal study of the Pipeline Product in the Territory, Ocumension HK may also need to purchase of the Pipeline Product from Alcon Pharma at an agreed price.

(ii) Ocumension HK shall provide Alcon Pharma with a rolling forecast of demand for each of the Transferred Products and/or the Commercial Product, which shall be consistent with the estimated sales volume of such product to be supplied to Ocumension HK per contract year as set forth in the Manufacture and Supply Agreement (such estimated sales volume, the "**Target Volume**"). Ocumension HK may at its discretion increase or decrease the initial Target Volume in respect of each product by up to agreed percentages each year. Upon acceptance by Alcon Pharma of the rolling forecast submitted in that quarter, the first certain months of the forecast period of such rolling forecast shall be binding. Based on the binding forecast, Ocumension HK shall submit each purchase order (including unit price and volume for the products, among others) for approval of Alcon Pharma. Alcon Pharma shall not reject purchase orders submitted that conform with the binding forecast.

The Company and Alcon shall, at least six months prior to the expiration of the Royalty Term for the relevant Transferred Products or the Commercial Product, enter into good faith negotiations and agree in writing on the supply price to be applied after the Royalty Term for such product (the "**New Supply Price**"). If, at the end of the Royalty Term for a product, the Company and Alcon have not reached a written agreement on the New Supply Price for such product, then during the period between the first day following the expiration of the Royalty Term for such product and the parties' written agreement on the New Supply Price for such Product, the Supply Price for that Product shall be 130% of the cost of goods sold for such product. Save for the aforesaid supply price adjustment, all other terms and conditions of the Manufacture and Supply Agreement shall remain in full force and effect and shall be unaffected by the expiry of the Royalty Term in respect of any product.

(4) Historical transaction amounts

There was no historical transaction in relation to the Transferred Products or Licensed Products between Ocumension HK and Alcon.

(5) Proposed annual caps

The following table sets forth the proposed annual caps for the aggregate transaction amounts in relation to the Transferred Products and Licensed Products between Ocumension HK and Alcon Pharma under the Manufacture and Supply Agreement for the periods indicated:

From the effective date of the Manufacture and Supply Agreement to December 31, 2024	Proposed annual cap for the year ending December 31,	
	2025	2026
	(HK$ in millions)	
53.4	199.7	237.7

(6) Basis for the proposed annual caps

The above proposed annual caps have been set on the basis of the following factors:

(a) historical sales volume: the historical sales volume for the Transferred Products and/or Commercial Product made by Alcon Pharma and its sublicensees and/or subcontractors in the Territory supplied to the end customers in the Territory in the past three years, which provides a referrable benchmark for estimating future demand and setting realistic caps;

(b) projected demand: the quantity of Transferred Products and/or Licensed Products that Ocumension HK expects to request during each calendar year, the estimates of which have taken into consideration: (i) the anticipated demand for each of the Transferred Products and/or Commercial Product based on market analysis and sales forecasts; (ii) Ocumension HK's rolling forecast of demand taking into account supply lead time and other logistics factors, which will be updated and reviewed quarterly, ensuring that the proposed caps align with the expected consumption; and (iii) the anticipated demand for pivotal study of the Pipeline Product;

(c) supply price and adjustments: the Supply Price set forth in the Manufacture and Supply Agreement and to be adjusted in accordance with the agreed-upon indexation and price adjustment mechanisms, which ensure that the caps account for potential price fluctuations over the term of the agreement; and

(d) manufacturing and supply requirements: the manufacturing and supply obligations of Alcon Pharma under the Manufacture and Supply Agreement, which mandate (i) Alcon Pharma or its subcontractors to manufacture and supply the Transferred Products and/or the Commercial Product to Ocumension HK according to properly submitted purchase orders and forecasts; and (ii) Ocumension HK to purchase all its requirements for the Transferred Products and/or the Commercial Product exclusively from Alcon Pharma, ensuring a stable and predictable supply chain.

As there have been no historical transactions between Ocumension HK and Alcon Pharma in relation to the Transferred Products or the Licensed Products, the factors above necessitate a cautious and well-considered approach in setting the initial caps, leveraging historical data from Alcon Pharma's sales in the Territory. These factors collectively provide a comprehensive basis for the proposed annual caps, ensuring they are aligned with historical data, projected demand and pricing mechanisms.

(7) Internal control measures

In accordance with the Listing Rules, the Company will comply at all times with Chapter 14A of the Listing Rules in respect of the purchase arrangements under the Manufacture and Supply Agreement. After expiration of the initial periods for the annual cap as set out above, the Company will re-comply with the relevant requirements under Chapter 14A of the Listing Rules, including setting new annual caps, issuing announcements and/or obtaining shareholders' approval for the new annual caps, as the case may be.

