THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Ocumension Therapeutics**, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

OcuMension 欧康维视

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; (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENTS, ROYALTY PAYMENTS AND MILESTONE PAYMENTS; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Advisor

Gram Capital Limited 嘉林資本有限公司

Unless the context otherwise requires, all capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

The notice convening the EGM of Ocumension Therapeutics to be held at 56th Floor, One Museum Place Office Building, No. 669 Xinzha Road, Shanghai, PRC on Wednesday, October 16, 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions stated thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 10:00 a.m. on Monday, October 14, 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. In such event, the form of proxy shall be deemed to be revoked.

This circular together with the form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (**www.hkexnews.hk**) and the Company (**www.ocumension.com**).

References to dates and time in this circular are to Hong Kong dates and time. Where the context so permits or requires in this circular, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

September 30, 2024

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2021 Share Award Scheme"	the share award scheme adopted by the Company in accordance with the scheme rules thereof on July 2, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
"2021 Share Option Scheme"	the share option scheme adopted by the Board in accordance with the rules thereof on July 2, 2021 and approved by the Shareholders on the extraordinary general meeting of the Company held on August 31, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
"2024 Share Award Scheme"	the share award scheme adopted by the Company on March 21, 2024 involving its existing Shares in accordance with the scheme rules thereof, as amended from time to time
"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(s)"	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
"Announcement"	the announcement of the Company dated August 12, 2024 in respect of (i) the very substantial acquisition in relation to the Acquisition of Transferred Products, the In-Licensing of Licensed Products and the Share Issue; and (ii) the continuing connected transactions in relation to the purchase arrangements, royalty payments and sales milestone payments
"Articles of Association"	the articles of association of the Company, as amended from time to time
"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
"CDE"	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of investigational new drug (IND) and NDA

"chronic NIU-PS"	chronic non-infectious uveitis affecting the posterior segment of the eye
"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" or "Ocumension"	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
"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
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this circular, our Core Product refers to OT-401 (YUTIQ®, fluocinolone intravitreal implant, trade name: Youshiying® (優施瑩®)
"CPI"	Consumer Price Index, a measure of the average change in prices paid by consumers for a representative basket of goods and services over time
"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 and the Specific Mandate
"ESOP"	the employee stock option plan adopted by our Company on May 23, 2018, as amended from time to time, the details of which are set out in the prospectus issued by the Company dated June 29, 2020

"EyePoint"	EyePoint Pharmaceuticals, Inc., a company whose shares of common stock are listed on the NASDAQ (ticker symbol: EYPT) and a biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases
"EyePoint Share(s)"	shares(s) of common stock of a par value of US$0.001 per share of EyePoint
"FDA"	the United States Food and Drug Administration
"First Commercial Sale"	the first commercial sale of each Transferred Product and Licensed Product in the Territory by the Group
"Grade III hospitals"	a top-level hospital in China, as hospitals in China are divided into three classes by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks
"Group"	the Company and its subsidiaries
"HK$"	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 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 arrangements, royalty payments and sales milestone payments pursuant to Rule 14A.52 of the Listing Rules
"Independent Third Party(ies)"	third parties independent of the Company and its connected persons
"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
"Latest Practicable Date"	September 27, 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"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
"NHSA"	National Healthcare Security Administration (國家醫療保障局)
"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)
"NRDL"	National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance 《國家基本醫療保險、工傷保險和生育保險藥品目錄》
"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"	a dry eye product candidate known as AR-15512
"PPI"	Producer Price Index, a measure of the average change in prices received by domestic producers for their goods and services

"PRC"	the People's Republic of China, excluding, solely for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
"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
"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
"R&D"	research and development
"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
"Reporting Accountants"	Deloitte Touche Tohmatsu
"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

"RSU Scheme"	the restricted share unit scheme adopted by the Company on April 28, 2020, the details of which are set out in the prospectus issued by the Company dated June 29, 2020
"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
"Share Issue"	proposed allotment and issue of Consideration Shares under the Subscription Agreement with par value US$0.00001 per share
"Shareholder(s)"	holder(s) of the issued Share(s)
"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" or "HKEX"	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
"Suzhou Xiaxiang"	Suzhou Xiaxiang Biomedicine Co., Ltd. (蘇州夏翔生物醫藥有限公司), a limited liability company established in the PRC on October 18, 2019 and a wholly-owned subsidiary of the Company
"Territory"	the PRC
"Transaction"	collectively, the transactions contemplated under the Transaction Documents, consists of the Acquisition and the royalty payments under the Asset Purchase Agreement, the In-Licensing and the royalty payments and sales milestone payments under the License Agreement, the Share Issue under the Subscription Agreement and the purchase arrangements under the Manufacture and Supply Agreement

"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
"U.S."	the United States of America
"US$"	United States dollars, the lawful currency of the U.S.
"Valuation Date"	June 30, 2024

"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

In this circular, the terms "close associate", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

Executive Directors:
Mr. Ye LIU *(Chief Executive Officer)*
Dr. Zhaopeng HU

Non-executive Directors:
Dr. Lian Yong CHEN *(Chairman)*
Dr. Wei LI
Mr. Yanling CAO
Ms. Yumeng WANG

Independent Non-executive Directors:
Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG
Mr. Zhenyu ZHANG

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

Principal place of business in the PRC:
No. 1858 Yinzhongnan Road
Guoxiang Subdistrict, Wuzhong District
Suzhou
Jiangsu Province
the PRC

Principal place of business in Hong Kong:
Unit 417, 4th Floor, Lippo Centre
Tower Two
No. 89 Queensway
Admiralty
Hong Kong

Hong Kong, September 30, 2024

To the Shareholders

Dear Sir or Madam,

(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;
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENTS, ROYALTY PAYMENTS AND MILESTONE PAYMENTS;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement in respect of the Transaction.

The purpose of this circular is to (a) provide you with the notice of the EGM at which ordinary resolutions will be proposed for you to consider and if thought fit, to approve (i) the Transaction Documents and the Transaction contemplated thereunder (including, among other things, the Asset Purchase Agreement and the Acquisition and royalty payments thereunder, the License Agreement and the In-Licensing and royalty payments and sales milestone payments thereunder, the Subscription Agreement and the Share Issue thereunder, and the Manufacture and Supply Agreement and the purchase arrangement thereunder); (ii) the Specific Mandate to allot and issue 139,159,664 Consideration Shares; (iii) the continuing connected transactions in relation to 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 the proposed annual caps (where applicable) in relation to the aforesaid continuing connected transactions; (b) provide you with further information in relation to the above proposals; (c) set out the recommendations of the Independent Board Committees in relation to the above proposals; and (d) set out the recommendations of the Independent Financial Adviser in relation to the above proposals.

II. THE TRANSACTION

Reference is made to the Announcement. On August 12, 2024, 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 the Asset Purchase Agreement

On August 12, 2024, 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 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 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 Latest Practicable Date. 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, 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 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) Share Issue under the Subscription Agreement

In consideration of the Acquisition and In-Licensing as a whole, on August 12, 2024, 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 August 12, 2024) to Alcon Pharma.

The 139,159,664 Consideration Shares represent approximately 20.41% of the total issued share capital of the Company (excluding the treasury Shares) as of the Latest Practicable Date and approximately 16.95% of the total issued share capital of the Company (excluding treasury Shares) 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 Latest Practicable Date and up to the date of completion of the Share Issue.

A portion of the Consideration Shares to be issued to Alcon Pharma under the Subscription Agreement is subject to a payment arrangement through a promissory note. Under such arrangement, the consideration of the Transaction will be partially settled by a promissory note to be issued by Ocumension HK to Alcon Research first, in exchange for the Transferred Products to be transferred by Alcon Research to Ocumension HK, after which Alcon Research will transfer the promissory note to Alcon Pharma, making Alcon Pharma the only creditor of the promissory note and the underlying Consideration Shares. Alcon Pharma is therefore entitled to request the Company to issue all the Consideration Shares to it, including the Consideration Shares underlying the promissory note. After the Company issues the Consideration Shares in full to Alcon Pharma, Alcon Pharma will further contribute the promissory note to the Company, after which the promissory note will become an intra-group arrangement between the Company and Ocumension HK.

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 (《境內企業境外發行證券和上市管理試行辦法》) 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 the In-Licensing, on August 12, 2024, 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 conduct a one-time purchase of 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 the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments – (A) Purchase Arrangements under the Manufacture and Supply Agreement" in this circular.

(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 the 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 records 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 the Commercial Product is nil as each of the Transferred Products and the Commercial Product has been fully amortized as of the date of the 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 August 12, 2024.

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, a full text of which is set out in Appendix III to this circular; (c) the market potential of the Transferred Products, the Commercial Product and the Pipeline Product as described in the subsection headed "II. The Transaction – (F) 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 headed "II. The Transaction – (F) Reasons for and Benefits of the Transaction" in this circular.

(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 the Announcement;

(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 the Announcement;

(iii) a premium of approximately 79.69% over the average closing price of approximately HK$5.12 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Latest Practicable Date; and

(iv) a premium of approximately 62.26% over the closing price of HK$5.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

Compliance with the Listing Rules

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. For implications under the Listing Rules, see the section headed "V. Compliance with the Listing Rules and Waivers – (A) Profit Forecast" in this circular.

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 Transferred Products and the Commercial Product (the "**Commercialized Products**") can be categorized into artificial tears products ("**AT**") and surgical products ("**PRx**"). The revenue forecast of AT is expected to show a significant growth over the next 15 years, and can be divided into three phases. The initial five years indicate rapid expansion in revenue with a compound annual growth rate (CAGR) of 24.0%. The CAGR is expected to moderate to 10.5% in the subsequent five years and further slow to 3.2% in the final five-year period. In the early years, the significant increase in investment in the sales force leads to a substantial boost in sales performance. However, as time progresses, the marginal utility of this investment diminishes. The market begins to saturate, and growth stabilizes. Eventually, the growth rate levels off and aligns more closely with the long-term CPI growth rate, reflecting a mature and steady market environment where the impact of additional sales efforts is less pronounced. This growth is primarily driven by the expansion of the sales team, increased channel presence in private and public hospitals, and online sales. Additionally, leveraging the strong logistics network of business partner of the Group has also played a crucial role.

The revenue of PRx product is forecast to increase moderately in the next 15 years, with a CAGR of 5.3%. The growth of PRx products is primarily driven by increased sales efforts and the expansion of distribution channels. However, its growth rate remains lower than that of AT products. This disparity is largely due to the limited increase in the number of surgeries, which constrains the overall market potential for surgical products.

The Pipeline Product is an anti-inflammatory medication for moderate to severe dry eye disease. The Pipeline Product is projected to launch in 2028, with initial sales estimated at approximately HK$3.4 million. Its initial sales price has been estimated by reference to similar medications in the industry. In order to increase market share, the Company anticipates to participate in the NRDL negotiation in 2029. According to statistics by NHSA, 80% of new drugs are able to be included in the NRDL within two years of their market launch. Therefore, the Company expects that Pipeline Product will be added to the NRDL by 2030. With substantial sales expenses incurred during the initial launch phase, the Pipeline Product is expected to generate approximately HK$180 million in revenue in 2029, the first full year of sales. In 2030, the year the product enters the NRDL, sales are projected to increase significantly, reaching approximately HK$530 million. After this period of rapid growth, sales are expected to slow down, with a CAGR of 4.2% from 2031 to 2042, and reach approximately HK$920 million by 2042. The forecast of the Pipeline Product is subject to further adjustment of success rate as discussed under "Success Rate".

The future growth of the Pipeline Product is primarily driven by several factors: its suitability for adolescents and superior user experience, which give it an edge in market share compared to other treatments; the Group's significant sales efforts and established distribution channels; and the broad target audience for dry eye treatment, with a growing number of diagnosed patients. These factors together are expected to significantly boost the product's market presence.

Cost of goods sold

Cost projections are based on the supply agreement prices. While the Company has potential plans for in-house production of certain products after the transition period, there is high uncertainty related to the costs and capital investments under in-house production and it is difficult to predict at the current stage. Therefore, procurement prices from Alcon are used as the cost basis throughout the forecast period. The projected gross margin for the Commercialized Products over the forecast period averages at approximately 64%, while that of the Pipeline Product is expected to be 80% after entering NRDL.

As part of cross-check analysis, comparable companies are selected based on factors such as industry relevance, business model similarities, and region of operation. In the case of the Company, the Valuer has chosen pharmaceutical companies operating in China, with a particular focus on those that include ophthalmology products in their portfolio. The comparable companies were identified through screening process using both Chinese and international financial databases such as Wind and Capital IQ. The list of comparable companies is considered exhaustive. The gross margins for the intangible assets being assessed falls within the range of comparable companies (an average gross margin between 59% and 89% over the past three years as shown below).

Company name	**Stock Code**	**3-year average gross margin**
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	77.6%
The Company	HKEX:1477	63.0%
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	58.6%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	84.5%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	89.2%
Essex Bio-Technology Limited	HKEX:1061	88.6%
High		**89.2%**
Average		**76.9%**
Low		**58.6%**

Operating expenses

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

For the Commercialized Products, the sales and marketing expense ratio starts at 25% of revenue, gradually reducing to 22% as sales stabilizes. The ratio is generally reference to those of the comparable companies. The average ratio of sales and marketing expenses as percentage of revenue of the comparable companies in the past three years ranged from 22% to 56%, with an average of 38% (shown in the table below). Since those products are mature products, a certain level of brand recognition and market presence has been established. Coupled with the Company's existing sales channels and sales force, the additional investment in sales resources is relatively small. As a result, a low ratio from the comparable companies is adopted. The Pipeline Product, newly introduced to the market, requires significant initial marketing investments, which is projected at 46% of revenue. Over the subsequent 15-year period, these expenses are forecasted to decline annually, reaching a sustainable level of 26% as market penetration stabilizes and brand awareness expands.

Company name	**Ticker**	**3-year average selling expense ratio**
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	36.3%
The Company	HKEX:1477	nmf
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	22.1%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	34.7%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	38.4%
Essex Bio-Technology Limited	HKEX:1061	56.0%
High		**56.0%**
Average		**37.5%**
Low		**22.1%**

Note: the Company is excluded (marked as "not meaningful – nmf") because its revenue is relatively small and its expense ratio exceeds 100%.

General and administrative expenses are forecasted as 2% of revenue in the first year and adjusted annually by a growth rate thereafter. From the second to the fifth year, these expenses are expected to increase annually by 8%, reflecting the investment in management and support functions required to sustain growth. Starting from the sixth year, the growth rate of general and administrative expenses is anticipated to gradually decline, reaching a stable growth rate of 3% by the fifteenth year. This reduction in growth rate is attributed to the achievement of economies of scale, optimization of operational efficiencies, and the maturation of administrative functions.

The average ratio of general and administrative expenses as percentage of revenue of the comparable companies in the past three years ranged from 10.8% to 21.2%, with an average of 13.1% (shown in the table below). The general and administrative expenses as a percentage of revenue adopted in the financial forecast are lower than those of comparable companies, as the listed companies have some general and administrative activities at the company level, while the ratio adopted in the valuation analysis is at the asset level. According to the management, the Company's current general and administrative expenses are sufficient to support the operations of the business post-acquisition. The additional 2% investment is considered as a supplement to ensure operational flexibility and is based on management's experience with other products and estimated management efforts.

Company name	**Ticker**	**3-year average G&A expense ratio**
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	10.9%
The Company	HKEX:1477	nmf
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	21.2%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	10.8%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	11.4%
Essex Bio-Technology Limited	HKEX:1061	11.3%
High		**21.2%**
Average		**13.1%**
Low		**10.8%**

Note: the Company is excluded (marked as nmf) because its revenue is relatively small and its expense ratio exceeds 100%.

Royalty fees and milestone payments are based on the Asset Purchase Agreement, the License Agreement and projected sales revenue.

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

Research and development expenses

As the Pipeline Product is currently in the clinical trial phase, the management anticipates future clinical stage R&D expenditures based on the research plan. A total of HK$95.4 million in R&D and registration expenses will be required for the Pipeline Product from 2024 to 2027. Approximately 60% of the budget will be allocated to clinical research expenses, which are calculated based on the estimated number of participants

and the per-person cost. The remaining 40% will be used for the registration phase, which includes non-clinical research expenses, pharmaceutical R&D and production, domestic outsourcing of raw material research and production, and registration fees.

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 the PRC 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. The returns on working capital, fixed assets and assembled workforce are calculated to be approximately 0.8% of revenue in total.

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%. An additional risk premium of 1.0% is applied for intangible assets.

Success rate

To reflect uncertainty, a success rate of 60% 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.

Computation process

The net profit after tax, after deducting the contributory asset charge, is discounted to the Valuation Date using the discount rate to obtain the valuation result.

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.