In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain internal control measures in monitoring the purchase arrangements under the Manufacture and Supply Agreement:

(a) the Company has established procedures to monitor its continuing connected transactions of which various departments of the Company will be responsible for the implementation, monitoring and review of such procedures in order to ensure that the prices of each of the transactions are determined in accordance with the respective pricing policy applicable to the purchase arrangements under the Manufacture and Supply Agreement;

(b) the Company will review the connected transaction ledger frequently. Confirmation on monthly reconciliation records will be obtained from the relevant connected persons. If there is any discrepancy between the records provided by the connected persons and the records of the Group, investigation shall be carried out by the finance department of the Company and the chief financial officer to clarify the discrepancy;

(c) the finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company. The finance department of the Company will inform the Board on a timely basis in the event the proposed annual cap is likely to be exceeded. The finance department of the Company and the chief financial officer will monitor compliance with the reporting and other requirement under the Listing Rules on an on-going basis;

(d) the pricing policy applicable to the purchase arrangements under the Manufacture and Supply Agreement will be reviewed by the Directors (including the independent non-executive Directors) on at least an annual basis;

(e) the independent non-executive Directors will review annually and confirm whether the purchase arrangements under the Manufacture and Supply Agreement have been entered into on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole pursuant to Chapter 14A of the Listing Rules; and

(f) the auditors of the Company will report annually and confirm whether the purchase arrangements under the Manufacture and Supply Agreement, in all material respects, have been entered into in accordance with the relevant agreements governing the transactions and the pricing policy of the Company pursuant to the requirements under Chapter 14A of the Listing Rules.

(B) ROYALTY PAYMENTS FOR THE TRANSFERRED PRODUCTS UNDER THE ASSET PURCHASE AGREEMENT AND COMMERCIAL PRODUCT UNDER THE LICENSE AGREEMENT

(1) Principal terms of the royalty payments

In connection with the commercialization of the Transferred Products under the Asset Purchase Agreement and the Commercial Product under the License Agreement, Ocumension HK will pay Alcon or its designee royalty payments based on net sales of the Transferred Products and the Commercial Product sold in the Territory, by or on behalf of Ocumension HK or its (sub)licensees during the Royalty Term. Such royalty payments will constitute continuing connected transactions of the Company after completion of the Share Issue.

Royalty Payments

Ocumension HK will pay:

(a) to Alcon Research or its designee, in partial consideration for the acquisition of Transferred Products under the Asset Purchase Agreement, royalty payments at tiered percentage rates on a quarterly basis throughout the Royalty Term, the aggregate amount of which *per annum* will not in any event exceed 12% of the annual net sales of the Transferred Products sold in the Territory by or on behalf of Ocumension HK, its affiliates or its (sub)licensees; and

(b) to Alcon Pharma or its designee, for obtaining the exclusive license to commercialize the Commercial Product in the Territory under the License Agreement, royalty payments at tiered percentage rates on a quarterly basis throughout the Royalty Term, the aggregate amount of which *per annum* will not in any event exceed 12% of the annual net sales of the Commercial Product sold in the Territory by or on behalf of Ocumension HK, its affiliates or its (sub) licensees.

Royalty Adjustment

For the Commercial Product, commencing in the first calendar quarter in which a generic product with respect to the Commercial Product is being marketed and sold by a third party (without a license, authorization or other grant of rights by Alcon Pharma or Ocumension HK) in the Territory in a calendar quarter occurs and continuing thereafter for the remainder of the Royalty Term for such Commercial Product in the Territory, if the aggregate net sales of the Commercial Product has fallen by 25% or more as measured against the aggregate net sales for the Commercial Product in the Territory in the calendar quarter immediately preceding the first sale of the applicable generic product in the Territory, then the royalties payable by Ocumension HK for the Commercial Product will be reduced by 50%.

Royalty Term

The Group's obligations to pay royalties will begin upon the First Commercial Sale of the Transferred Product and/or the Commercial Product, on a product-by-product basis, in the Territory and will expire 15 years after the First Commercial Sale of such product in the Territory. The First Commercial Sale in respect of the Transferred Products and the Commercial Product is expected to occur in 2024 as soon as possible after the Closing.

(2) Term of the Royalty Payments and Relevant Agreements

As the royalty payments in respect of the Transferred Products under the Asset Purchase Agreement will commence from the First Commercial Sale currently expected to be in 2024 and continue until the expiration of the 15-year period in respect of each relevant Transferred Product, unless terminated earlier as agreed by the parties, the term of the Asset Purchase Agreement and the royalty payments thereunder are fixed at the time of entering into the Asset Purchase Agreement.

The royalty payments in respect of the Commercial Product under the License Agreement will commence from the First Commercial Sale currently expected to be in 2024 and continue until the expiration of the 15-year period. However, since the License Agreement includes in-licensing of both the Commercial Product and the Pipeline Product, and the term of the License Agreement shall commence from the date of Closing and end on the date on which the Royalty Term expires for the final Licensed Product (unless terminated earlier), the License Agreement will remain in force until 15 years after the First Commercial Sale of the Pipeline Product, which is subject to the successful R&D and commercialization of the Pipeline Product. Therefore, the term of the License Agreement and the royalty payments thereunder cannot be fixed at the time of entering into the License Agreement. For further details of the term of the License Agreement and the implications under Rule 14A.52 of the Listing Rules, please see "— (C) In-Licensing of the Pipeline Product under the License Agreement — (2) Term of In-licensing and the License Agreement" below.

Rule 14A.52 implications

Rule 14A.52 of the Listing Rules stipulates that the period for an agreement for continuing connected transactions must have a fixed period and such fixed period shall normally be no more than three years, unless special circumstances justify a longer period based on the nature of the transaction. The Company considers a 15-year Royalty Term in respect of the Transferred Products and Commercial Product is in line with the prevailing market practice, which allows the Group to leverage its commercialization capabilities in the ophthalmic field in the Territory to share the established commercial value of Alcon's products in a long term and enhance the Group's market presence by the long-term relationship, through which the interest of the Group and the Shareholders can be maximized. Therefore, the Directors consider a fixed Royalty Term longer than three years in respect of the Transferred Products and the Commercial Product, and a fixed contract term of longer than three years in respect of the Asset Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

In this regard, the Company has appointed Gram Capital as the independent financial adviser as required by Rule 14A.52 of the Listing Rules to explain in the Circular why the Asset Purchase Agreement, the Royalty Term of the Transferred Products under the Asset Purchase Agreement and the Royalty Term of the Commercial Product under the License Agreement require a period longer than three years and to confirm that it is normal business practice for arrangement of these type to be of such duration.

(3) Pricing Policy

The amount payable under the royalty payments in respect of the Transferred Products and Commercial Product was determined between the parties on an arm's length basis and has taken into consideration the factors including prevailing market practice for comparable transactions based on publicly available information, primarily the recent transactions in the ophthalmic pharmaceutical sector, based on which the parties have determined that the royalty rates based on net sales of the Transferred Products and/or the Commercial Product align with current market practice. This comprehensive review ensures that the royalty rates applied are reasonable and reflective of the latest industry standards.

(4) Historical transaction amounts

There was no historical transaction in relation to the royalty payments for the Transferred Products or Commercial Product between Ocumension HK and Alcon.

(5) Proposed annual caps

The following table sets forth the proposed annual caps for the aggregate transaction amounts in relation to the royalty payments in connection with the sale of the Transferred Products under the Asset Purchase Agreement and the Commercial Product under the License Agreement in the Territory between Ocumension HK and Alcon for the periods indicated:

From the effective date of the Asset Purchase Agreement and the License Agreement to December 31, 2024	**Proposed annual cap for the year ending December 31,**	
	2025	**2026**
	(HK$ in millions)	
10.2	39.2	46.5

(6) Basis for the proposed annual caps

The above proposed annual caps have been set on the basis of the following factors:

(a) the historical net annual sales amount in respect of the commercialization of the Transferred Products and/or Commercial Product made by Alcon and its sublicensees and/or subcontractors in the Territory, and the trend of each year as compared to the preceding year;

(b) the expected net annual sales amount of the Transferred Products and/or Commercial Product for the year ending December 31, 2024, 2025 and 2026, respectively, considering the potential increase in demand based on the projected market growth for the Transferred Products and/or Commercial Product in the Territory;

(c) the royalty payment rates agreed between the parties based on market practices, which is determined, among other factors, with reference to the approximation of royalty payment rates typically observed in in-licensing transactions between biopharmaceutical companies with multinational corporations in the ophthalmology field in the Territory; and

(d) the anticipated growth of the Group's business and sales capabilities of the Group.

(7) Internal control measures

In accordance with the Listing Rules, the Company will comply at all times with Chapter 14A of the Listing Rules in respect of the royalty payments in relation to the Transferred Products and the Commercial Product. After the expiration of the initial periods for the annual cap as set out above, the Company will re-comply with the relevant requirements under Chapter 14A of the Listing Rules, including setting new annual caps, issuing announcements and/or obtaining shareholders' approval for the new annual caps, as the case may be.

In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain internal control measures in monitoring the royalty payments with respect to the Transferred Products and the Commercial Product:

(a) the business development team routinely evaluates licensing arrangements by third party market players in respect of ophthalmic products with similar mechanism of action for deal benchmarking;

(b) the Company has established procedures to monitor its continuing connected transactions of which various departments of the Company will be responsible for the implementation, monitoring and review of such procedures in order to ensure that the royalties are paid in accordance with the respective pricing policy applicable to the royalty payments with respect to the Transferred Products and the Commercial Product;

(c) the Company will review the connected transaction ledger frequently. Confirmation on monthly reconciliation records will be obtained from the relevant connected persons. If there is any discrepancy between the records provided by the connected persons and the records of the Group, investigation shall be carried out by the finance department of the Company and the chief financial officer to clarify the discrepancy;

(d) the finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company. The finance department of the Company will inform the Board on a timely basis in the event the proposed annual cap is likely to be exceeded. The finance department of the Company and the chief financial officer will monitor compliance with the reporting and other requirement under the Listing Rules on an on-going basis;

(e) the independent non-executive Directors will review annually and confirm whether the royalty payments with respect to the Transferred Products and the Commercial Product have been made on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole pursuant to Chapter 14A of the Listing Rules; and

(f) the auditors of the Company will report annually and confirm whether the royalty payments with respect to the Transferred Products and the Commercial Product, in all material respects, have been made in accordance with the relevant agreements governing the transactions and the pricing policy of the Company pursuant to the requirements under Chapter 14A of the Listing Rules.