Further details of the valuation and the income approach adopted are set out in the Valuation Report, a full text of which is set out in the Appendix III to this circular.

(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 by the Company 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), with 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 August 12, 2024.

As of the Latest Practicable Date, the Company had 693,654,850 Shares in issue. The Consideration Shares represent:

(i) approximately 20.41% of the total number of Shares in issue (excluding treasury Shares) as of the Latest Practicable Date; and

(ii) approximately 16.95% 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 16.95% 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 and excluding the treasury Shares). 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 has been 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 Latest Practicable Date and up to the Closing) are set out as follows:

	As of the Latest Practicable Date		**Upon the Closing**	
	Number of Shares held	*Approximate % of shareholding[(1)]*	*Number of Shares held*	*Approximate % of shareholding[(1)]*
Non-Public Float	**372,208,980**	**54.59%**	**511,368,644**	**62.29%**
Controlling Shareholders				
6 Dimensions Capital, L.P. ("**6D Capital**")[(2)]	119,890,000	17.58%	119,890,000	14.60%
6 Dimensions Affiliates Fund, L.P. ("**6D Affiliates**")[(2)]	6,310,000	0.93%	6,310,000	0.77%
Suzhou Frontline BioVentures Venture Capital Fund II L.P. ("**Suzhou Frontline**")[(2)]	88,340,000	12.96%	88,340,000	10.76%
Suzhou 6 Dimensions Venture Capital Partnership L.P. ("**Suzhou 6D**")[(2)]	37,860,000	5.55%	37,860,000	4.61%
Other Substantial Shareholder				
Summer Iris Limited[(3)]	78,214,230	11.47%	78,214,230	9.53%
Boyu Capital Opportunities Master Fund[(3)]	4,765,500	0.70%	4,765,500	0.58%
Directors				
Mr. Ye LIU[(4)]	33,089,730	4.85%	33,089,730	4.03%
Dr. Zhaopeng HU[(5)]	3,739,520	0.55%	3,739,520	0.46%
Alcon Pharma	–	–	**139,159,664**	**16.95%**
Public Float[(6)]	**309,577,870**	**45.41%**	**309,577,870**	**37.71%**
Total	**681,786,850**	**100.00%**	**820,946,514**	**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 Qiping ZHANG (張綺蘋). 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 were therefore the controlling Shareholders of the Company as of the Latest Practicable Date.

(3) Summer Iris Limited and Boyu Capital Opportunities Master Fund are ultimately beneficially owned by Boyu Capital Group Holdings Ltd, and were therefore substantial Shareholders of the Company as of the Latest Practicable Date.

(4) Save for the 33,089,730 Shares directly held by him, Mr. Ye LIU, an executive Director and chief executive officer, is also interested in 43,023,260 underlying Shares representing the options and awards which have been granted to him but not yet vested or exercised.

(5) Save for the 3,739,520 Shares directly held by him, Dr. Zhaopeng HU, an executive Director, is also interested in 442,900 underlying Shares representing the restricted share units, options and awards granted but not yet vested or exercised.

(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 that 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 field. 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 to the Group. 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 the Transaction Documents, 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 the Transaction Documents 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 Documents and the Transaction contemplated thereunder.

(G) Financial Impact of the Transaction

For financial reporting purpose, the Directors are in the view that the acquired set of rights and activities under the Asset Purchase Agreement and the License Agreement are considered as inputs that give the Company the ability to contribute to the creation of outputs, but do not comprise all of the required elements of a business in accordance with International Financial Reporting Standard 3 *Business Combinations*. Therefore, the Acquisition of the Licensed will instead be accounted for as an asset acquisition.

As set out in the Valuation Report in Appendix III to this circular, the value of the Licensed Rights under the Acquisition of the Transferred Products and the In-Licensing of the Licensed Products, which is prepared and complied with the International Valuation Standards published by the International Valuation Standards Council, is estimated to be HK$1,280.3 million, equivalent to RMB1,168.5 million at an exchange rate of RMB0.91268 to HK$1 on June 28, 2024 with reference to the rate published by the People's Bank of China.

In accordance with the International Accounting Standard 38 *Intangible assets*, for the purpose of the initial recognition of the rights, the Company will recognize intangible assets of approximately RMB1,172.9 million, equal to total of RMB1,168.5 million of the value of the Licensed Rights and RMB4.4 million of the transaction costs, in the consolidated financial statement of the Group. For the subsequent payments including sales-based royalties and sales milestone payments, considered as variable payments for the purchase of an intangible asset which is not part of a business combination, the Company chose to exclude those payments from the initial measurement of the intangible assets and recognize a liability when the condition that triggers the obligation occurs.

The Board has performed impairment assessment of the aforesaid intangible assets of RMB1,172.9 million to be recognized in accordance with International Accounting Standard 36 – *Impairment of Assets* (the "**IAS 36**"), which defines recoverable amount to be the higher of value in use and fair value less costs of disposal. The Board concluded that there is no impairment of intangible assets to be recognized in accordance with IAS 36.

The Directors confirmed that they would assess impairment of the Licensed Rights under the Acquisition of the Transferred Products and the In-Licensing of the Licensed Products with the requirements of IAS 36, adopt consistent accounting policies and valuation methodology in preparing the Group's consolidated financial statements, and will disclose the basis and assumptions adopted by the Board in the impairment assessment in accordance with the disclosure requirements in IAS 36 in the Group's annual reports. The Company's auditor will perform procedures during their audit in accordance with Hong Kong Standards on Auditing and assess the appropriateness of the key assumptions used by the Board, to estimate the recoverable amount of the rights based on the facts and circumstance at the end of each reporting period.

In exchange of the Licensed Rights under the Acquisition of the Transferred Products and the In-Licensing of the Licensed Products, the Company agrees to issue 139,159,664 Consideration Shares to Alcon. In accordance with the International Financial Reporting Standard 2 *Share-based Payment*, since the fair value of the intangible assets can be reliably estimated in a share-based payment transaction, it will not be necessary to consider the fair value of the Consideration Shares issued. Accordingly, the Company will recognize the share capital and share premium to the amount of intangible assets at RMB1,172.9 million considering the Shares are vested immediately upon the completion of the Transaction.

On the basis of the above, the audit committee of the Company is of the view that the accounting treatment of the Transaction, including but not limited to the recognition of the increase in intangible assets of RMB1,172.9 million upon completion of the Transaction and the recognition of share issue, is consistent with (i) the Company's accounting policy; and (ii) International Financial Reporting Standards.

The details of the financial impact of the Transaction on the financial position of the Company, for illustration purpose only, together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix V to this circular.

III. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENTS, ROYALTY PAYMENTS AND MILESTONE PAYMENTS

After completion of the Share Issue, Alcon Pharma will become a substantial Shareholder, holding approximately 16.95% of the total issued share capital of the Company (excluding the treasury Shares) 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.

No.	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
1.	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			
2.	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
3.	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 sales 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 Arrangements 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. Furthermore, the one-time purchase of the Pipeline Product does not have a fixed term as the purchase of Pipeline Product for pivotal study is subject to the progress and needs of the R&D of the Pipeline Product. 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 and the Pipeline Product remain in place.

Rule 14A.52 waiver

The Company has obtained from the Stock Exchange 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 and the Pipeline Product thereunder can be of an indefinite term commencing from the date of the Closing and (i) for the Commercial Product, continue to be in full force for so long as the purchases arrangements in respect of the Commercial Product are in place; and (ii) for the Pipeline Product, until the one-time purchase of Pipeline Product for pivotal study use is conducted. For details, see the section headed "V. Compliance With the Listing Rules and Waivers – (B) Waivers from Strict Compliance with the Listing Rules – (2) Waiver from Strict Compliance with Rule 14A.52 of the Listing Rules" in this circular.

(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 in accordance with the agreed-upon indexation and price adjustment mechanisms as set forth in the Manufacture and Supply Agreement, which are based on the factors including changes in material costs as well as fluctuations in the PPI of the countries where the relevant products are manufactured, until the expiration of terms of the purchase arrangements for such Transferred Product and/or Commercial Product. The aforesaid supply price adjustment will apply to the Transferred Products during the Transition Period, after the expiry of which Ocumension HK is expected to manufacture the Transferred Products by itself. 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 conduct a one-time purchase the Pipeline Product from Alcon Pharma at an agreed price determined with reference to the manufacture cost of the Pipeline Product.

(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 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, the Company and Alcon have not reached a written agreement on the New Supply Price, then during the period between the first day following the expiration of the Royalty Term and (i) the parties' written agreement on the New Supply Price or (ii) the Group's cessation of purchase, the supply price shall be 130% of the cost of goods sold, which is generally in line with the price prior to the expiry of the Royalty Term (the Supply Price plus royalties) to be paid to Alcon. Save for the aforesaid supply price adjustment, all other terms and conditions of the Manufacture and Supply Agreement shall remain in full force and effective 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	**For the year ending December 31,**	
	2025	**2026**
(HK$ in millions)	*(HK$ in millions)*	*(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 referable 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 are based on the factors including changes in material costs as well as fluctuations in the PPI of the countries where the relevant products are manufactured. Such price adjustment mechanisms 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 to monitor 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 review the transaction amounts incurred and will report the results to the senior management of the Company on a semi-annual basis. 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) during the annual price adjustment process, the internal audit department of the Company will be primarily responsible for monitoring and verifying the price adjustment computations and the factors that affect the cost composition of relevant products, including the PPI and the material cost fluctuations in relevant countries where the products are manufactured. If the Company believes that the price adjustment is inconsistent with its understanding of the relevant market factors, especially the material cost fluctuations, a letter will be sent to Alcon requesting basis for and evidence;

(e) 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;

(f) 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

(g) 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 in respect of the Transferred Products 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 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. For details, see the section headed "Principal Factors and Reasons Considered – Reasons for and benefits of the Continuing Connected Transactions" of the Letter from the Independent Financial Adviser in this circular.

(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 of the royalty payments in connection with 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	**For the year ending December 31,**	
	2025	**2026**
(HK$ in millions)	*(HK$ in millions)*	*(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 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 to monitor 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 review the transaction amounts incurred and will report the results to the senior management of the Company on a semi-annual basis. 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 the 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

The Company has obtained from the Stock Exchange 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. For details, see the section headed "V. Compliance With the Listing Rules and Waivers – (B) Waivers from Strict Compliance with the Listing Rules – (2) Waiver from Strict Compliance with Rule 14A.52 of the Listing Rules" in this circular.

(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 December 31, 2024, 2025 and 2026.

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 with respect to the Pipeline Product to be made by Ocumension HK to Alcon Pharma or its designee as contemplated under the License Agreement is unduly burdensome, impractical and not in the best interests of Shareholders. Therefore, the Company has applied to and obtained from the Stock Exchange a waiver for not setting any monetary annual cap for the transaction amounts in respect of the royalty payments and sales milestone payments with respect to the Pipeline Product for a period commencing from the First Commercial Sale of the Pipeline Product and until 15 years thereafter. For details, see the section headed "V. Compliance With the Listing Rules and Waivers – (B) Waivers from Strict Compliance with the Listing Rules – (3) Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules" in this 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 to monitor 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 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 review the transaction amounts incurred and will report the results to the senior management of the Company on a semi-annual basis. The finance department of the Company will inform the Board on a timely basis in the event the potential 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.

IV. 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 section headed "VI. Listing Rules Implications" in this circular.

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.

V. COMPLIANCE WITH THE LISTING RULES AND WAIVERS

(A) Profit Forecast

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.

(1) Assumption of valuation

Pursuant to Rule 14.60A(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the valuation of the Licensed Rights was based are the same as those adopted for the estimation of the market value of the Consideration Shares, which are set out in the section headed "II. The Transaction – (C) Basis for the Consideration and Valuation" in this circular.

(2) Confirmation

The Reporting Accountants have been engaged to report on the calculations of the discounted future cash flows used in the Valuation Report prepared by the Valuer. The Reporting Accountants have 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. Letters from the Reporting Accountants dated August 12, 2024 and September 30, 2024 in relation to the arithmetical accuracy of the calculations of the discounted future cash flows are set out in Appendix VI to this circular 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. Letters from the Board dated August 12, 2024 and September 30, 2024 are set out in Appendix VII to this circular for the purpose under Rule 14.60A(3) of the Listing Rules.

(B) Waivers from Strict Compliance with the Listing Rules

(1) Waiver from strict compliance with Rule 14.69(4)(b) of the Listing Rules

Rule 14.69(4)(b) of the Listing Rules requires that the Company shall set out in this circular (a) a profit and loss statement for the three preceding financial years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 ("**Relevant Periods**") on the identifiable net income stream of the Transferred Products and the Commercial Product sold in the Territory, which shall be reviewed by the Company's auditors, and (b) a pro forma profit and loss statement and net assets statement on the enlarged group on the same accounting basis.

The profit and loss statement on the identifiable net income stream of the Transferred Products and the Commercial Product sold in the Territory for the Relevant Periods and the pro forma profit and loss statement on the enlarged Group required under Rule 14.69(4)(b) of the Listing Rules are unavailable primarily 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 relevant requirements under Rule 14.69(4)(b) of the Listing Rules because of the following reasons:

(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 14.69(4)(b) of the Listing Rules in association with the Transferred Products and Commercial Product as (i) such information and underlying books and records cannot be segregated from the relevant accounts of Alcon due to its business-unit and group level financial reporting; (ii) the relevant books and records contain other confidential information not relevant to the Transaction; and (iii) such information is not otherwise separately disclosed in Alcon's public disclosures, nor can it be found in the public domain; and

(c) the Company is of the view that the alternative financial disclosures set out in Appendix IV, namely the total revenue of the Transferred Products and the Commercial Product sold in the Territory for the Relevant Periods and the estimated costs of sales and other expenses in relation to the Transferred Products and the Commercial Product sold in the Territory for the Relevant Periods made based on the experience of the Company's management in the ophthalmic pharmaceutical industry, together with the Valuation Report set out in Appendix III 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.

(2) Waiver from strict compliance with Rule 14A.52 of the Listing Rules

Waiver from strict compliance with Rule 14A.52 of the Listing Rules in relation to the Manufacture and Supply Agreement and the purchase arrangements in respect of the Commercial Product and Pipeline Product thereunder

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. Furthermore, the one-time purchase of the Pipeline Product does not have a fixed term as the purchase of Pipeline Product for pivotal study is subject to the progress and needs of the R&D of the Pipeline Product. 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 or Pipeline 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, primarily because:

(a) as the manufacture of the Commercial Product will not be transferred to the Group, it's necessary for the Group to purchase the Commercial Product from Alcon Pharma for so long as the Commercial Product will be commercialized in the Territory. As the commercialization of the Commercial Product will depend primarily on the market demand, which is not fixed to a period of time, not fixing the term of the purchase arrangements is in line with market practice, in particular the market practice for the in-licensing transactions in which manufacture of the in-licensed products is retained by the licensors;

(b) the in-licensing of the Commercial Product establishes an advantageous position in relevant markets which is long term in nature and in line with prevailing market practice. Imposing a restriction on the term of the purchase arrangements for a period of three years would deviate from the prevailing market practice and the business intention of the parties;

(c) such a long-term relationship is in the interest of the Company and the Shareholders as a whole because the commercialization of the Commercial Product is expected to form an important part of the business operation of the Group, which allows the Company to expand its business operations and product offerings, so as to generate additional revenue, and the Group will only initiate purchases of the Commercial Product from Alcon Pharma when there is market demand. The larger the market demand, the greater the purchase quantity will be, and the longer the market demand duration, the longer the relationship will be. The interest of the parties and their respective shareholders can be maximized by a such a long-term relationship;

(d) the need for pivotal study of the Pipeline Product is subject to the R&D progress of the Pipeline Product, which cannot be fixed at the time of entering into the agreement; and

(e) the Group has the right to terminate the agreement if, among other things, Alcon Pharma is in material breach of the agreement.

In this regard, the Company has obtained from the Stock Exchange 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 and the Pipeline Product thereunder can be of an indefinite term commencing from the date of the Closing and (i) for the Commercial Product, continue to be in full force for so long as the purchases arrangements in respect of the Commercial Product are in place; and (ii) for the Pipeline Product, until the one-time purchase of the Pipeline Product for pivotal study use is completed, subject to the following conditions:

(a) notwithstanding the Manufacture and Supply Agreement and the purchase arrangements in respect of the Commercial Product and the Pipeline Product thereunder is of an indefinite term, the pricing policy of the Manufacture and Supply Agreement has been disclosed in this circular such that the Shareholders and investors are provided with sufficient information on how the relevant fees will be paid;

(b) Gram Capital as the Independent Financial Adviser appointed by the Company has (i) opined on why the term of the Manufacture and Supply Agreement and the purchase arrangements in respect of the Commercial Product and the Pipeline Product thereunder cannot be fixed and requires a period longer than three years, and (ii) confirmed that it is normal business practice for agreement of this kind to be of such duration. Gram Capital has set out the aforesaid in "Letter from the Independent Financial Adviser" of this circular; and

(c) details of this waiver are disclosed in this circular.