(C) IN-LICENSING OF THE PIPELINE PRODUCT UNDER THE LICENSE AGREEMENT

(1) Principal terms

As Alcon possesses proprietary technology and know-how related to the Pipeline Product, Ocumension HK will obtain from Alcon Pharma, and Alcon Pharma will grant Ocumension HK, an exclusive license under the Licensed Technology for Ocumension HK to develop, manufacture and commercialize the Pipeline Product for dry eye uses in the Territory under the License Agreement.

Royalty Payments and Sales Milestone Payments

Pursuant to the License Agreement, Ocumension HK (or its affiliate) will pay Alcon Pharma or its designee royalty payments at tiered percentage rates, the aggregate amounts of which *per annum* will not in any event exceed 22% of the annual net sales of the Pipeline Product sold in the Territory by or on behalf of Ocumension HK, its affiliates, or its sublicensees throughout the Royalty Term, after the commercialization of the Pipeline Product is approved by NMPA.

In addition, Ocumension HK will pay Alcon Pharma or its designee tiered, one-time sales milestone payments upon achievement of agreed sales milestones events of the Pipeline Product in the Territory, the total amount of which will not in any event exceed US$50 million. Such royalty payments and sales milestone payments for the Pipeline Product during the Royalty Term will constitute continuing connected transactions of the Company after completion of the Share Issue.

Royalty Adjustment

Commencing in the first calendar quarter in which a generic product with respect to the Pipeline Product is being marketed and sold by a third party (without a license, authorization or other grant of rights by Alcon Pharma or Ocumension HK) in the Territory in a calendar quarter occurs and continuing thereafter for the remainder of the Royalty Term for such Pipeline Product in the Territory, if the aggregate net sales of the Pipeline Product has fallen by 25% or more as measured against the aggregate net sales for the Pipeline Product in the Territory in the calendar quarter immediately preceding the first sale of the applicable generic product in the Territory, then the royalties payable by Ocumension HK for the Pipeline Product will be reduced by 50%.

Royalty Term

The Group's obligations to pay royalties for the Pipeline Product will begin upon the First Commercial Sale of the Pipeline Product in the Territory and will expire 15 years thereafter. The First Commercial Sale of the Pipeline Product is subject to the successful R&D and commercialization of the Pipeline Product.

(2) Term of In-licensing and the License Agreement

The term of the License Agreement shall commence from the date of Closing, and until the date on which the Royalty Term expires for the final Licensed Products, unless terminated earlier. The Royalty Term of the Pipeline Product shall be 15 years commencing from the First Commercial Sale of Pipeline Product. As the Pipeline Product is still in R&D process, and the First Commercial Sale of the Pipeline Product is subject to the successful R&D of the Pipeline Product and approval by the NMPA, the term of the in-licensing of the Pipeline Product for R&D and commercialization cannot be fixed at the time of entering into the License Agreement. Accordingly, the License Agreement does not have a fixed term.

Rule 14A.52 waiver

Rule 14A.52 of the Listing Rules stipulates that the period for an agreement for continuing connected transactions must have a fixed period and such fixed period shall normally be no more than three years, unless special circumstances justify a longer period based on the nature of the transaction.

The term of the License Agreement and the in-licensing of the Pipeline Product thereunder depends on the length of the R&D process of the Pipeline Product, which is currently expected to be more than three years and cannot be fixed as of the date of entering into the License Agreement. Accordingly, the License Agreement does not have a fixed term and will continue in force until the Royalty Term of the Pipeline Product expires.

The Company considers that the aforesaid arrangements are customary in the pharmaceutical industry for the licensing of a product under development, and will apply to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules such that the term of the License Agreement and the in-licensing of the Pipeline Product thereunder can be of an indefinite term commencing from the date of the Closing and continue to be in full force until the Royalty Term of the Pipeline Product expires.

The Company will further disclose the reasons for applying the Rule 14A.52 waiver in the Circular, and has appointed Gram Capital as the independent financial adviser as required by Rule 14A.52 of the Listing Rules to explain in the Circular why the term of the License Agreement cannot be fixed and requires a period longer than three years, and to confirm that it is normal business practice for agreements of this type to be of such duration.

(3) Pricing Policy

The amount payable under the royalty payments in respect of the Pipeline Product was determined between the parties on an arm's length basis and has taken into consideration the factors including (i) the status of the development of the Pipeline Product and its commercial feasibilities; and (ii) prevailing market practice for comparable transactions based on publicly available information, primarily recent transactions in the ophthalmic pharmaceutical sector, based on which the parties have determined that the royalty rates align with current market practice. This comprehensive review ensures that the royalty rates applied are reasonable and reflective of the latest industry standards.

The amount payable under the sales milestone payments in respect of the Pipeline Product was determined between the parties on an arm's length basis and has taken into consideration the factors including (i) the status of the development of the Pipeline Product and its commercial feasibilities; (ii) the forecast on the net sales of the Pipeline Product once it has been commercialized; and (iii) prevailing market practice for comparable transactions based on publicly available information, primarily the recent transactions in the ophthalmic pharmaceutical sector, based on which the parties have determined that the sales milestone payment rates align with current market practice. This comprehensive review ensures that the sales milestone payment rates applied are reasonable and reflective of the latest industry standards.

(4) Historical transaction amounts

There was no historical transaction in relation to the Pipeline Product given the Pipeline Product is under development.

(5) Non-monetary annual cap

The aggregate annual amount payable under the royalty payments and sales milestone payments for the Pipeline Product is set out in the following formula:

*The aggregate amount payable by Ocumension HK to Alcon Pharma or its designee = annual net sales of the Pipeline Product * applicable royalty rate[(i)] + sales milestone payment (if any)[(ii)]*

Notes:

(i) The royalty payment payable by Ocumension HK to Alcon Pharma or its designee equals to annual net sales multiplied by applicable royalty rate, which will not in any event exceed 22%.

(ii) The sales milestone payment will be contingent upon the achievement of the agreed sales milestone events in a specific year, the total amount of which will not in any event exceed US$50 million.

Given that there is no historical amount for the royalty payments and sales milestone payments for the Pipeline Product, and that the Pipeline Product is still under development and the approval of which is contingent upon the development progress, it is expected that there will be no transaction amount in respect of the royalty payments and sales milestone payments for the years ending 2024, 2025 and 2026. However, the Company applies to the Stock Exchange for a waiver for not setting any monetary annual cap for the transaction amounts in respect of the royalty payments and sales milestone payments for a period commencing from the First Commercial Sale of the Pipeline Product and until 15 years thereafter, primarily taking into account the reasons set out hereunder.

Rule 14A.53 Waiver

The Company believes that strict compliance with the requirements of Rule 14A.53 of the Listing Rules for setting monetary caps in relation to the royalty payments and sales milestone payments to be made by the Company to Alcon Pharma or its designee as contemplated under the License Agreement is unduly burdensome, impractical and not in the best interests of Shareholders, and therefore will apply to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.53(1) of the Listing Rules for not setting monetary caps in relation to the royalty payments and sales milestone payments in respect of the Pipeline Product as contemplated under the License Agreement, subject to relevant conditions. The Company will further disclose the reasons for applying the Rule 14A.53 waiver and the conditions for obtaining the waiver in the Circular.

(6) Internal control measures

In accordance with the Listing Rules, the Company will comply at all times with Chapter 14A of the Listing Rules in respect of the royalty payments and sales milestone payments in relation to the Pipeline Product. After three years following the First Commercial Sale of the Pipeline Product, the Company will revisit the amount of royalty payments and/or sales milestone payments paid for the Pipeline Product and re-comply with the relevant requirements under Chapter 14A of the Listing Rules, including setting new annual caps, issuing announcements and/or obtaining shareholders' approval for the new annual caps, as and where applicable.

In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain internal control measures in monitoring the royalty payments and sales milestone payments with respect to the Pipeline Product:

(a) the business development team routinely evaluates licensing arrangements by third party market players in respect of ophthalmic products with similar mechanism of action for deal benchmarking;

(b) the Company has established procedures to monitor its continuing connected transactions of which various departments of the Company will be responsible for the implementation, monitoring and review of such procedures in order to ensure that the royalties are paid in accordance with the respective pricing policy applicable to the royalty payments with respect to and sales milestone payments with respect to the Pipeline Product;

(c) the Company will review the connected transaction ledger frequently. Confirmation on monthly reconciliation records will be obtained from the relevant connected persons. If there is any discrepancy between the records provided by the connected persons and the records of the Group, investigation shall be carried out by the finance department of the Company and the chief financial officer to clarify the discrepancy;

(d) the finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company. The finance department of the Company will inform the Board on a timely basis in the event the proposed annual cap is likely to be exceeded. The finance department of the Company and the chief financial officer will monitor compliance with the reporting and other requirement under the Listing Rules on an on-going basis;

(e) the independent non-executive Directors will review annually and confirm whether the royalty payments and sales milestone payments with respect to the Pipeline Product have been made on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole pursuant to Chapter 14A of the Listing Rules; and

(f) the auditors of the Company will report annually and confirm whether the royalty payments and sales milestone payments with respect to the Pipeline Product, in all material respects, have been made in accordance with the relevant agreements governing the transactions and the pricing policy of the Company pursuant to the requirements under Chapter 14A of the Listing Rules.