Waiver from strict compliance with Rule 14A.52 of the Listing Rules in relation to the License Agreement and the in-licensing of the Pipeline Product thereunder

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, primarily because:

(a) the R&D of the Pipeline Product is long term in nature and the completion of which is subject to various factors. The commercialization of the Pipeline Product in the Territory can only commence after the Pipeline Product is approved by the NMPA, which is in turn subject to the successful R&D of the product. The Group may be exposed to uncertainties dealing with local regulatory regimes, regulatory bodies and government policies in the market in the Territory with respect to the commercialization of the Pipeline Product. Therefore, the Company is unable to accurately predict whether or when the Group can obtain approval for commercializing the Pipeline Product in the Territory. Imposing a restriction on the term of the License Agreement and or the Royalty Term of the Pipeline Product for a fixed term of three years would deviate from the common industry practice;

(b) given that the commercialization of the Pipeline Product is subject to the official review of the NMPA, which is out of the Group's control and could take a long time, imposing a fixed term on the License Agreement may in fact limit the Royalty Term for the Pipeline Product and potentially become a deal breaker; and

(c) the Group, as the licensee, has to invest significant time and resources in the R&D of the Pipeline Product in order to bring the product to commercialization. After the commercialization approval is obtained, the Group has to further invest significant time and resources to market and promote the Pipeline Product in the Territory to recoup its R&D investments. Commercialization of a new and innovative drug can be a slow and expensive process which involves known and unknown risks. A potentially long R&D term, coupled with a 15-year Royalty Term, will bring stability to the Group's investments and allow the Group to make strategic plans in both R&D and commercialization from a broader perspective, which enables the Group to make ongoing efforts and long-term commitment throughout the product's entire lifespan to unlock the full potential of the Pipeline Product and maximize the interest of the Shareholders.

In this regard, the Company has obtained from the Stock Exchange 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, subject to the following conditions:

(a) notwithstanding the License Agreement and the in-licensing of the Pipeline Product thereunder is for an indefinite term, the pricing policy of the License Agreement has been disclosed in this circular such that the Shareholders and investors are provided with sufficient information on how the relevant fees will be paid;

(b) Gram Capital as the Independent Financial Adviser appointed by the Company has (i) opined on why the term of the License Agreement and the in-licensing of the Pipeline Product cannot be fixed and requires a period longer than three years, and (ii) confirmed that it is normal business practice for agreement of this kind to be of such duration. Gram Capital has set out the aforesaid in "Letter from the Independent Financial Adviser" of this Circular; and

(c) details of this waiver are disclosed in this circular.

(3) Waiver from strict compliance with Rule 14A.53 of the Listing Rules

Rule 14A.53 of the Listing Rules requires that, among other things, the listed issuer must set an annual cap for a continuing connected transaction, and that the annual cap must be expressed in monetary terms and determined by reference to previous transactions and figures in the published information of the listed issuer's group (or be set based on reasonable assumptions if there were no previous transactions).

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, 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 Ocumension HK to Alcon Pharma or its designee with respect to the Pipeline Product as contemplated under the License Agreement is unduly burdensome, impractical and not in the best interests of Shareholders for the following reasons:

(a) there was no historical amount and sufficient data for the Company to establish a model to estimate the future sales volume and amount for the Pipeline Product as it is still at the development stage without sufficient market data to analyze the extent of acceptance of this drug by the market. The revenue to be derived from the sale of the Pipeline Product depends on the actual addressable market for the Pipeline Product, which will in turn depend on various factors over which the Company has no control, including the feasibility and subsequent success of the relevant clinical

trials which could be affected by the number of eligible patients and their actual health conditions, suitability and willingness to participate at the time when the relevant clinical trials are initiated, acceptance of the Pipeline Product by the medical community, patient access and product pricing based on market demand;

(b) the Pipeline Product shall be an innovative or, based on the Company's understanding, the first of its type within the PRC if successfully developed. Similarly, the licensing arrangement in respect of the Pipeline Product is currently at a pre-mature stage and the Company does not have sufficient or reliable market information and references to enable it to provide meaningful estimates of monetary caps;

(c) assuming the Pipeline Product is successfully commercialized, imposing an arbitrary cap on the potential sales volume of the Pipeline Product does not demonstrate commercial reasonableness and would be to the contrary as far as the interests of the Company and its Shareholders are concerned. As the larger the market demand is, the greater the sales volume and amount of royalties and sales milestone payments will be. In the absence of a factually and mathematically reliable model to estimate the annual sales volume of the Pipeline Product, imposing an arbitrary monetary cap on the royalties and sales milestone payments will become an arbitrary ceiling on the revenue to be generated by the Pipeline Product, and would subject the Company to additional administrative burden to amend the monetary annual caps as the original monetary annual caps were arbitrarily set and easily to be exceeded; and

(d) the disclosure of the annual caps in monetary terms would in effect provide Shareholders and investors as well as competitors of the Company with an indication of the estimated revenue of the Pipeline Product, and may allow them to extrapolate the likely volume of the Pipeline Product and even the unit supply price of the Pipeline Product. Such information is highly sensitive and would therefore put the Group in a disadvantageous position in relation to the business operation and competition with other market players.

While the annual caps for the royalty payments and sales milestone payments to be made by Ocumension HK to Alcon Pharma or its designee with respect to the Pipeline Product as contemplated under the License Agreement are not presented in monetary form, given that (i) the aggregate amount payable by Ocumension HK to Alcon Pharma or its designee will be presented and determined by the formula, and the transaction amounts thereunder are clear and do not involve complex calculations or excessive management discretion, (ii) the Company will adopt the price determination and review mechanism and the relevant internal control procedures to effectively ensure the royalty payments and sales milestone payments are fair and reasonable and are in line with the License Agreement, and (iii) the key terms of the royalty payments and sales milestone payments with respect to the Pipeline Product have been included in this circular, the Directors (including the independent non-executive Directors) consider that the current expression of annual caps in formula form (i) has provided the Shareholders and potential investors with all necessary information about the payments to be

paid by the Group to Alcon Pharma; (ii) enables the Shareholders and potential investors to make a properly informed assessment of the subject transactions and hence an informed voting decision; and (iii) is fair and reasonable to the Company and the Shareholders as a whole.

In this regard, the Company has obtained from the Stock Exchange a waiver from strict compliance with the requirement under Rule 14A.53 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 the conditions that, among others:

(a) in lieu of a monetary annual cap, the Company has set out the formula to express the annual amount payable by the Group to Alcon Pharma and the pricing policy of the royalty payments and sales milestone payments with respect to the Pipeline Product in this circular such that the Shareholders and investors are provided with sufficient information on how the relevant fees will be calculated and paid;

(b) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the License Agreements, including any material change to the basis of calculating the amount payable to Alcon Pharma by the Group in respect of the in-licensing of the Pipeline Product under the License Agreement);

(c) the Company will disclose in its subsequent annual reports the amount of the royalty payments and sales milestone payments paid to Alcon Pharma in the relevant financial years;

(d) the independent non-executive Directors and the auditors of the Company will review the transactions contemplated under the Transaction Documents on an annual basis and confirm in the annual reports of the Company the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(e) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of the Announcement, the Company will take immediate steps to ensure compliance with such new requirements;

(f) 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; and

(g) details of this waiver are disclosed in this circular.

(4) Waiver from strict compliance with Rules 14.66(10), 14.69(2) and 14A.70(13) of the Listing Rules and paragraph 43(2)(c) of Appendix D1B to the Listing Rules

Rules 14.66(10) and 14.69(2) of the Listing Rules stipulate that a circular relating to a very substantial acquisition must contain documents on display required by paragraph 43(2)(c) of Appendix D1B to the Listing Rules, which sets out that, in the case of a notifiable transaction circular, any contracts pertaining to such transaction thereunder shall be published on the Stock Exchange's website and the issuer's own website for a reasonable period of time (being not less than 14 days).

Rule 14A.70(13) of the Listing Rules stipulates that a circular relating to a connected transaction must contain documents on display required by paragraph 43(2)(c) of Appendix D1B to the Listing Rules, which sets out that, in the case of a connected transaction circular, any contracts pertaining to such transaction thereunder shall be published on the Stock Exchange's website and the issuer's own website for a reasonable period of time (being not less than 14 days).

The Company believes that displaying the full contents of the Transaction Documents will (i) provide excessive information to the market and allow the competitors of the Company to obtain and/or extrapolate the key commercial information that is highly confidential, sensitive and essential to the business of the Company; (ii) put the Company in a disadvantageous competitive position; and (iii) detriment the interest of the Company and the Shareholders as a whole.

The Company has obtained from the Stock Exchange a waiver from strict compliance with Rules 14.66(10), 14.69(2) and 14A.70(13) of the Listing Rules and paragraph 43(2)(c) of Appendix D1B to the Listing Rules to redact certain information in the Transaction Documents to be published for online display based upon the following rationale:

(a) the redacted information (i) has either actual or potential independent economic value by virtue of not being generally known by the public; (ii) has value to others who cannot legitimately obtain such information (for instance, competitors in the dry eye market); and (iii) is information that the parties have taken efforts to maintain its secrecy;

(b) the disclosure of the redacted information will result in negative impact on the Company in conducting future negotiations with other business partners (including but not limited to licensors, licensees and distributors) as such potential business partners could use the disclosed economics to negotiate against the Company and put the Company in a difficult situation to negotiate for terms that are more commercially favorable to the Company;

(c) the disclosure of the redacted information will reveal the business strategies and priorities that are being formulated by the Company. Competitors of the Company may utilize such disclosed information in formulating their own development and commercialization plans for competing products. Competitors and industry participants may also make use of such disclosed information to ascertain the best potential market and audience and advance their own commercial interests, thereby directly affecting the market share of the Company. As a result, competitors of the Company may utilize such information to have an upper hand and unfairly compete with the Company and adversely impact the Company's prospects of commercial success in respect of the Transferred Products and Licensed Products, and further adversely affect the potential income stream of the Company.

In addition to the foregoing general rationale, the table below sets forth the provisions of the Transaction Documents from which certain information has been redacted and the more specific rationale for each such redaction:

(a) Asset Purchase Agreement

	Content (Terms references)	**Rationale for redaction**
	Confidential Information and Trade Secrets involving Third Parties	
A1	Table of Content Definition Section 2.6 Section 2.8(c)	Each of these items of information constitutes a trade secret of Alcon as it disclosed the name of Alcon's other business partners and relevant agreements Alcon entered into with them. This information is a critical competitive asset to Alcon, and Alcon has taken substantial measures to protect its confidentiality. Disclosing this information would not only violate existing confidentiality arrangements between Alcon and its business partners but also undermine the safeguards that Alcon has established to maintain the secrecy of its proprietary relationships and strategies. The disclosure of the redaction portion may reveal the nature and specifics of Alcon's partnerships and collaborations, directly exposing Alcon – and by extension, the Company – to competitive risks. Competitors could exploit this knowledge to gain strategic advantages, disrupt key relationships, or even undermine Alcon's market position. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction, instead, it will increase uncertainty to the Closing of the Transaction and thus be detrimental to the Company.

	Content (Terms references)	Rationale for redaction
	Technical Know-how	
A2	Schedule 1.1(f)	The list of know-how to be transferred by Alcon to the Company is highly confidential and constitutes trade secrets and should be proprietary to Alcon and such list is a result of extensive negotiations between the Company and Alcon. Competitors and industry participants may be able to ascertain their enforcement strategies against the Company during intellectual property right infringement proceedings. The disclosure thereof would lead to an undesirable outcome, which would not be measurable and remediable.
	Negotiated Operational Terms	
A3	Section 5.3 Section 5.5(a)(i) Section 5.5(b)(i) Section 5.5(c)	The redacted information is the specific terms for extension of the transition period, which is together a packaged deal that is heavily and specifically negotiated between the Company and Alcon. As a significant element of the transition plan, it is a key to the success of the completion of the Transaction. Such commercial terms contain highly commercially sensitive information which, if disclosed, will be seriously detrimental and competitively harmful to the Company and may affect the likelihood of success of the completion of the Transaction. The specifics for extension of the applicable regulatory approvals included in the Product Regulatory Materials that are not transferable or assignable due to applicable law are a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis.

	Content (Terms references)	Rationale for redaction
A4	Section 5.11	The redacted portion is necessary to prevent potential reputational harm to the Company, as it could be misinterpreted by competitors or other stakeholders. In a highly competitive market, this could provide an opportunity for competitors to mischaracterize the Company's internal controls or corporate governance practices, potentially undermining its credibility. Moreover, any public misinterpretations of the redacted information may harm the Company's reputation, and negatively impact relationships with business partners, regulatory authorities, and clients, all of which are vital to its operations and success. Therefore, redacting this information is crucial to safeguarding the Company's competitive standing and public trust.
A5	Section 8.4 Section 8.5	The maximum aggregate amount of indemnifiable losses that may be recovered from an indemnifying party and the survival term with respect to the term of survival for representations and warranties and indemnification obligations are specific deal mechanics negotiated between the Company and Alcon, the disclosure of which may convey commercially sensitive information to market competitors. Existing and future business partners may use the disclosed economics to negotiate against the Company or Alcon, thereby putting the Company and Alcon at a competitive disadvantage.

	Content (Terms references)	Rationale for redaction
	Financial and Payment Terms	
A6	Section 6.1 Section 6.7 Section 6.3(b) Section 6.4	The specific rates and payment timeline with respect to royalty payment and the interest rate for late payments are specifically negotiated between the Company and Alcon, the disclosure of which will adversely affect the Company in terms of negotiations with existing and prospective collaborating partners that may use such disclosed economics to negotiate with the Company on a no less favorable basis. The terms for the Group to keep and permit Alcon to audit the books and records in relation to net sales and royalties with respect to the Transferred Products and the specific rate of underpayment with respect to inspection fees and expenses allocation are specifically negotiated between the Company and Alcon, the disclosure of which will adversely affect the Company in terms of negotiations with existing and prospective collaborating partners that may use such disclosed economics to negotiate with the Company on a no less favorable basis.

	Content (Terms references)	Rationale for redaction
A7	Definition	The information which is the specific percentage of the value of the Shares equivalent to the principal amount of the promissory note as of the Closing is redacted to prevent possible market misinterpretation. Such percentage was proposed by Alcon's tax advisor as part of a strategy to optimize its tax position in accordance with applicable laws and regulations. The figure is a result of structuring considerations specific to Alcon's internal corporate and tax planning objectives. Importantly, this percentage does not directly reflect the actual economic value or contribution of the Transferred Products within the overall consideration. If disclosed, it could lead to a misleading perception among Shareholders that the Transferred Products represent this specific percentage of the total value of the Shares issued in the Transaction. Such a misunderstanding might distort the perceived significance of the Transaction's impact on the Company's financial position. To ensure accurate understanding, the specific percentage was redacted and the Shareholders are encouraged to refer to the Valuation Report prepared by the Valuer for precise information regarding the value of the Transferred Products. This approach aims to avoid potential confusion and misrepresentation, aligning with the Company's commitment to transparency while protecting against misleading impressions that could arise from an out-of-context figure. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. Neither will such disclosure provide additional insight to the Shareholders as to the Company's assets and liabilities, financial position, profits and losses, prospects of the Company and the impact of the Transaction on the Company.

	Content (Terms references)	Rationale for redaction
	Contact Information	
A8	Section 10.5 Schedule 1.1(a) Schedule 1.1(b)	The names and contact details of the contact persons and legal counsel and relevant individuals with actual knowledge for Ocumension and Alcon do not provide values to Shareholders in relation to their assessment of the significance of the Transaction nor do they shed light on the strategic, financial and commercial impact of the Transaction on the Company. Whereas disclosure of such information may expose such persons to unnecessary distractions and/or interference.

(b) License Agreement

	Content (Terms references)	Rationale for redaction
	Confidential Information and Trade Secrets of the Company and Alcon, or involving Third Parties	
B1	Section 1.1.48 Section 1.1.109 Section 1.1.112 Section 1.1.162 Section 1.1.163 Section 1.1.164 Schedule 6.1.6	Each of these items of information is highly confidential as they constitute trade secrets of Alcon, including the names of Alcon's other business partners, relevant agreements Alcon entered into with them, and relevant technical know-how thereunder. Such information is a critical competitive asset to Alcon, and Alcon has taken substantial measures to protect its confidentiality. Disclosing this information would not only violate existing confidentiality arrangements between Alcon and its business partners but also undermine the safeguards that Alcon has established to maintain the secrecy of its proprietary relationships and strategies. The disclosure of the redaction portion may reveal the nature and specifics of Alcon's partnerships and collaborations, directly exposing Alcon – and by extension, the Company – to competitive risks. Competitors could exploit this knowledge to gain strategic advantages, disrupt key relationships, or even undermine Alcon's market position. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction, instead, it will increase uncertainty to the Closing of the Transaction and thus be detrimental to the Company.

Content (Terms references)	Rationale for redaction
	For the redaction of Schedule 6.1.6, the Company submits that the arrangement involving UMH outlined in Schedule 6.1.6 is highly sensitive and strictly confidential, as it involves the arrangement with respect to intellectual property and proprietary technologies of UMH in the UMH Agreement. Disclosure of such arrangement, even in part, would violate the confidentiality clause between Alcon and UMH, which mandates that no information regarding the arrangement with respect to UMH's know-how, patent rights, or improvement of technologies be revealed to third parties without prior authorization. The confidentiality clause under the UMH Agreement is essentially not only to protect UMH's intellectual property from being specifically mentioned but also to preserve the integrity of the cooperative relationship between UMH and Alcon. Any breach of the confidentiality clause between Alcon and UMH would expose both Alcon and the Company to significant legal and financial risks, as UMH could pursue legal action for damages, which would ultimately be detrimental to the Company's position. In addition, the arrangement under Schedule 6.1.6 between the Company and Alcon is also closely intertwined with Alcon's cooperation with UMH which by its nature is highly sensitive and confidential, making it impossible to selectively redact portions of Schedule 6.1.6 without risking a breach of the confidentiality clause. The terms of the arrangement under Schedule 6.1.6, protected by the confidentiality clause under the UMH Agreement, including the development, licensing, and improvement of UMH technology, are proprietary to UMH and constitute a competitive advantage for both Alcon and the Company. Disclosing any part of these terms would not only compromise the confidentiality clause but could also lead to competitors gaining valuable insights into the Company's and Alcon's strategic partnerships and technological advancements under the arrangement involving UMH, which could result in competitive harm and potential financial damages of the Company, and may also jeopardize future collaboration between Alcon and the Company.

	Content (Terms references)	Rationale for redaction
B2	Schedule 6.1.3.1 Schedule 6.1.4	The rationale for redacting the schedules listing pre-approved licensee affiliates and subcontractors is primarily based on the protection of commercially sensitive information and privacy concerns related to collaboration partners. Specifically, the Company prefers not to disclose which subsidiaries or affiliates of the Company are intended to hold licenses for the Licensed Products, in order to avoid drawing unnecessary attention or attacks from competitors. Disclosure of specific entities as subcontractors could reveal key operational partnerships and strategic alliances, which may be leveraged by competitors to disrupt business relationships or gain a competitive edge. Disclosing such entities and the relationships therebetween could expose the Company and Alcon and/or their partners to unwanted scrutiny, misinterpretation, or negative attention, which could ultimately harm ongoing and future business dealings.
	Technical Know-how	
B3	Section 11.3.2.3	The patent application number of the Pipeline Product is highly confidential and constitutes trade secrets due to the sensitive nature of IP strategies and the commercially confidential information involved. Disclosing the specific patent application number of the Pipeline Product could expose the Company and Alcon to potential legal and competitive risks. Competitors or other third parties might use this information to challenge the patent application, develop opposing strategies, or gain insights into the IP position of both parties, thereby weakening their competitive advantage.

	Content (Terms references)	Rationale for redaction
B4	Schedule 1.1.19 Schedule 1.1.20 Schedule 1.1.88	The list of trademarks of Alcon (whether they are product specific trademark(s) to be used by the Company in the commercialization of the Licensed Products in the Territory) to be used by the Company and the list of licensed patent rights are highly confidential and constitute trade secrets and should be proprietary to Alcon and such list is a result of extensive negotiations between the Company and Alcon. Competitors and industry participants may be able to ascertain their enforcement strategies against the Company during intellectual property right infringement proceedings. The disclosure thereof would lead to an undesirable outcome, which would not be measurable and remediable.
B5	Schedule 1.1.123	The Company's decision to redact the concentration in the description of the Pipeline Product is rooted in the need to protect proprietary manufacturing processes and sensitive formulation details. The concentration of the active ingredient in a pharmaceutical product, particularly one as specialized as the Pipeline Product, which is indicated for the treatment of dry eye disease, is critical information that reflects the underlying scientific and technical know-how involved in its development. Revealing the precise concentration of the active ingredient could expose the Company to risks related to the unauthorized replication or reverse engineering of the product, potentially leading to intellectual property theft or the compromising of the Company's competitive edge. In the biotech or pharmaceutical industry, such formulation details are closely guarded as trade secrets because they are the result of significant R&D investments.

	Content (Terms references)	Rationale for redaction
	Negotiated Operational Terms	
B6	Section 2.3 Section 2.6.1 Section 2.6.3.1 Section 3.2 Section 3.4.1	The redacted timelines for the Company to provide Alcon the development plan and development activities reports as well as the commercialization plan and periodic reports with respect to the Pipeline Product and for Alcon to transfer the licensed know-how to the Company are deal-specific and highly confidential. The specific timeframe was determined based on strategic considerations and was a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. The specific deadlines are not crucial to public understanding of the impact of the Transaction, as it mainly governs internal project management between the parties.
B7	Section 5.2	The redacted timeline for the Company to provide Alcon the summary on the manufacturing and performance related to the Pipeline Product is deal-specific and highly confidential. The specific timeframe was determined based on strategic considerations and was a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. The specific deadlines are not crucial to public understanding of the impact of the Transaction, as it mainly governs internal project management between the parties.

	Content (Terms references)	Rationale for redaction
B8	Section 6.6	The Company seeks to redact the specific product name and composition of Alcon's proprietary product in relation to a potential license agreement that might be entered by Alcon and the Company in the future as it pertains to a remote future collaboration that is still at a preliminary discussion stage. At this point, the parties have not entered into any formal agreement, and the outcome of these discussions remains highly uncertain. Therefore, the disclosure of the specific product name at such an early stage does not carry significant materiality in the context of the Company's current operations or its financial outlook. This provision does not reflect a definitive commitment or certainty of entering into a license agreement regarding the redacted proprietary product of Alcon. It merely outlines an intention to engage in good-faith discussions within a specific timeframe. Premature disclosure of this could create unnecessary market speculation, mislead stakeholders into believing a transaction is imminent, or inflate expectations regarding the impact of this potential deal on the Company's future performance. Moreover, since there is no binding commitment, revealing the specific product name at such an early stage could disrupt ongoing negotiations and provide competitors with insight into the Company's strategic direction, potentially undermining its competitive positioning. Therefore, the redaction of this provision is justified to prevent unnecessary speculation or misinterpretation by the market. In addition, as disclosed the section headed "II. THE TRANSACTION – (A) Principal Terms of the Transaction Documents – (2) In-Licensing under the License Agreement – Licensee and Licensor's Right of First Negotiation" in this circular, 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 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. Such arrangement also includes the underlying future licensing collaboration between Alcon and the Company regarding the redacted proprietary product under this provision.

	Content (Terms references)	Rationale for redaction
B9	Section 6.7 Section 6.8	The redacted timeline for the Company and Alcon to exercise a first right of negotiation, give notice to the other party, and enter into a definitive agreement for such right is deal-specific and highly confidential. The specific timeframe was determined based on strategic considerations and was a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. The specific deadlines are not crucial to public understanding of the impact of the Transaction, as it mainly governs internal project management between the parties.
B10	Section 7.7.5.1	The redacted information is regarding specific tax arrangement with respect to tax credits and benefits under the License Agreement which is considered commercially sensitive information that could influence future negotiations or set unintended precedents if disclosed publicly. Disclosing the redacted information could reveal tax planning strategies of both parties that are unique under the License Agreement and publicizing this detail could limit both parties' flexibility in structuring future deals by setting a precedent that might be expected in subsequent transactions, thus reducing both parties' bargaining power.

Content (Terms references)	Rationale for redaction
B11 Section 8.2	The redacted timelines for the Company to provide Alcon a copy of the proposed written publication or presentation of any results of development or commercialization activities involving the Licensed Products under the License Agreement and for Alcon to provide comments to the Company are deal-specific and highly confidential. The specific timeframe was determined based on strategic considerations and was a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. The specific deadlines are not crucial to public understanding of the impact of the Transaction, as it mainly governs internal project management between the parties.
B12 Section 9.5.3	The redacted portion is necessary to prevent potential reputational harm to the Company, as it could be misinterpreted by competitors or other stakeholders. In a highly competitive market, this could provide an opportunity for competitors to mischaracterize the Company's internal controls or corporate governance practices, potentially undermining its credibility. Moreover, any public misinterpretations of the redacted information could result in reputational harm, loss of business relationships, and heightened scrutiny from regulatory authorities, all of which are vital to its operations and success. Therefore, redacting this information is crucial to safeguarding the Company's competitive standing and public trust.

	Content (Terms references)	Rationale for redaction
B13	Section 11.4.2.4	The Company's rationale for redacting the allocation percentages of recovered proceeds stems from the commercially sensitive nature of the negotiated terms. The specific allocation percentages were determined based on strategic considerations and was a result of commercial negotiations between the Company and Alcon, and disclosure thereof would adversely affect the Company and/or Alcon in terms of negotiations with existing and prospective collaborating partners, who may use such disclosed economics to negotiate with the Company and/or Alcon on a no less favorable basis. Furthermore, the allocation percentages reflect the relative economic interests of the parties in this particular collaboration, which may not be applicable or desirable in other contexts. Disclosing such details could create expectations or precedents that are misaligned with the distinct commercial objectives of future partnerships. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction.
	Financial and Payment Terms	
B14	Section 7.2.1 Section 7.2.2 Section 7.3 Section 7.6 Section 7.7.2 Section 7.7.3	The specific monetary value and rates with respect to sales milestone payment and sales milestone events of the Pipeline Product, royalty payment and the amount of annual net sales of the Licensed Products, and the interest rate for late payments are specifically negotiated between the Company and Alcon, the disclosure of which will adversely affect the Company in terms of negotiations with existing and prospective collaborating partners that may use such disclosed economics to negotiate with the Company on a no less favorable basis.
	Section 7.7.7	The timeline for notification of the sales milestone events of the Pipeline Product, for issuance of invoice and paying off other amounts payable under the License Agreement, and for paying off the royalty payment are specifically negotiated between the Company and Alcon, the disclosure of which will adversely affect the Company in terms of negotiations with existing and prospective collaborating partners that may use such disclosed economics to negotiate with the Company on a no less favorable basis.

	Content (Terms references)	Rationale for redaction
		The terms for the Group to keep and permit Alcon to audit the books and records in relation to the License Agreement, including net sales and royalties, are specifically negotiated between the Company and Alcon, the disclosure of which will adversely affect the Company in terms of negotiations with existing and prospective collaborating partners that may use such disclosed economics to negotiate with the Company on a no less favorable basis.
	Contact Information	
B15	Section 13.11 Schedule 1.1.85	The names and contact details of the contact persons and legal counsel and relevant individuals with actual knowledge for Ocumension and/or Alcon do not provide values to Shareholders in relation to their assessment of the significance of the Transaction nor do they shed light on the strategic, financial and commercial impact of the Transaction on the Company. Whereas disclosure of such information may expose such persons to unnecessary distractions and/or interference.

(c) Subscription Agreement

	Content (Terms references)	Rationale for redaction
		Confidential Information and Trade Secrets involving Third Parties
C1	Section 3.07 Section 5.05	The Company seeks to redact the provisions related to the transferred employee information and associated benefits due to the sensitive nature of the strategic transition of its sales and marketing team, which could significantly affect the Company's business interests if disclosed prematurely. Although the redacted sections do not contain specific personal data protected by employment laws or specific individual employee information, they do outline the structure of employee compensation, bonuses, and benefits for a key group of employees. Disclosing these terms publicly could severely undermine the Company's negotiating position with both employees and external stakeholders during the Transition Period. Specifically, if competitors or potential future employees subject to the transfer gain access to this information, they could exploit it to negotiate more favorable terms, thereby placing the Company at a disadvantage in ongoing or future discussions. Moreover, disclosing the details of the transition before the Company is ready to formally announce its strategy could harm its ability to negotiate optimal employment terms. As the Company previously noted, revealing these provisions before negotiations are initiated would be akin to an HR negotiation where the employee who are subject to transfer is already aware of the Company's position and arrangement thereunder. This would result in the Company losing its leverage, reducing its ability to offer balanced compensation packages, and potentially increasing its financial burden.

	Content (Terms references)	Rationale for redaction
		The redaction is also essential to protect the integrity of the ongoing transition process. By keeping these strategic details confidential, the Company ensures that the process is not disrupted by external parties who could use this information to influence negotiations or take advantage of the Company's disclosed terms. In light of the above, disclosure of certain information hereunder would be detrimental to the Company's ability to negotiate favorable terms and manage its business transition effectively. Redacting such information is necessary to safeguard the Company's competitive position and prevent unwanted exposure of its strategic internal plans.
	Contact Information	
C2	Section 9.02	The names and contact details of the contact persons and legal counsel and relevant individuals with actual knowledge for Ocumension and Alcon do not provide values to Shareholders in relation to their assessment of the significance of the Transaction nor do they shed light on the strategic, financial and commercial impact of the Transaction on the Company. Whereas disclosure of such information may expose such persons to unnecessary distractions and/or interference.

(d) Manufacture and Supply Agreement

	Content (Terms references)	Rationale for redaction
	Confidential Information and Trade Secrets of the Company and Alcon, or involving Third Parties	
D1	Section 4.1 Section 4.4	The Company seeks to redact specific timeframes and similar durations in the provisions related to providing, reviewing, and accepting or rejecting forecasts and purchase orders. The rationale for redacting these specific timelines is based on the protection of commercially sensitive information that could reveal the Company's internal operational timelines, planning cycles, and supply chain responsiveness. Disclosing these precise timeframes could provide competitors or third parties with detailed insights into the Company's operational strategies, including how quickly it processes orders, the lead times for forecasting demand, and the agility of its supply chain management. Competitors could use this information to anticipate the Company's market activities, adjust their own strategies accordingly, or exploit any perceived weaknesses in the Company's operational processes. Furthermore, these specific durations are the result of negotiated terms between the Company and Alcon, tailored to their unique collaboration. Public disclosure of these negotiated timeframes could undermine the Company's competitive position by setting expectations or precedents for future agreements with other partners. Potential collaborators might demand similar or more favorable terms, limiting the Company's flexibility to negotiate timelines that are appropriate for different circumstances.

	Content (Terms references)	Rationale for redaction
	Technical Know-how	
D2	Annex A	The Company considers the base supply price, initial target volume, minimum order quantity per purchase order and information of subcontractors for the Licensed Products and Transferred Products and relevant calculating annual indexation and price adjustment methods are highly confidential and constitute trade secrets and should be proprietary to Alcon and such list is a result of extensive negotiations between the Company and Alcon. The disclosure thereof would lead to an undesirable outcome, which would not be measurable and remediable. Specifically, the disclosure of the detailed formulas and methods for calculating annual indexation and price adjustments would enable competitors to precisely determine the Company's pricing strategies and cost structures. Since indices like the Producer Price Index (PPI) are publicly available, and competitors are likely aware of the major raw materials used, they could use the provided formulas to calculate the exact percentage of price increases or decreases implemented by Alcon. This would reveal sensitive information about the Company's procurement price changes for the current year. If leaving such information unredacted, it would undermine its competitive position by allowing competitors to anticipate and counter its pricing strategies. Competitors could adjust their own pricing, negotiate more aggressively with shared suppliers, or target the Company's market share by undercutting prices. Moreover, knowledge of the Company's cost structures and pricing adjustments could influence competitors' strategies in product development, marketing, and sales, further eroding the Company's competitive advantage. Additionally, disclosing specific identities of the subcontractors could expose critical aspects of the Company's supply chain and operational partnerships. Competitors might attempt to engage these subcontractors, disrupt existing relationships, or gain insights into proprietary manufacturing processes and capacities. Protecting the identities of these subcontractors is essential to maintaining the integrity and security of the Company's supply chain operations.