III. GENERAL INFORMATION

INFORMATION ON THE PARTIES

Alcon

Alcon, headquartered in Geneva, Switzerland, is the global leader in eye care with $9.4 billion in net sales during the year ended December 31, 2023. Alcon researches, develops, manufactures, distributes and sells a full suite of eye care products within two key businesses: Surgical and Vision Care. Alcon employs over 25,000 associates operating in 56 countries and serving consumers and patients in over 140 countries. Alcon believe its market leading position and global footprint allow it to benefit from economies of scale, maximize the potential of its commercialized products and pipeline and effectively grow the market and expand into new product categories.

Alcon's Surgical business is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. Its broad surgical portfolio includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end needs of the ophthalmic surgeon. Alcon's Vision Care business comprises daily disposable, reusable and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, ocular allergies, glaucoma, and contact lens care, as well as ocular vitamins and redness relievers. Alongside its world-class products, Alcon provides best-in-class service, training, education and technical support for its customers.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Alcon and its ultimate beneficial owners is an Independent Third Party immediately before the Closing.

Alcon is listed on the SIX Swiss Exchange and the New York Stock Exchange under the ticker symbol ALC. The information regarding Alcon's substantial shareholders in the public domain include UBS Fund Management (Switzerland) AG, an investment management company which owns 5.845% of Alcon, and BlackRock, Inc., an investment management and financial services company, which owns 5.06% of Alcon.

Each of Alcon Pharma and Alcon Research is a wholly owned subsidiary of Alcon. Immediately following the Closing, Alcon Pharma will become a substantial Shareholder and a connected person of the Company, as further described under the paragraph headed "Listing Rules Implications" below.

The Group

The Company is incorporated under the laws of the Cayman Islands with limited liability, the shares of which were listed on the Main Board of the Stock Exchange. It is a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies. The Group has a portfolio of 25 front- and back-of-the-eye drug assets, among which three drug candidates are in phase III clinical trials and 12 products have been commercialized in the PRC. The Group's vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China. Ocumension HK is a wholly owned subsidiary of the Company.

EXPERTS AND CONSENT

The following are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement.

Each of the experts has provided and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name in the context.

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
Shanghai Dahua Appraisal Co., Ltd.	Certified assets valuer

As of the date of this announcement, to the best knowledge of the Directors, none of the experts had any beneficial interests in the share capital of the Company and its subsidiaries, nor did they have any right (whether legally enforceable or not) to subscribe for or nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities with voting rights of the Company and its subsidiaries.

Each of the experts has provided and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or references to its name in the context.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Transaction involves issue of Consideration Shares as consideration, a Specific Mandate for the Share Issue shall be sought by the Company from the Shareholders at the EGM for the Share Issue.

As Alcon Pharma will become a substantial Shareholder and a connected person of the Company immediately after the Share Issue, and each of Alcon Research and Alcon Pharma is a wholly owned subsidiary of Alcon, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules immediately upon the Closing. As one or more of the applicable percentage ratios in respect of each of the connected transactions exceeds 5%, each and all of the aforesaid connected transactions are subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Transaction, the Transaction Documents and the Share Issue. Therefore, no Shareholders or any of their respective associates is required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Transaction, the Transaction Documents, and the Share Issue.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG, has been formed to advise the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement.

Gram Capital has been appointed as the Independent Financial Adviser (a) to advise the Independent Board Committee and the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement; and (b) to express its opinion on term of the aforesaid purchase arrangement, royalty payments and sales milestone payments pursuant to Rule 14A.52 of the Listing Rules.

THE EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Transaction (including entering into the Transaction Documents and the Acquisition, In-Licensing and continuing connected transactions in respect of the purchase arrangement and royalty and milestone payments under the Transaction Documents), and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares.

A Circular containing, among other things, (a) details of (i) the Acquisition and the In-Licensing; (ii) the valuation report in respect of the value of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products; and (iii) the continuing connected contractions in relation to the purchase arrangement, royalty payments and sales milestone payments; (b) a letter of advice from the Independent Board Committee to the independent Shareholders; and (c) a letter of advice from Gram Capital to the Independent Board Committee and the independent Shareholders, and other information required to be disclosed under the Listing Rules, together with a notice of the EGM is expected to be despatched to the Shareholders on or before September 2, 2024.