	Content (Terms references)	Rationale for redaction
	Negotiated Operational Terms	
D3	Definition – "Shortfall" Section 5.1(a) Section 5.3	The Company seeks to redact specific percentages and timelines as they are specific deal mechanics negotiated between the Company and Alcon, the disclosure of which may convey commercially sensitive information to market competitors. Existing and future business partners may use the disclosed information to negotiate against the Company or Alcon, thereby putting the Company and Alcon at a competitive disadvantage. The disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction. Neither will such disclosure provide additional insight to the Shareholders as to the Company's assets and liabilities, financial position, profits and losses, prospects of the Company and the impact of the Transaction on the Company.
D4	Section 2.4 Section 2.5(b) Section 10.6 Section 13.1	The Company seeks to redact specific figures related to service fees and cost allocations for additional services requested by Ocumension HK from Alcon. The rationale for this redaction stems from the fact that the rates and costs associated with these services were determined through negotiations between the parties, and such terms may vary across different agreements with other partners. Disclosing these commercially sensitive details could potentially harm the Company's competitive position by allowing other partners or competitors to use this information to negotiate more favorable terms, thereby undermining the Company's and/or Alcon's ability to maintain advantageous agreements. Moreover, the specific cost structures for potential services and adjustments are tailored to this particular agreement and may not reflect the standard pricing or terms applicable in other contracts. Disclosure of these negotiated terms could potentially complicate future negotiations with other partners. Existing and future business partners may use the disclosed economics to negotiate against the Company or Alcon, thereby putting the Company and Alcon at a competitive disadvantage.

	Content (Terms references)	Rationale for redaction
D5	Section 4.5	The Company seeks to redact provisions relating to the adjustment of target volumes, which cover the timing and specific percentage ranges within which Ocumension HK can request volume changes for each Licensed Product and Transferred Product and invoice arrangement thereunder should certain percentages of target volumes could not be reached. The rationale for redaction is based on the fact that these terms are commercially sensitive and vary depending on the parties' negotiations with different partners. Disclosure of these negotiated thresholds and adjustment terms could provide competitors or counterparties with insight into the Company and/or Alcon's supply chain flexibility, inventory strategies, and market responsiveness. This could diminish the parties' bargaining power in future negotiations.
D6	Sections 5.1 to 5.4 Section 12.2	Alcon seeks to redact specific terms related to delivery schedules, quantity variances, and supply chain management. These provisions address key aspects of the delivery and acceptance process, including acceptable deviations in delivery dates and quantities, the handling of shortfalls, and advance notice requirements for potential disruptions in supply. The rationale for redaction is to protect commercial confidentiality. The specific timeframes and percentage variances detailed in these clauses are the result of negotiated terms unique to the parties' agreements, reflecting sensitive operational details and strategic concessions. Disclosure of these specific terms could undermine Alcon and/or the Company's competitive position by revealing their internal logistics strategies and flexibility, which may be leveraged by competitors or partners to their disadvantage.

	Content (Terms references)	Rationale for redaction
D7	Section 12.3 Section 12.4 Section 15.1(b) Section 15.4 Section 15.5	These are liabilities allocations and the maximum amount for total aggregate liability negotiated between the Company and Alcon, the disclosure of which may convey commercially sensitive information to market competitors. Existing and future business partners may use the disclosed liabilities to negotiate against the Company or Alcon, thereby putting the Company and Alcon at a competitive disadvantage. The disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction.
	Financial and Payment Terms	
D8	Sections 3.2 to 3.6	The Company seeks to redact provisions related to terms on payment timelines and arrangement in relation to partial shipment, dispute resolution processes, and the consequences of non-payment. The rationale for redacting these clauses is based on the fact that such payment conditions and terms are the result of negotiated agreements specific to the relationship between the parties. Given that these payment terms may vary significantly depending on the particular commercial circumstances, market dynamics, and bargaining power of each partner, disclosing these details could expose the Company to competitive risks. Specifically, revealing the terms on payment timelines and arrangement in relation to partial shipment, dispute resolution processes, and the consequences of non-payment could set a precedent that other partners or customers may leverage in their negotiations, potentially leading to inconsistent or less favorable terms for the Company in other agreements. Additionally, public disclosure of these financial terms could undermine the confidentiality and flexibility needed when negotiating similar agreements in the future. In addition, the disclosure of the redacted portions provides limited value to Shareholders given such portions are not material elements underpinning the Transaction.

	Content (Terms references)	Rationale for redaction
	Contact Information	
D9	Section 20.4	The names and contact details of the contact persons and legal counsel and relevant individuals with actual knowledge for Ocumension and Alcon do not provide values to Shareholders in relation to their assessment of the significance of the Transaction nor do they shed light on the strategic, financial and commercial impact of the Transaction on the Company. Whereas disclosure of such information may expose such persons to unnecessary distractions and/or interference.

VI. 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 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 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.

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 arrangements, royalty payments and sales milestone payments pursuant to Rule 14A.52 of the Listing Rules.

VIII. EGM AND PROXY ARRANGEMENT

Set out on pages EGM-1 to EGM-3 of this circular is the notice of the EGM containing, *inter alia*, ordinary resolutions in relation to (i) the Transaction Documents and the Transaction contemplated thereunder (including the Acquisition, the In-Licensing, and the Share Issue) and the Specific Mandate for Share Issue; and (ii) the continuing connected transactions in relation to the purchase arrangements, royalty payments and milestone payments under the Transaction Documents and the proposed annual caps of the aforesaid connected transactions (where applicable).

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange at **www.hkexnews.hk**. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM (i.e. no later than 10:00 a.m. on Monday, October 14, 2024, Hong Kong time) or at any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

IX. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting (save for certain procedural or administrative matters) must be taken by poll. The chairman of the EGM shall therefore demand voting on all resolutions set out in the notice of EGM be taken by way of poll pursuant to article 13.5 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote on a poll needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way. A Shareholder who has a material interest in a transaction or arrangement to be approved by a particular resolution relating to such transaction or arrangement will be required to abstain from voting on such resolution. Separately, treasury Shares, if any, and registered under the name of the Company shall have no voting rights on matters that require Shareholders' approval at the Company's general meetings. For the avoidance of doubt, for the purpose of the Listing Rules, treasury Shares held under the name of CCASS shall abstain from voting at the Company's general meeting(s).

X. RECOMMENDATION

The Directors consider that the proposed resolutions for (i) the Transaction Documents and the Transaction contemplated thereunder (including the Acquisition, the In-Licensing, and the Share Issue contemplated thereunder) and the Specific Mandate for Share Issue; and (ii) the continuing connected transactions in relation to the purchase arrangements, royalty payments and sales milestone payments under the Transaction Documents and the proposed annual caps of the aforesaid connected transactions (where applicable) are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM.

XI. CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Tuesday, October 15, 2024 to Wednesday, October 16, 2024, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all unregistered transfers, accompanies by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, October 14, 2024.

XII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

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

Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

September 30, 2024

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENTS, ROYALTY PAYMENTS AND MILESTONE PAYMENTS

To the Independent Shareholders

We refer to the circular of the Company dated September 30, 2024 (the "**Circular**") of which this letter forms a part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee 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 to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 11 to 85 of the Circular, which sets out details 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. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 88 to 121 of the Circular, which contains its advice to 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.

Having considered the reasons for and benefits of entering into the Transaction and the advice of the Independent Financial Adviser, we consider that the matters in relation to 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 are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to approve 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, particulars of which are set out in the notice of EGM set out on pages EGM-1 to EGM-3 of the Circular.

Yours faithfully
For and on behalf of the Independent Board Committee
Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG
Mr. Zhenyu ZHANG
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 September 2024

To: *The independent board committee and the independent shareholders of Ocumension Therapeutics*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE ARRANGEMENTS, ROYALTY PAYMENTS AND MILESTONE PAYMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the (i) the purchase arrangements under the Manufacture and Supply Agreement (the "**Purchase Arrangements**"); and (ii) the royalty payments under the Asset Purchase Agreement and the royalty payments and sales milestone payments under the License Agreement (together with the Purchase Arrangements, the "**Continuing Connected Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 September 2024 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 August 2024, the Group and Alcon 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. Among the Transaction Documents, partial/whole transactions contemplated under the Asset Purchase Agreement, the License Agreement and the Manufacture and Supply Agreement involve continuing connected transactions.

(i) Under the Manufacture and Supply Agreement, Ocumension HK agreed to purchase from Alcon Pharma the Transferred Products and the Commercial Product during the periods as agreed by the parties under the Manufacture and Supply Agreement, for the purpose of commercializing the Transferred Products and the Commercial Product and conduct a one-time purchase of the Pipeline Product from Alcon Pharma for the purpose of conducting pivotal study in the Territory after the Closing (i.e. the Purchase Arrangements).

(ii) Under the Asset Purchase Agreement, among other things, Ocumension HK agreed to pay Alcon Research net sales-based royalties in respect of the Transferred Products during the Royalty Term.

(iii) Under the License Agreement, among other things, Ocumension HK agreed to pay Alcon Pharma (a) net sales-based royalties in respect of the Commercial Product during the Royalty Term (together with (ii) above, the "**TP&CP Royalty Payments**"); 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 (the "**Pipeline Product Payments**").

With reference to the Board Letter, 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 immediately upon the Closing and are subject to the reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Continuing Connected Transactions at the EGM.

In addition, since the duration of the Continuing Connected Transactions exceeds three years or cannot be fixed, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the Continuing Connected Transactions requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to connected transactions of the Company, details of which are set out in the Company's circular dated 4 November 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction Documents. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and Alcon Pharma, Alcon Research or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction (including the Continuing Connected Transactions). Our opinion is necessarily based on the

financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the Continuing Connected Transactions

Information on the Group

With reference to the Board Letter, 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.

Information on Alcon Pharma and Alcon Research

With reference to the Board Letter, each of Alcon Pharma and Alcon Research is a wholly owned subsidiary of Alcon. Alcon, headquartered in Geneva, Switzerland, is the global leader in eye care with $9.4 billion in net sales during the year ended 31 December 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.

Immediately following the Closing, Alcon Pharma will become a substantial Shareholder and a connected person of the Company.

Reasons for and benefits of the Continuing Connected Transactions

Pursuant to 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.

Pursuant to 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 to 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.

The products under the Asset Purchase Agreement and License Agreement include the Transferred Products (i.e. six products), Commercial Product (i.e. one product) and Pipeline Product (i.e. one product). Details of the aforesaid products are set out under the section headed "Information on the Transferred Products and the Licensed Products" of the Board Letter.

As stated in the Board Letter, acquiring the Transferred Products and licensing-in the Licensed Products will significantly enhance the Company's profitability. The Commercial Product and the Transferred Products that 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 field. 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 to the Group. 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.

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. Therefore, we are of the view that the Purchase Arrangements are beneficial to the Company, in particular, could be able to secure the stable supply of Transferred Products during the Transitional Period and Commercial Product during the term of Manufacture and Supply Agreement, which will significantly enhance the Company's profitability as mentioned above.

Furthermore, based on our independence research, royalty payments and sales milestone payments are common arrangements under licensing arrangements among pharmaceutical companies. The royalty payments arrangement may also enhance and secure the collaboration between the Group and Alcon, which will further bring multiple strategic benefits to the Company, including the enhancement of the Group's R&D, manufacture and commercialization capabilities and product quality, further consolidating the Company's leading position in the ophthalmic drug sector, especially strengthening the Company's advantageous position in the dry eye field.

As the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules (if necessary).

Based on the above, we consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interest of the Company and the Independent Shareholders as a whole.

A. PURCHASE ARRANGEMENTS

A.1 Principal terms of the Purchase Arrangements

Set out below are the key terms of the Purchase Arrangements, details of which are set out under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter.

Date: 12 August 2024

Parties: (i) Ocumension HK; and (ii) Alcon Pharma

Subject Matter: 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.

Terms:

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. The one-time purchase of the Pipeline Product does not have a fixed term as the purchase of Pipeline Product for pivotal study is subject to the progress and needs of the R&D of the Pipeline Product. 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 and the Pipeline Product remain in place.

In assessing the reasons for the duration of the Purchase Arrangements, to be longer than three years and cannot be a fixed term, we have considered the following factors:

- the purpose for entering into the License Agreement is, among other things, for the Group to commercialise the Commercial Product in the Territory. Such arrangement is expected to be long-term in nature.

  As the manufacture of the Commercial Product is not expected to be transferred to the Group, it is necessary for the Group to purchase the Commercial Product from Alcon Pharma for so long as the Commercial Product will be commercialized in the Territory. Imposing a restriction on the term of the Manufacture and Supply Agreement for a period of a fixed year would be contrary to the business intention of the Group.

- the sale and distribution of the Commercial Product in the Territory allows the Company to expand its business operations and product offerings in the Territory so as to generate additional revenue. The source of the Commercial Product will be from the purchase of such products pursuant to the Manufacture and Supply Agreement.

  Given Alcon Pharma is the sole supplier of the Commercial Product, it is not practical or commercially sensible for the Company to procure such product with another supplier in the Territory; and

- as the purchase of Pipeline Product for pivotal study is subject to the progress and needs of the R&D of the Pipeline Product, it is not applicable for the Company to determine a fixed term of the purchase of the Pipeline Product pursuant to the Manufacture and Supply Agreement;

- as the Group can terminate the Manufacture and Supply Agreement if, among other things, Alcon Pharma committed a material breach of the agreement, the Company's interest will be safeguarded.

In considering whether it is normal business practice for agreements of similar nature with the Purchase Arrangements to have a term of such duration, we have:

- obtained from the Company and reviewed key terms of manufacture and supply arrangement of similar nature, which were entered by the Group with a licensed partner (the "**Comparable MSA**"). Pursuant to the key terms, (i) the Group will purchase relevant products from the licensed partner; and (ii) the term is unspecified.

- obtained from the Company and reviewed key terms of two licensing agreements, which were entered by the Group with two licensed partners. Pursuant to the licensing agreements, (i) the Group will purchase relevant products from the licensed partners; and (ii) the terms are unspecified or specified but indefinite in practice (e.g. 10 years after the launch of and first delivery of such product to designated distributor).

- searched on the Stock Exchange's website for agreements of similar nature which were announced by pharmaceutical or biotech companies. We identified three arrangements involving the procurement of pharmaceutical products with unspecified terms of duration (the "**Comparable Supply Arrangement**") from the application proof of a new applicant (a biopharmaceutical company) for listing on the Stock Exchange.

Taking into account of the above, we confirm that the duration of the Purchase Arrangements, which is longer than three years and cannot be fixed, is required and it is normal business practice for agreements of this type to be of such duration.

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[(Note 1)] 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)[(Note 2)]*

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 31 December 2024. Each calendar year thereafter, the Supply Price for each Transferred Product and/or Commercial Product shall be adjusted annually in accordance with the agreed-upon indexation and price adjustment mechanisms as set forth in the Manufacture and Supply Agreement, which are based on the factors including changes in material costs as well as fluctuations in the PPI of the countries where the relevant products are manufactured, until the expiration of terms of the purchase arrangements for such Transferred Product and/or Commercial Product. The aforesaid supply price adjustment will apply to the Transferred Products during the Transition Period, after the expiry of which Ocumension HK is expected to manufacture the Transferred Products by itself. 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 conduct a one-time purchase of the Pipeline Product from Alcon Pharma at an agreed price determined with reference to the manufacture cost of the Pipeline Product.

(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 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, the Company and Alcon have not reached a written agreement on the New Supply Price, then during the period between the first day following the expiration of the Royalty Term and (i) the parties' written agreement on the New Supply Price or (ii) the Group's cessation of purchase, the supply price shall be 130% of the cost of goods sold, which is generally in line with the price prior to the expiry of the Royalty Term (the Supply Price plus royalties) to be paid to Alcon. Save for the aforesaid supply price adjustment, all other terms and conditions of the Manufacture and Supply Agreement shall remain in full force and effective and shall be unaffected by the expiry of the Royalty Term in respect of any product.

As advised by the Directors, the initial Supply Price equals to the cost for the production of such products as incurred by Alcon Pharma.

As further advised by the Directors, the initial supply price under the Comparable MSA equals to the cost for the production of such products as incurred by the licensed partner.

According to the Comparable Supply Arrangement, the purchase prices of licensed products under each clinical supply agreement shall be equal to connected persons' fully-burdened cost for supplying the licensed products (including the costs of purchasing from third-party suppliers and connected persons' internal overhead costs attributed to products purchased by the purchaser), subject to price adjustments which may be required to comply with transfer pricing requirements actually issued by relevant taxing authorities in applicable jurisdictions with respect to the relevant licensed products.

Having considered that the initial Supply Price (equals to the cost for production of such products) is in line with the purchase prices of licensed products under the Comparable Supply Arrangement (equal to connected persons' fully-burdened cost for supplying the licensed products), we are of the view that the initial Supply Price is fair and reasonable.

As mentioned above, 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. Pursuant to the Manufacture and Supply Agreement, the adjusted Supply Price will be determined with reference to France Manufacturing PMI, US Producer Price Index (PPI), Belgium Producer Price Index (PPI) and the increase in Alcon's cost of materials in respect of each unit of products. As the adjusted Supply Price will be determined with reference to official purchasing index or producing price index together with the increase of Alcon's cost of materials (the initial Supply Price equals to cost for production of such product), we are of the view that the adjustment mechanism is justifiable.

As advised by the Directors, the New Supply Price were not expected to be adopted on the Transferred Product (the purchase of which is expected to take place during the Transition Period) and the Pipeline Product (the purchase of which is a one-time purchase for pivotal study and the First Commercial Sale of which is expected to be 2028). As stated in the Board Letter, the projected gross margin for the Commercialized Products over the forecast period averages at approximately 64%, indicating that cost of good sales of the Commercialized Product is 36% to the net sales. Pursuant to the License Agreement, Ocumension HK will pay 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. The maximum royalty payments represented 1/3 to cost of good sales of the Commercialized Product. The New Supply Price, being 130% of the cost of goods sold, is generally in line with the Supply Price and maximum royalty payments of the Group for the Commercial Product during the Royalty Term. As the New Supply Price will be adopted if the Company and Alcon have not reached a written agreement at the end of the Royalty Term, it is reasonable that the Supply Price remains similar to latest available Supply Price. Accordingly, we are of the view that the New Supply Price is justifiable.

With reference to the Board Letter, 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. Details of the internal control measures are set out under the sub-section headed "(A) Purchase Arrangements under the Manufacture and Supply Agreement – (7) Internal control measures" under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter.

Having considered that (i) there will be implementation, monitoring and review procedures to ensure prices of each of the transactions being determined in accordance with respective pricing policy; (ii) investigation shall be carried out if there is any discrepancy between the records provided by the connected persons and the records of the Group; (iii) finance department of the Company will review the transaction amounts incurred on a semi-annual basis and will report the results to the senior management of the Company; (iv) during the annual price adjustment process, the internal audit department of the Company will be primarily responsible for monitoring and verifying the price adjustment computations and the factors that affect the cost composition of relevant products, including the PPI and the material cost price fluctuations in relevant countries where the products are manufactured; and (v) annual review on Supply Price will be conducted and a letter will be sent to Alcon requesting basis for and evidence if the Company believes that the price adjustment is inconsistent with its understanding of the relevant market factors, we are of the view that there will be sufficient measures to ensure fair pricing (in particular, there will be procedures to check and ensure cost, which will be Supply Price and its adjustment mechanism) and annual caps monitoring of the Purchase Arrangements.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) the internal audit department; and (ii) the finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Purchase Arrangements and would comply with relevant procedures when conducting the Purchase Arrangements. Upon our request, we obtained the internal control document of the Purchase Arrangements. After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Purchase Arrangements as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies to ensure fair pricing and annual caps monitoring of the Purchase Arrangements.

A.2 Proposed annual caps

The table below demonstrates the proposed annual caps for the aggregate transaction amounts in relation to the Transferred Products and Commercial Product between Ocumension HK and Alcon Pharma under the Manufacture and Supply Agreement (the "**Purchase Arrangements Cap(s)**") for the three years ending 31 December 2026:

	For the period from the effective date of the Manufacture and Supply Agreement to 31 December 2024 (the "2024 Period")	**For the year ending 31 December 2025 ("FY2025")**	**For the year ending 31 December 2026 ("FY2026")**
	HK$ in millions	*HK$ in millions*	*HK$ in millions*
The Purchase Arrangements Caps	53.4	199.7	237.7

We understood that the Directors considered certain factors as set out under the sub-section headed "(A) Purchase Arrangements under the Manufacture and Supply Agreement – (6) Basis for the proposed annual caps" under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter when determining the Purchase Arrangements Caps for the three years ending 31 December 2026.

To assess the fairness and reasonableness of the Purchase Arrangements Caps, we obtained the Purchase Arrangements Caps calculation from the Company. Based on the Purchase Arrangements Caps calculation, the Purchase Arrangements Caps for the 2024 Period, FY2025 and FY2026 were formulated by (i) the sum of the estimated purchase amounts of the Transferred Products and the Commercial Product for the 2024 Period, FY2025 and FY2026; and (ii) a buffer of 30% in addition to (i).

We noted from the Purchase Arrangements Caps calculation that the estimated purchase amounts of the Transferred was determined with reference to (a) the net sales of each of the Transferred Products and Commercial Product; (b) the cost-of-goods-sold ("**COGS**") rate of each of the Transferred Products and Commercial Product; (c) a partial year pro-rata of approximately 33% on the estimated amounts for the 2024 Period.

According to the Purchase Arrangements Caps, the estimated purchase amounts for five Transferred Products and the Commercial Product accounted for approximately 99% to the total estimated purchase amounts for the three years ending 31 December 2026. As the estimated purchase amounts was made with reference to net sales of Transferred Products and Commercial Product after considering their respective COGS rate, we performed the following analyses on the aforesaid products.

Net sales

The estimated net sales of Transferred Products and the Commercial Product for the period from July 2024 to December 2024, FY2025 and FY2026 were approximately HK$114 million (or approximately HK$341 million for FY2024), HK$435 million and HK$517 million respectively.

For FY2024

As advised by the Directors, they estimated that (i) the commercial sales of the Transferred Products and the Commercial Product would commence from September 2024; and (ii) first sales of the Pipeline Product would commence in 2028.

The annualised net sales amounts, based on estimated net sales for the period from July 2024 to December 2024 (or September 2024 to December 2024 due to the above assumption), would be approximately HK$341 million assuming that the sales of the Transferred Products and the Commercial Product had commenced on 1 January 2024 (the "**2024 Implied Net Sales**").

To assess the 2024 Implied Net Sales of HK$341 million for FY2024, we conducted the following analyses:

(i) Systane® Ultra (Lubricant eye drops) (being the Commercial Product)

According to the Purchase Arrangements Caps calculation, we noted that the net sales of Systane® Ultra was calculated by taking into consideration of (a) estimated number of patients using hyaluronic acid ("**HA**") eye drop in the PRC for FY2024; (b) penetration rate of Systane® Ultra; (c) unit price of Systane® Ultra; and (d) estimated prescription of Systane® Ultra per patient using HA eye drop in the PRC.

Upon our request, the Company provided us with a set of supporting documents for the abovementioned factors, including (a) the data of the population for the PRC as provided by the National Bureau of Statistics of the PRC; (b) an article titled 《國務院關於印發國家人口發展規劃(2016-2030年)的通知》(Notice of the State Council on Printing and Distributing the National Population Development Plan (2016-2030)*) as published by the State Council of the PRC in 2016; and (c) various articles in relation to diagnosis rate and patient proportions in respect of dry eye patient.

Furthermore, we reviewed the articles as mentioned in (c) above, including (i) an article titled 《2020年中國兒童人口狀況事實與數據》 (What the 2020 Census Can Tell Us About Children in China – Facts and Figures) as jointly published by the National Bureau of Statistics of the PRC, the United Nations International Children's Emergency Fund and the United Nations Population Fund in 2023; (ii) an article titled 《乾眼臨床診療專家共識(2013年)》(Consensus of Clinical Diagnosis and Treatment Experts on Dry Eyes (2013)*) as published on Chinese Journal of Ophthalmology (a monthly ophthalmic publication sponsored by the Chinese Medical Association, a national, academic, non-profit social organization voluntarily formed and legally registered by medical and technological workers in the PRC, which accepts the guidance and supervision of the Ministry of Civil Affairs of the PRC and the National Health Commission of the PRC) in 2013; (iii) an article titled 《門診乾眼症篩查及病因淺析》 (Outpatient Screening and Causal Analysis of Dry Eye*) published on Electronic Journal of Clinical Medical Literature (a national medical journal approved by the National Press and Publication Administration of the PRC and supervised by the National Medical Products Administration of the PRC) in 2020; (iv) an article titled 《乾眼症患者的臨床特徵及療效分析》 (Clinical Characteristics and Therapeutic Effect of Patients with Dry Eye*) as published on the International Journal of Ophthalmology (a global ophthalmological scientific publication which is sponsored by the Chinese Medical Association (as introduced above) in 2010; (v) an article titled 《人工淚液在眼科亞專業的應用》 (the Application of Artificial Tears in Ophthalmology Subspecialties*) as published on 《山西醫藥雜誌》 (the Shanxi Medical Journal*) (a medical journal as managed by the Health Commission of Shanxi Province of the PRC) in 2020; and (vi) an article titled 《上海市某社區衛生服務中心眼科用藥情況分析》 (Analysis of Ophthalmic Drug use in a Community Health Service Center in Shanghai*) as published on Shanghai Medical & Pharmaceutical Journal (a comprehensive scientific and technological journal with medicine as its core, publicly issued domestically and internationally, supervised by the Shanghai Municipal Commission of Economy and Informatization of the PRC) in 2018.

According to the abovementioned supporting documents (including the articles as mentioned above), we noted that estimated number of patients using HA eye drop in the PRC was approximately 13.26 million to 15.62 million for the three years ending 31 December 2026.

In addition to the estimated number of patients using HA eye drop in the PRC for FY2024, 8% was adopted as penetration rate of Systane® Ultra. Upon our request, we obtained from the Company penetration rate of pharmaceutical products for dry eye in the form of artificial tears drop and eye lubricant (the "**Penetration Rate Data**"), which was made with reference to IQVIA CHPA data (summarised by IQVIA). According to the website of IQVIA, IQVIA is a leading global provider of advanced analytics, technology solutions and contract research services to the life sciences industry.

The adopted penetration rate of Systane® Ultra was close to (with difference of approximately three percentage points) penetration rate of Systane® Ultra as summarised by IQVIA for 2023 (i.e. 5.13% in terms of quantity).

The Directors further advised us prescription of Systane® Ultra per patient and unit price of Systane® Ultra. Upon our request, the Company further provided us with (i) an official advice and consultation on prescriptions of Artificial Tears as published on the official website of Mayo Clinic (a private American academic medical center focused on integrated healthcare, education, and research, being the largest integrated, not-for-profit medical group practice in the world); and (ii) an article titled 《準分子激光術後保養》 (Postoperative Care for Excimer Laser Surgery*) as published by Enze Hospital of Taizhou Enze Medical Center (Group) (a regional comprehensive public medical group in the PRC, integrating medical care, health, scientific research, education, and prevention, which is organised and supervised by the Health Commission of Taizhou of the PRC) in 2013 (together with (i) and (ii), the "**Prescription Supporting Documents**"). Based on the Prescription Supporting Documents, we found that the prescription of Systane® Ultra per patient as applied in the Purchase Arrangements Caps calculation was set with consideration of prescription advice as showed in the Prescription Supporting Documents. Based on the bidding and tendering results of drug procurement bidding at provincial level in May 2024, the estimated unit price was lower than the bid-winning price of RMB30.99 per unit (5ml), indicating that the estimated unit price of Systane® Ultra was not overestimated.

(ii) Bion® Tears (Lubricant eye drops) (being one of the Transferred Products)

According to the Purchase Arrangements Caps calculation, we noted that the net sales of Bion® Tears for FY2024 was calculated by taking into consideration of (a) estimated patients using HA eye drop in the PRC; (b) penetration rate of Bion® Tears; (c) unit price of Bion® Tears; and (d) estimated prescription of Bion® Tears per patient using HA eye drop in the PRC.

In addition to the estimated number of patients using HA eye drop in the PRC for FY2024 (i.e. 13.26 million to 15.62 million for the three years ending 31 December 2026 as analysed above), 1.2% was adopted as penetration rate of Bion® Tears. After reviewing the Penetration Rate Data, we noted that the adopted penetration rate of Bion® Tears was close to (with difference of approximately one percentage point) penetration rate of Bion® Tears as summarised by IQVIA for 2023 (i.e. 5.04% in terms of quantity or 0.18% in terms of quantity after considering number of per package (unit)).

The Directors further advised us prescription of Bion® Tears per patient and unit price of Bion® Tears. Based on the Prescription Supporting Documents, we found that the prescription of Bion® Tears per patient as applied in the Purchase Arrangements Caps calculation was set with consideration of prescription advice as showed in the Prescription Supporting Documents. Based on the procurement bidding and tendering results of drug procurement bidding at provincial level in September 2023, the estimated unit price was lower than the bid-winning price of RMB75.6 per unit, indicating that the estimated unit price of Bion® Tears was not overestimated.

(iii) Tears Naturale® Forte (Lubricant eye drops) and Tears Naturale® II (Lubricant eye drops) (collectively, "**Tears Naturale® Forte & II**") (both being Transferred Products)

According to the Purchase Arrangements Caps calculation, we noted that the net sales of Tears Naturale® Forte & II for FY2024 was calculated by taking into consideration of (a) estimated patients using HA eye drop in the PRC; (b) penetration rate of Tears Naturale® Forte & II; (c) unit price of Tears Naturale® Forte & II; and (d) estimated prescription of Tears Naturale® Forte & II per patient using HA eye drop in the PRC.

In addition to the estimated number of patients using HA eye drop in the PRC for FY2024 (i.e. 13.26 million to 15.62 million for the three years ending 31 December 2026 as analysed above), 2.5% was adopted as penetration rate of Tears Naturale® Forte & II. After reviewing the Penetration Rate Data, we noted that the adopted penetration rate of Tears Naturale® Forte & II was close to (with difference of less than one percentage point) penetration rate of Tears Naturale® Forte & II as summarised by IQVIA for 2023 (i.e. 2.95% in terms of quantity).

The Directors further advised us prescription of Tears Naturale® Forte & II per patient and unit price of Tears Naturale® Forte & II. Based on the Prescription Supporting Documents, we found that the prescription of Tears Naturale® Forte & II per patient as applied in the Purchase Arrangements Caps calculation was set with consideration of prescription advice as showed in the Prescription Supporting Documents. Based on the procurement bidding and tendering results of drug procurement bidding at provincial level in March 2024, the estimated unit price was lower than the bid-winning price of RMB20.15 per unit (5ml), indicating that the estimated unit price of Tears Naturale® Forte & II was not overestimated.

(iv) Alcaine (Topical local anesthetic eye drops) (being one of the Transferred Products)

According to the Purchase Arrangements Caps calculation, we noted that the net sales of Alcaine for FY2024 was calculated by taking into consideration of (i) the PRC's population; (ii) the cataract surgery rate and the penetration rate of topical anesthetics; (iii) the market share of Alcaine; and (iv) unit price of Alcaine

We obtained the estimated cataract surgery rate and the penetration rate of topical anesthetics and cross-checked the aforesaid rates according to historical data of relevant rates and various article in relation to cataract surgery. We acknowledged that (i) cataract surgery rate was determined with reference to historical cataract surgery rate after taking into account compounded annual growth rate (CAGR) of cataract surgery from 83 cases per million people in 1988 to 2,205 cases per million people in 2017 as disclosed in an articled titled 《中國防盲治盲水準大幅提升 白內障診療進入屈光時代》 (Significant Improvement in China's Level of Blindness Prevention and Treatment, Cataract Diagnosis and Treatment Enters the Refractive Era*) as published on Xinhuanet (Xinhuanet is the web portal for news and information services of Xinhua News Agency, which is China's most influential online media and a Chinese website with global influence), representing a CAGR of approximately 12.0%; (ii) the penetration rate of topical anesthetics was 100% due to nature of relevant surgery (during which the topical anesthetics was required based on the Directors' understanding). The estimated cataract surgery rate was not deviated from the implied cataract surgery rate of approximately 4,900 per million people for 2024.

In respect of the market share of Alcaine, we obtained from the Company penetration rate of eye anesthetics surgical products (i.e. 20.36% in terms of quantity), which was summarised by IQVIA. The adopted penetration rate of Alcaine was close to (with difference of approximately two percentage point) penetration rate of Alcaine as summarised by IQVIA for 2023.

The Directors further advised us unit price of Alcaine. Based on the procurement bidding and tendering results of drug procurement bidding at provincial level in May 2024, the estimated unit price was lower than the bid-winning price of RMB33.14 per unit, indicating that the estimated unit price of Alcaine was not overestimated.

(v) Fluorescite (Diagnostic agent for IV administration) (being one of the Transferred Products)

According to the Purchase Arrangements Caps calculation, we noted that the net sales of Fluorescite for FY2024 was calculated by taking into consideration of (a) estimated number of diagnosed ophthalmological patient; (b) penetration rate of retinal diagnostic tracers; (c) penetration rate of Fluorescite; (d) average injection per patient with retinal diseases; and (e) unit price of Fluorescite.