WARNINGS

As the Closing is subject to the fulfillment of the closing conditions set forth in the Transaction Documents which include but not limited to the approval of the Transaction by the Shareholders at the EGM by way of ordinary resolutions, the Closing may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

IV. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"Acquisition"	the acquisition of Transferred Assets for the purpose of manufacture and commercializing the Transferred Products in the Territory from Alcon Research by Ocumension HK
"affiliate"	means, with respect to an entity, any person that controls, is controlled by, or is under common control with that entity. For the purpose of this definition, "control" shall mean, direct or indirect, ownership of 50% or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or 50% (or a lower percentage permitted by applicable laws) or more of the equity interest in the case of any other type of legal entity, status as a general partner in any partnership, or any other arrangement whereby the entity or person controls or has the right to control the board of directors or equivalent governing body of a corporation or other entity, or the ability to cause the direction of the management or policies of a corporation or other entity
"Alcon"	Alcon Inc., the global leader in eye care with US$9.4 billion in net sales during the year ended December 31, 2023 with complementary businesses in surgical and vision care and a stock corporation organized under the laws of Switzerland, the shares of which are listed on SIX Swiss Exchange and the New York Stock Exchange under the ticker symbol ALC

"Alcon Pharma"	Alcon Pharmaceuticals Ltd, a company organized and existing under the laws of Switzerland and a wholly owned subsidiary of Alcon
"Alcon Research"	Alcon Research, LLC, a company organized under the laws of Delaware in the U.S. and a wholly owned subsidiary of Alcon
"Asset Purchase Agreement"	the asset purchase agreement entered into by and between Ocumension HK and Alcon Research on August 12, 2024 in respect of the Acquisition
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"Circular"	the circular in respect of the Transaction to be despatched to the Shareholders for consideration at the EGM
"Closing"	the closing of the Transaction, namely the closing of the Acquisition or the Share Issue, as applicable
"Commercial Product"	Systane® Ultra (Lubricant eye drops)
"Company"	Ocumension Therapeutics, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1477)
"connected person(s)"	has the meaning as ascribed to it in the Listing Rules
"Consideration Share(s)"	139,159,664 new Shares to be allotted and issued to Alcon Pharma as consideration for the Acquisition and In-Licensing pursuant to the terms and conditions of the Subscription Agreement
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held for approving, among other things, the Transaction
"FDA"	the United States Food and Drug Administration

"First Commercial Sale"	the first commercial sale of each Transferred Product and Licensed Product in the Territory by the Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Board comprising Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG, namely the independent non-executive Directors, established to advise the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement
"Independent Third Party(ies)"	third parties independent of the Company and its connected persons
"Independent Financial Advisor" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed (i) to advise the Independent Board Committee and the independent Shareholders in respect of the purchase arrangements under the Manufacture and Supply Agreement, the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement; and (ii) to express its opinion on term of the aforesaid purchase arrangement, royalty payments and sales milestone payments pursuant to Rule 14A.52 of the Listing Rules
"In-Licensing"	an exclusive license to develop, manufacture and commercialize the Pipeline Product for dry eye uses and to commercialize the Commercial Product obtained by Ocumension HK from Alcon Pharma in the Territory
"License Agreement"	the License Agreement entered into between Ocumension HK and Alcon Pharma on August 12, 2024 in respect of the In-Licensing
"Licensed Products"	the Commercial Product and the Pipeline Product

"Licensed Technology"	any and all know-how and patent rights that is/are: (a) controlled by Alcon Pharma and its affiliates as of the effective date of the License Agreement or during its term; and (b) (i) necessary for the performance of the development, manufacture or commercialization of the relevant products as the case may be or (ii) reasonably useful for the performance of the development, manufacture or commercialization of the relevant products as the case may be that covers subject matter that has been used, or that is used, by Alcon Pharma and its affiliates in connection with the development, manufacture, or commercialization of the Licensed Products in the Territory
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Manufacture and Supply Agreement"	the manufacture and supply agreement entered into by and between Ocumension HK and Alcon Pharma on August 12, 2024 in respect of, pursuant to which, Ocumension HK agreed to purchase from Alcon Pharma relevant products during the periods agreed by the parties
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of the PRC, formerly known as the China Food and Drug Administration (國家食品藥品監督管理局)
"Ocumension HK"	Ocumension (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
"Pipeline Product"	dry eye product candidate known as AR-15512
"Pricing and Reimbursement Approval"	an approval, agreement, determination or other decision by the applicable governmental authority of a country or jurisdiction that establishes prices charged to end-users for pharmaceutical or biologic products at which a particular pharmaceutical or biologic product will be reimbursed by the regulatory authority or other applicable governmental authority in such country or jurisdiction and where such approval or determination is necessary for the commercial sale of such product in such jurisdiction
"PRC"	the People's Republic of China, excluding, solely for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan

"Product Regulatory Materials"	all regulatory approvals and corresponding regulatory documentations (including but not limited to regulatory notification, communication, correspondence and filings with regulatory authorities) primarily related to any and all of the relevant products owned, controlled, or possessed by Alcon or its affiliates as of the Closing in the Territory
"Profit Forecast"	has the meaning ascribed to it under Rule 14.61 of the Listing Rules
"Reporting Accountant"	Deloitte Touche Tohmatsu
"Regulatory Materials"	any regulatory notification, communication, correspondence, regulatory filings, regulatory approvals and other filings made to, received from or otherwise conducted with a regulatory authority related to developing, manufacturing, commercializing or otherwise exploiting a pharmaceutical product in a particular country or jurisdiction
"RMB"	Renminbi, the lawful currency of the PRC
"Royalty Term"	fifteen (15) years commencing from the First Commercial Sale of each of the Transferred Products and Licensed Products on a product-by-product basis
"R&D"	research and development
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with par value US$0.00001 per share
"Shareholder(s)"	holder(s) of the issued Share(s)
"Share Issue"	proposed allotment and issue of Consideration Shares
"Specific Mandate"	the specific mandate for the Share Issue, which is subject to the approval by the Shareholders voting by way of poll at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement entered into by and between the Company and Alcon Pharma on August 12, 2024, pursuant to which the Company agreed to allot and issue the Consideration Shares to Alcon Pharma