The estimated number of diagnosed ophthalmological patient is the sum of predicted number of patients with four diseases: wet Age-related Macular Degeneration (wAMD), Diabetic Macular Edema (DME), myopic Choroidal Neovascularization (mCNV), and Retinal Vein Occlusion (RVO), which was determined based on historical figures and information from various article. For our due diligence purpose, we obtained relevant information and cross-checked with such figures. Such relevant information included (i) an article titled 《中國老年性黃斑變性臨床診斷治療路徑》 (Clinical Diagnosis and Treatment Pathway of Age-related Macular Degeneration in China*) as published on Chinese Journal of Ocular Fundus Diseases (a monthly ophthalmic publication supervised by the National Health Commission of the PRC) in 2013; (ii) an article titled "The National and Subnational Prevalence and Burden of Age-related Macular Degeneration in China" as published on Journal of Global Health (a peer-reviewed general medical journal focusing on issues relevant to global health, published by International Society of Global Health, a not-for-profit organisation, registered in Edinburgh, the United Kingdom) in 2017; (iii) an article titled 《糖尿病視網膜病變分級診療服務技術方案》 (Diabetic Retinopathy Grading and Treatment Service Technical Solution*) as published on Chinese Journal of General Practitioners (a monthly ophthalmic publication sponsored by the Chinese Medical Association (as introduced above)) in 2017; (iv) official number of diabetes patients in 2021 (being the latest statistic) as published on the official website of International Diabetes Federation (a non-profit umbrella organisation founded in 1950, working with more than 240 national diabetes associations in 161 countries and territories); (v) an article titled "Current and Emerging Treatment Options for Myopic Choroidal Neovascularization" as published by Dove Medical Press Ltd (a company founded in 2003 with the objective of combining the highest editorial standards with the 'best of breed' new publishing technologies) in 2015; and (vi) an article titled 《視網膜靜脈阻塞的流行病學》 (Epidemiology of Retinal Vein Occlusion*) as published on Foreign Medical Sciences (Section of Medgeography) (a monthly ophthalmic publication supervised by the National Health Commission of the PRC) in 1999. According to the aforesaid articles, the estimated number of diagnosed ophthalmological patient is justifiable.

The Directors adopted 5% as penetration rate of retinal diagnostic tracers, which was estimated according to the recent market situation (i.e. sales quantity of Fluorescite for 2023 as provided Alcon, estimated penetration rate of Fluorescite of 50% which was adjusted based on IQVIA data as disclosed below and estimated number of diagnosed ophthalmological patient for 2023 based on historical figures and information from various article as disclosed above). Based on the aforesaid, the implied penetration rate of retinal diagnostic tracers was approximately 4.1%.

The Directors adopted 50% as penetration rate of Fluorescite. For our due diligence purpose, we obtained relevant information as summarised by IQVIA (i.e. 66.34% for 2023 and 67.97% for 2022 in terms of quantity). After discussing with the Directors, we understood that the estimated penetration rate of Fluorescite was downward adjusted by the Directors after cross-checking the implied growth rate (which was considered to be more reasonable after downward adjustment). Having considered that downward adjustment of the estimated penetration rate of Fluorescite was for the sake of prudence, we consider that the estimated penetration rate is justifiable.

The Directors adopted 100% as average injection per patient with retinal diseases, which was due to the necessary of relevant product during the diagnosis.

The Directors further advised us unit price of Fluorescite. Based on the procurement bidding and tendering results of drug procurement bidding at provincial level in September 2023, the estimated unit price was lower than the bid-winning price of RMB87.32 per unit, indicating that the estimated unit price of Fluorescite was not overestimated.

The estimated revenue to be generated from the sale of the aforementioned five Transferred Products and the Commercial Product (i.e. Systane® Ultra (Lubricant eye drops), Bion® Tears (Lubricant eye drops), Tears Naturale® Forte & II, Alcaine (Topical local anesthetic eye drops) and Fluorescite (Diagnostic agent for IV administration)) for FY2024 accounted for approximately 99% of 2024 Implied Net Sales.

For FY2025 & FY2026

According to the Purchase Arrangements Caps calculation, the net sales of the Transferred Products and Commercial Product for FY2025 represented an increase of approximately 27% as compared to 2024 Implied Net Sales; and for FY2026 represented an increase of approximately 19% as compared to that for FY2025.

As advised by the Directors, the aforesaid increases was made with reference to increases in the Group's similar product which was driven by the expansion of the Group's sales team. Having considered that (i) the growth is expected to be driven by the expansion of the Group's sales team (evidenced by the increases in sales of the Company's OT-204 (Ou Qin®) (歐沁®), for treatment of dry eye, of approximately 45.4% from 2021 to 2022 and of approximately 25.3% from 2022 to 2023, which was driven by the increases in the number of Group's staff with commercial function (2021 to 2023: 101, 191 and 232 respectively), increased channel presence in private and public hospitals (2021 to 2023: 1,024, 8,171 and 10,120 respectively), and online sales; and (ii) the aforesaid increases in sales of the Company's OT-204 (Ou Qin®) (歐沁®), which is also a product for treatment of dry eye, from 2021 to 2023, we are of the view that the estimated growth in net sales for FY2025 and FY2026 to be justifiable.

Our conclusion on the net sales

Based on the above analyses and that the net sales of the abovementioned Transferred Products and Commercial Product for the three years ending 31 December 2026 accounted for approximately 99% to total net sales of the Transferred Products and Commercial Product, we are of the view that the net sales of the Transferred Products and Commercial Product for the three years ending 31 December 2026 are fair and reasonable.

COGS and COGS rate

As advised by the Directors, the Transferred Products and the Commercial Product can be categorised into artificial tears products (the "**AT Products**") and surgical products (the "**PRx Products**"). AT Products includes Systane® Ultra, Bion® Tears and Tears Naturale® Forte & II. PRx Products includes Alcaine, Fluorescite and Cyclogyl®.

According to the Purchase Arrangements Caps calculation, we noted that (a) the COGS rates of AT Products ranged from 28.5% to 55.6% for the three years ending 31 December 2026 (the "**AT COGS Range**"); and (b) the COGS rates of PRx Products ranged from 27.1% to 44.4% for the three years ending 31 December 2026 (the "**PRx COGS Range**").

As for AT COGS Range, we obtained a list which includes the historical COGS rates of all the ophthalmic eye-drop products sold by the Company for FY2023 and the first half of 2024 ("**1H2024**"). As advised by the Directors, the AT Products and the ophthalmic eye-drop products sold by Group belong to the eye-drop products. According to the list, we noted that the historical COGS rates of such ophthalmic eye-drop products for FY2023 and 1H2024 ranged from 39.58% to 68.42% and 35.98% to 68.54% respectively, which indicates that the AT COGS Range was not overestimated.

As for PRx COGS Range, the Group's current product pipeline does not include surgical products which has been commercialised as advised by the Directors. Therefore, we searched for PRC-based ophthalmic companies listed on the Stock Exchange or Shanghai Stock Exchange or Shenzhen Stock Exchange or Beijing Stock Exchange, with a particular focus on those that include surgical products in their portfolio. We found four companies met such selection criteria (the "**PRx Comparables**") with our best endeavors.

Set out below are the COGS rates of the PRx Comparables based on their latest available full-year financial information:

Company name (Stock code)	Principal business	COGS rate *(Note 1)*
Zhaoke Ophthalmology Limited (6622)	Principally engaged in the development, manufacturing and marketing of ophthalmic drugs.	24.02%
Beijing Northland Biotech Co., Ltd (BJ430047)	Principally engaged in the research and development, production, and sales of gene therapy drugs, recombinant protein drugs, and ophthalmic drugs.	50.80%
Shenyang Xingqi Pharmaceutical Co., Ltd. (SZ300573)	Principally engaged in the research and development, production, and sales of ophthalmic drugs.	22.63%
Zhejiang Shapuaisi Pharmaceutical Co. Ltd. (SH603168)	Principally engaged in the research, production, and sales of eye drops, large-volume injections, oral solutions, tablets, granules, and other pharmaceuticals, alongside medical services.	43.94%
Maximum		50.80%
Minimum		22.63%
Average		35.35%
Median		33.98%

Note 1: the COGS rates of the PRx Comparables were calculated based on their respective latest full-year revenue and COGS.

According to the above list, we noted that the COGS rates of the PRx Comparables ranged from 22.63% to 50.80%, which indicates that the PRx COGS Range (i.e. 27.1% to 44.4%) was not overestimated.

According to the Purchase Arrangements Caps calculation, we noted that a partial year pro-rata of approximately 33% was applied in the calculation of the estimated purchase amount of each of the Transferred Products and Commercial Product for FY2024. As advised by the Directors, such partial year pro-rata was set because the Directors estimated that the Purchase Arrangements would commence from September 2024.

Based on the above analyses, we are of the view that the COGS of the Transferred Products and Commercial Product for the 2024 Period, FY2025 and FY2026 (being approximately HK$41.1 million, RMB153.6 million and RMB182.8 million, respectively) are fair and reasonable. As the initial Supply Price equals to the cost for the production of such products as incurred by Alcon Pharma, the estimated purchase amounts of the Transferred Products and the Commercial Product for the 2024 Period, FY2025 and FY2026 are fair and reasonable.

Buffer

According to the Purchase Arrangements Caps calculation, we noted that a buffer of approximately 30% was applied in the calculation of the estimated purchase amount of each of the Transferred Products and Commercial Product for the 2024 Period, FY2025 and FY2026. As advised by the Directors, the buffer was primarily set to account for the time gap between the procurement and sale of the Transferred Products and Commercial Product and was also set to cover the one-time purchase of the Pipeline Product. We also obtained procurement volume and sale volume of the Group's product and noted that the procurement volume was approximately one to two times more than sales volume. Therefore, we consider the buffer of approximately 30% adopted in the Purchase Arrangements Caps is justifiable.

In light of the above, we consider that the Purchase Arrangements Caps for the 2024 Period, FY2025 and FY2026 are fair and reasonable.

Shareholders should note that as the Purchase Arrangements Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts costs to be incurred from the Manufacture and Supply Agreement. Consequently, we express no opinion as to how closely the actual costs to be incurred from the transactions contemplated under the Manufacture and Supply Agreement will correspond with the Purchase Arrangements Caps for the Purchase Arrangements.

A.3 Our conclusion on the Purchase Arrangements

Having reviewed and considered the terms of the Purchase Arrangements in particular the key terms as listed above (including the duration of the Purchase Arrangements, pricing policy and Purchase Arrangements Caps; and no abnormal term observed), we are of the view that the terms of the Purchase Arrangements are on normal commercial terms and are fair and reasonable.

B. TP&CP ROYALTY PAYMENTS

With reference to the Board Letter, 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 (i.e. the TP&CP Royalty Payments).

B.1 Principal terms of the TP&CP Royalty Payments

Set out below are the key terms of the TP&CP Royalty Payments, details of which are set out under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter.

Royalty Payment:

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.

To assess the fairness and reasonableness of the royalty fee rate (i.e. 12% of annual net sales of relevant products in maximum), we discussed with the Directors and obtained relevant supporting information. Based on the information, we noted that (i) there were three products which were comparable to the Transferred Products and Commercial Product (the "**Comparable Products**") as announced by other independent pharmaceutical companies from 2017 to 2023; (ii) the royalty fee rate for the abovementioned dry eye products ranged from 7% to a low-teen percentage (the "**Market Royalty Range**"). As advised by the Directors, the selection criteria for the Comparable Products included (i) the cooperation and introduction of ophthalmic eye-drop products used to treat dry eye or related conditions, announced by listed PRC-based pharmaceutical companies between 2017 and 2023; (ii) such cooperation and introduction included clearly disclosed milestone payments and royalty payments. We also searched based on such selection criteria with our best endeavors and did not find any

additional products that met the above selection criteria. As the Comparable Products were exhaustive (which was confirmed by the Directors and cross-checked by us on best endeavors basis), we consider that the Comparable Products (including the Market Royalty Range) to be fair and representative.

We summarized the details of the Comparable Products as below:

Company name (Stock code)	**Announcement date**	**Comparable Products**	**Royalty fee rate**
Jiangsu Hengrui Pharmaceuticals Co., Ltd. (SH600276)	7 November 2019	CyclASol™ (0.1% cyclosporine A preparation) (the "**Comparable Product A**")	7%-10%
		NOV03 ((Perfluorohexyl) octane) (the "**Comparable Product B**")	7%-10%
LianBio. (formerly NASDAQ: LIAN)*(Note)*	29 March 2021	TP-03 (0.25% lotilaner eye drop) (the "**Comparable Product C**")	A low-teen percentage

Note: LianBio delisted the company's American Depositary Shares from the National Association of Securities Dealers Automated Quotations ("**NASDAQ**") in March 2024.

In addition, the Company also provided us with a list, which contains all the effective licensing agreements entered by the Group with licensed partners (the "**Licensing Agreements List**"). As advised by the Directors, (i) the products underlying the Licensing Agreements List belong to the same type with the Transferred Products and Pipeline Products (being ophthalmic drugs); and (ii) the licensing arrangements underlying the Licensing Agreements List are similar to the TP&CP Royalty Payments (cooperation and introduction of corresponding products included milestone payments and royalty payments). According to the Licensing Agreements List, we noted that maximum royalty fee rate was 12.5% (the "**Group Royalty Range**"). As the royalty fee rate under the TP&CP Royalty Payments fell within the Group Royalty Range and did not deviate much from the high-end of Market Royalty Range, we are of the view that the royalty fee rate under the TP&CP Royalty Payment is fair and reasonable.

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%.

As the Royalty Adjustment enables the Group to pay a less royalty fee in respect of Commercial Product should the net sales of the Commercial Product has fallen substantially in the Territory and no additional royalty fee would be incurred on a contrary situation, such arrangement is beneficial to the Company.

Internal control measures

With reference to the Board Letter 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. Details of the internal control measures are set out under the sub-section headed "(B) Royalty Payments for the Transferred Products under the Asset Purchase Agreement and Commercial Product under the License Agreement – (7) Internal control measures" under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter.

Having considered that (i) 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; (ii) there will be implementation, monitoring and review procedures to ensure royalties being determined in accordance with respective pricing policy; (iii) investigation shall be carried out if there is any discrepancy between the records provided by the connected persons and the records of the Group; (iv) finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company, we are of the view that there will be sufficient measures to ensure fair pricing and annual caps monitoring of the TP&CP Royalty Payments.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) the internal audit department; and (ii) the finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the TP&CP Royalty Payments and would comply with relevant procedures when conducting the TP&CP Royalty Payments. Upon our request, we obtained the

internal control document of the TP&CP Royalty Payments. After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the TP&CP Royalty Payments as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies to ensure fair pricing and annual caps monitoring of the TP&CP Royalty Payments.

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.

In assessing the reasons for the duration of the Royalty Terms of the Transferred Products under the Asset Purchase Agreement and the Commercial Product under the License Agreement, being longer than three years, we have considered the following factors:

- A long-term royalty term is customary in the pharmaceutical industry for commercialization collaborations and in-licensing agreements.

- A long-term royalty term (i) allows the Group to leverage its clinical development and 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 collaboration, through which the interest of the Group and the Shareholders can be maximized; (ii) provides stability and continuity for the Group to commercialize the Transferred Products and the Commercial Product, which can lead to stronger brand recognition and market presence in the Territory; (iii) allows the Group to establish a foothold and expand the brand's reach of the Transferred Products and the Commercial Product in the Territory; (iv) fosters strong relationships between the Group and Alcon, leading to better collaboration, trust and mutual understanding of each other's business objectives; (v) can signal stability and commitment to the market of the Territory, enhancing their confidence in the Transferred Products and the Commercial Product.

In considering whether it is normal business practice for agreements of similar nature with the Royalty Terms of the Transferred Products under the Asset Purchase Agreement and the Commercial Product under the License Agreement to have a term of such duration, we have searched on the Stock Exchange's website for licensing arrangements involving (i) royalty payments entered into and announced by pharmaceutical or biotech companies listed on the Stock Exchange; and (ii) the grant or receipt of licensing rights of pharmaceutical products or

drugs on a non-exhaustive basis from 1 January 2019 up to the date of the Announcement (the "**Research Period**"). Based on the aforesaid selection criteria, we identified more than ten licensing arrangements (the "**Comparable Licensing Arrangements**"). The duration of royalty terms under the Comparable Licensing Arrangements were (i) specified but indefinite in practice (e.g. 10 to 15 years after first sales of products in relevant territory); or (ii) unspecified.

Taking into account of the above, we confirm that the duration of the Royalty Terms of the Transferred Products under the Asset Purchase Agreement and the Commercial Product under the License Agreement, which is longer than three years or cannot be fixed at the entering into the License Agreements, is required, and it is normal business practice for the aforesaid term to be of such duration.

B.2 Proposed annual caps

The table below demonstrates the proposed annual caps for the aggregate transaction amounts of 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 (the "**TP&CP Royalty Caps**") for the three years ending 31 December 2026:

	For the period from the effective date of the Asset Purchase Agreement and the License Agreement to 31 December 2024	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
	HK$ in millions	*HK$ in millions*	*HK$ in millions*
The TP&CP Royalty Caps	10.2	39.2	46.5

We understood that the Directors considered certain factors as set out under the sub-section headed "(B) Royalty Payments for the Transferred Products under the Asset Purchase Agreement and Commercial Product under the License Agreement – (6) Basis for the proposed annual caps" under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter when determining the TP&CP Royalty Caps for the three years ending 31 December 2026.