"Territory"	the PRC
"Transaction"	collectively, the transactions contemplated under the Transaction Documents, consists of the Acquisition, the In-Licensing, the proposed allotment and issue of Consideration Shares and the purchase arrangements
"Transaction Documents"	the Asset Purchase Agreement, the License Agreement, the Subscription Agreement, the Manufacture and Supply Agreement and other ancillary agreements entered into by and between the Group and Alcon for the purpose of the Transaction
"Transferred Assets"	all of Alcon's or its affiliates' right, title and interest in and to the assets enumerated in the Asset Purchase Agreement, as they exist at the time of the closing of the Asset Purchase Agreement, to the extent relating primarily to the Transferred Products in the Territory
"Transferred IP"	trademarks, service marks, trade names, brand name, trade dress, logos, slogans, and other similar designations of source or origin, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals therefor, in the Territory
"Transferred Products"	six products under the Asset Purchase Agreement, namely Tears Naturale® Forte (Lubricant eye drops), Tears Naturale® II (Lubricant eye drops), Bion® Tears (Lubricant eye drops), Alcaine® (Topical local anesthetic eye drops), Fluorescite® (Diagnostic agent for IV administration) and Cyclogyl® (Muscarinic antagonist eye drops), collectively
"Transition Period"	the period commencing on the Closing of the Share Issue until the earlier of (i) the expiry of the 48-month period after January 1, 2025 for each Transferred Product except for Alcaine®; (ii) in respect of Alcaine®, December 31, 2026; and (iii) the date on which the necessary regulatory approval of the applicable Transferred Product is granted to the Group pursuant to a domestic drug license under the applicable process, in each case of (i) through (iii) above, subject to potential extensions
"US"	the United States of America
"US$"	United States dollars, the lawful currency of the US
"Valuation Report"	the report on the value of (i) the Transferred Assets in respect of the Transferred Products, (ii) the rights to develop, manufacture and commercialize the Pipeline Product in the Territory and (iii) the rights to commercialize the Commercial Product in the Territory as of June 30, 2024 prepared by the Valuer

"Valuer"	Shanghai Dahua Appraisal Co., Ltd., an independent valuer
"%"	per cent

By order of the Board
Ocumension Therapeutics
Dr. Lian Yong CHEN
Chairman and Non-executive Director

Hong Kong, August 12, 2024

For the purpose of this announcement and for illustrative purpose only, conversions of US$ to HK$ are based on the exchange rate of US$1.00 = HK$7.7964. No representation is made that any amounts in HK$ or US$ can be or could have been converted at the relevant dates at the above rate or at any other rates or at all.

As of the date of this announcement, the Board comprises Mr. Ye LIU and Dr. Zhaopeng HU as executive Directors, Dr. Lian Yong CHEN, Dr. Wei LI, Mr. Yanling CAO and Ms. Yumeng WANG as non-executive Directors, and Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG as independent non-executive Directors.

TO THE DIRECTORS OF OCUMENSION THERAPEUTICS

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Shanghai Dahua Appraisal Co., Ltd. dated August 12, 2024 for the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products as of June 30, 2024 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in an announcement dated August 12, 2024 to be issued by Ocumension Therapeutics (the "**Company**") in connection with the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products (the "**Announcement**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the section headed "Basis for the Consideration and Valuation" of the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses

and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 12, 2024

The following is the text of the letter dated August 12, 2024 from the Board which was prepared for inclusion in this announcement.

To: The Stock Exchange of Hong Kong Limited

Dear Sir/Madam,

Company: Ocumension Therapeutics (the "**Company**")

Re: Profit Forecast – Confirmation Letter under the Requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Reference is made to the announcement (the "**Announcement**") of the Company dated August 12, 2024 in relation to, among others, (i) the Transaction; and (ii) the valuation of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products as of June 30, 2024 (the "**Valuation Report**") prepared by Shanghai Dahua Appraisal Co., Ltd. (the "**Valuer**"). Unless otherwise stated herein, capitalized terms in this letter shall have the same meaning as defined in the Announcement.

The board of directors (the "**Board**") of the Company noted that the aforesaid valuation has been arrived at using the income approach and as such it is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Board has reviewed the bases and assumptions of the valuation and discussed the same with the Valuer.

Pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board confirmed that the profit forecast used in the Valuation Report has been made after due and careful enquiry.

By order of the Board
Ocumension Therapeutics
August 12, 2024