To assess the fairness and reasonableness of the TP&CP Royalty Caps, we obtained the TP&CP Royalty Caps calculation from the Company. Based on the TP&CP Royalty Caps calculation, the TP&CP Royalty Caps for the three years ending 31 December 2026 were formulated by the sum of the royalty payments amount of the Transferred Products to the Asset Purchase Agreement and the Commercial Product to the License Agreement for the three years ending 31 December 2026.

According to the TP&CP Royalty Caps calculation, we noted that the royalty payments amount of each of the Transferred Products and the Commercial Product were the product of (i) the net sales of each of the Transferred Products and the Commercial Product (i.e. the estimated net sales of Transferred Products and the Commercial Product for the period from July 2024 to December 2024, FY2025 and FY2026 were approximately HK$114 million (or approximately HK$341 million for FY2024), HK$435 million and HK$517 million respectively. Please refer to the subsection headed "Net sales" under the section headed "A. Purchase Arrangements" of this letter for details); and (ii) a high single-digit percentage royalty rate.

As analysed above, the net sales of the Transferred Products and the Commercial Product for the three years ending 31 December 2026 are fair and reasonable.

In respect of royalty rate adopted for the purpose of calculating TP&CP Royalty Caps, the adopted royalty rates are the same as the royalty rates of the Transferred Products and the Commercial Product pursuant to the relevant Transaction Documents. Accordingly, we are of the view that the royalty rates herein are fair and reasonable.

According to the TP&CP Royalty Caps calculation, we noted that a partial year pro-rata of approximately 33% was applied in the calculation of the estimated royalty amounts for FY2024. As advised by the Directors, such partial year pro-rata was set because the Directors estimated that the TP&CP Royalty Payments would commence from September 2024.

In light of the above, we consider that the TP&CP Royalty Caps for the 2024 Period, FY2025 and FY2026, calculating by the net sales of the Transferred Products and the Commercial Product times royalty rate, are fair and reasonable.

Shareholders should note that as the TP&CP Royalty Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts costs to be incurred from the Asset Purchase Agreement and the License Agreement. Consequently, we express no opinion as to how closely the actual costs to be incurred from the transactions contemplated under the Asset Purchase Agreement and the License Agreement will correspond with the TP&CP Royalty Caps for the TP&CP Royalty Payments.

B.3 Our conclusion on the TP&CP Royalty Payments

Having reviewed and considered the terms of the TP&CP Royalty Payments in particular the key terms as listed above (including the duration of the TP&CP Royalty Payments, royalty rates and TP&CP Royalty Caps; and no abnormal term observed), we are of the view that the terms of the TP&CP Royalty Payments are on normal commercial terms and are fair and reasonable.

C. PIPELINE PRODUCT PAYMENTS

With reference to the Board Letter, 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.

C.1 Principal terms of the Pipeline Product Payments

Set out below are the key terms of the royalty payments and milestone payments of the Pipeline Product (the "**Pipeline Product Payments**"), details of which are set out under the section headed "(C) In-Licensing of the Pipeline Product under the License Agreement" of the Board Letter.

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 the 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.

Our analyses:

Pursuant to the License Agreement, the royalty rate ranged from a low-teen percentage to 22%. The low-teen percentage royalty fee rate under the Pipeline Product Payments (being the low-end of royalty rate range for Pipeline Product) did not deviate much from the Comparable Product C, the royalty rate of which is a low-teen percentage.

In respect of the high-end of royalty rate range for Pipeline Product, we consider the following factors to assess the fairness and reasonableness of such rate (i.e. 22%):

- In addition, according to the Licensing Agreements List, there were two products with royalty fee rates at different percentages, and the differences between low-end and high-end of royalty fee rates for such products were approximately 2.5 times and 3.3 times respectively. The difference between the low-end (i.e. low-teen percentage) to high-end (i.e. 22%) of the royalty fee rate under the Pipeline Product Payment is close to 1.8 times.

- According to the respective announcements of the Comparable Products, in addition to royalty payment and sales milestone payments, the licensee shall pay (i) upfront fees of US$6 million to US$9 million in total for Comparable Product A and Comparable Product B and US$15 million for Comparable Product C; and (ii) development and regulatory milestones payments of not more than US$5 million for Comparable Product A, not more than US$7 million for Comparable Product B and not less than US$45 million for Comparable Product C (note: development and commercialization milestones payment of US$185 million in total).

- The royalty payment was considered as expenses to be paid by the Company in the discounted cash flow model in respect of Pipeline Product. As the consideration was determined with reference to (among other things) the value of the rights to develop, manufacture and commercialize the Pipeline Product in the Territory, the value may increase (which will lead to an increase in the consideration) if less royalty payment (as expenses) is to be paid by the Company.

Based on the aforesaid, we are of the view that the royalty fee rate under the Pipeline Product Payments (i.e. ranged from a low-teen percentage to 22%) is fair and reasonable.

In respect of sales milestones fees, we understood from the Directors that such payment was considered as expenses to be paid by the Company in the discounted cash flow model in respect of Pipeline Product. We confirmed with the Valuer in this respect. We also noted that (i) the licensee for the Comparable Products shall pay sales milestone payments of not more than US$52 million for Comparable Product A and not more than US$92 million for Comparable Product B (note: development and commercialization milestones payment of US$185 million in total for Comparable Product C); and (ii) the Group may also pay sales milestones fees for products under the Licensing Agreements List.

Having considered that (i) the payment of milestone fees is normal in licensing arrangement; (ii) the amount of milestone fees for the Pipeline Product is substantially lower than the milestone fees of the Comparable Products; (iii) the amount of sales milestone fees for the Pipeline Product is less than those of the Comparable Product A and Comparable Product B, which were explicitly disclosed in its relevant announcements; and (iv) as the consideration was determined with reference to (among other things) the value of the rights to develop, manufacture and commercialize the Pipeline Product in the Territory, the value may increase if there is no sales milestones fees (as expenses) to be paid by the Company, which may further lead to an increase in the consideration, we are of the view that the sales milestones fees is on normal commercial terms.

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%.

As the Royalty Adjustment enables the Group to pay a less royalty fee in respect of Pipeline Product should the net sales of the Pipeline Product has fallen substantially in the Territory and no additional royalty fee would be incurred on a contrary situation, such arrangement is beneficial to the Company.

Internal control measures

With reference to the Board Letter, 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. Details of the internal control measures are set out under the sub-section headed "(C) In-Licensing of the Pipeline Product under the License Agreement – (6) Internal control measures" under the section headed "III. Continuing Connected Transactions in Relation to the Purchase Arrangements, Royalty Payments and Milestone Payments" of the Board Letter.

Having considered that (i) 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; (ii) there will be implementation, monitoring and review procedures to ensure royalties being paid in accordance with pricing policy; (iii) investigation shall be carried out if there is any discrepancy between the records provided by the connected persons and the records of the Group; (iv) finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company, we are of the view that there will be sufficient measures to ensure fair pricing and potential annual caps monitoring of the Pipeline Product Payments.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) the internal audit department; and (ii) the finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Pipeline Product Payments and would comply with relevant procedures when conducting the Pipeline Product Payments. Upon our request, we obtained the internal control document of the Pipeline Product Payments. After reviewing the document, we

acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Pipeline Product Payments as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies to ensure fair pricing and potential annual caps monitoring of the Pipeline Product Payments.

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.

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.

In assessing the reasons for the duration of the term of the License Agreement and the in-licensing of the Pipeline Product thereunder, being longer than three years, we have considered the following factors:

- As mentioned above, a long-term royalty term is customary in the pharmaceutical industry for commercialization collaborations and in-licensing agreements. The long-term royalty term (i) allows the Group to leverage its clinical development and 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 collaboration, through which the interest of the Group and the Shareholders can be maximized; (ii) provides stability and continuity for the Group to research, develop and commercialize the Pipeline Product, which can lead to stronger brand recognition and market presence in the Territory; (iii) allows the Group to establish a foothold and expand the brand's reach of the Pipeline Product in the Territory; (iv) fosters strong relationships between the Group and Alcon, leading to better collaboration, trust and mutual understanding of each other's business objectives; (v) can signal stability and commitment to the market of the Territory, enhancing their confidence in the Pipeline Product.

- The Royalty Term is commencing from the First Commercial Sale of Pipeline Product. As the Pipeline Product is still in R&D process and the length of R&D process cannot be fixed as at the date of entering into the License Agreement and the commercialization of the Pipeline Product is also subject to the official review of the NMPA, it is not applicable for the Company to determine a fixed term of in-licensing of the Pipeline Product under the License Agreement.

In considering whether it is normal business practice for agreements of similar nature with the Licensed Agreement and the in-licensing of the Pipeline Product thereunder to have a term of such duration, we reviewed the terms of Comparable Licensing Arrangements. As mentioned above, the duration of royalty terms under the Comparable Licensing Arrangements were (i) specified but indefinite in practice (e.g. 10 to 15 years after first sales of products in relevant territory); or (ii) unspecified. Furthermore, we noted from the Comparable Licensing Arrangements, which contained requirement of sales milestone payment, that (i) the sales milestone payment is based on fulfilment of certain requirements; and (ii) there is no specific duration of the payment of sales milestone payment.

Taking into account of the above, we confirm that the duration of the term of the License Agreement and the in-licensing of the Pipeline Product thereunder, which is longer than three years and cannot be fixed, is required, and it is normal business practice for the aforesaid term to be of such duration.

C.2 The proposed annual caps

With reference to the Board Letter, the aggregate annual amount payable under the royalty payment and sales milestone payment 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.

With reference to the Board Letter, 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 31 December 2024, 2025 and 2026. The Company has applied to and obtained from 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 with respect to the Pipeline Product for a period commencing from the First Commercial Sale of the Pipeline Product and until 15 years thereafter. Please refer to the section headed "V. Compliance With the Listing Rules and Waivers – (B) Waivers from Strict Compliance with the Listing Rules – (3) Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules" of the Board Letter for details.

Having considered (i) the reasons for not setting monetary caps for the Pipeline Product Payments; (ii) the formula reflected the pricing policy of the Pipeline Product Payments; and (iii) the pricing policy of the Pipeline Product Payments is fair and reasonable, we are of the view that the basis for determining the aggregate amount payable by Ocumension HK to Alcon Pharma or its designee is fair and reasonable.

C.3 Our conclusion on the Pipeline Product Payments

Having reviewed and considered the terms of the Pipeline Product Payments in particular the key terms as listed above (including the duration, royalty rates and milestone fees; and no abnormal term observed), we are of the view that the terms of the Pipeline Product Payments are on normal commercial terms and are fair and reasonable.

LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules (where applicable) pursuant to which (i) the values of the continuing connected transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the continuing connected transactions (including their respective annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the continuing connected transactions of the Company must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the continuing connected transactions of the Company (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded their respective annual caps.

In the event that the total amounts of the Continuing Connected Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of their relevant agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the continuing connected transactions of the Company and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Continuing Connected Transactions are fair and reasonable and on normal commercial terms; and (ii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

I. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 was disclosed in the annual reports of the Company for the years ended December 31, 2021, 2022 and 2023 and the interim report of the Company for the six months ended June 30, 2024, respectively. The aforementioned financial information has been published on both the website of Hong Kong Exchanges and Clearing Limited (**www.hkex.com.hk**) and the website of the Company (**www.ocumension.com**). Please refer to the hyperlinks as stated below:

(i) Annual report of the Company for the year ended December 31, 2021 (pages 74 to 151): https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601466.pdf;

(ii) Annual report of the Company for the year ended December 31, 2022 (pages 78 to 154): https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501560.pdf;

(iii) Annual report of the Company for the year ended December 31, 2023 (pages 78 to 148): https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501636.pdf; and

(iv) Interim report of the Company for the six months ended June 30, 2024 (pages 37 to 63): https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0910/2024091000422.pdf.

II. INDEBTEDNESS

As of the close of business on August 31, 2024, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or acceptance credits, or other similar indebtedness and hire purchase agreement, any guarantees, litigations or claims of material importance, pending or threatened against any member of our Group or other material contingent liabilities. As of August 31, 2024, we pledged our rental deposits to secure outstanding unpaid contractual lease payments.

	As of August 31, 2024 *RMB'000*
Lease liabilities – Secured and unguaranteed	13,436

The Directors have confirmed that, save as disclosed above, there had not been any material change in the indebtedness, contingent liabilities and commitments of the Group since August 31, 2024 and up to the Latest Practicable Date.

III. WORKING CAPITAL

Working Capital Statement

The Directors, after due and careful enquiries, are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents and internally generated funds from our existing operation and transaction to be completed in relation to the acquisition of the Transferred Products and in-licensing of the Licensed Products from Alcon, we have sufficient working capital to cover our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs, for at least the next twelve months from the date of this circular in connection to the very substantial acquisition for acquisition of the Transferred Products and in-licensing of the Licensed Product.

IV. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2023, the date to which the latest audited financial statements of the Group were made up.

Set out below is the management discussion and analysis of the results of the Group for the three years ended December 31, 2023 extracted from the annual reports of the Company for 2021, 2022 and 2023 and for the six months ended June 30, 2024 extracted from the interim report of the Company for 2024.

I. FOR THE PERIOD ENDED JUNE 30, 2024

Business Review

Commercialization Performance

During the six months ended June 30, 2024, the Company actively expanded hospital coverage, accelerated product admission into hospitals, further explored the commercial potential of its mature products, and carried out academic promotion activities for its new products to achieve rapid revenue growth. The Company recorded a total revenue of RMB167.6 million from the commercialized products, representing an increase of 61.6% as compared to the corresponding period in 2023. The Company has expanded its reach to 10,970 hospitals nationwide, 1,652 among which are Grade III hospitals. With the number of commercial team members exceeding 250, the Company achieved a broad coverage of the national business network.

In December 2023, Youshiying® (fluocinolone intravitreal implant), a new drug of the Company for the treatment of uveitis, has been included in the updated NRDL issued by the China NHSA for the treatment of chronic NIU-PS. The updated NRDL officially took effect on January 1, 2024.

R&D Performance

During the six months ended June 30, 2024, we managed to achieve a series of key milestones in clinical R&D projects. A number of our products completed phased clinical trials with excellent data, demonstrating the Company's strong clinical R&D capabilities. Our OT-1001 (cetirizine hydrochloride) is expected to be approved for marketing in the near future. The first multi-regional clinical trial (MRCT) patient enrolled in the phase III clinical trial of OT-101 (0.01% atropine sulfate eye drop) in the world has completed three years of dosage. The Company has completed the phase III clinical trial for OT-702 (aflibercept intravitreous injection, EYLEA® biosimilar) in China with positive results during the six months ended June 30, 2024, and the biologic license application (BLA) of OT-702 was accepted by the CDE in July 2024. In addition, OT-502 (dexamethasone implant) has also successfully achieved the expected primary efficacy endpoints of its phase III clinical trial and the Company expected to submit its NDA in the near future. Moreover, OT-202 (tyrosine kinase inhibitor), a first-in-class new drug self-developed by the Company for the treatment of dry eye, has successfully achieved the primary clinical endpoint of phase II clinical trial.

Manufacturing Performance

In July 2024, the first commercial batch of sodium hyaluronate 0.3% (0.4ml: 1.2mg) was officially put into production at the Company's Suzhou manufacturing site.

Financial Review

Revenue

The revenue of our Group increased from RMB103.7 million for the six months ended June 30, 2023 to RMB167.6 million for the six months ended June 30, 2024, mainly attributed to (i) a significant increase in the revenue generated from the sales of our ophthalmic products, including Youshiying®, Xalatan® and Xalacom®; and (ii) a significant increase in the contract development and manufacturing services, largely driven by a growing number of orders from business partners seeking CDMO (as defined below) services on ophthalmic products; partially offset by a decrease in the revenue generated from the pharmaceutical products promotion services due to change in revenue recognition, resulting from a shift in the business model of Xalatan® and Xalacom® during the six months ended June 30, 2024. The following table sets forth the components of the revenue for the periods indicated:

	Six months ended June 30,	
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Sales of ophthalmic products	150,013	84,216
Pharmaceutical products promotion services	11,859	18,185
Sales-based royalty income	2,291	1,035
Contract development and manufacturing ("**CDMO**") services	3,460	260
Total Revenue	167,623	103,696

The increase in our revenue was primarily attributable to (i) a significant increase of 78.1% in the sales of ophthalmic pharmaceutical products from RMB84.2 million for the six months ended June 30, 2023 to RMB150.0 million for the six months ended June 30, 2024; and (ii) an increase of RMB3.2 million in the revenue generated from contract development and manufacturing services from RMB0.3 million for the six months ended June 30, 2023 to RMB3.5 million for the six months ended June 30, 2024. The revenue generated from the pharmaceutical products promotion services decreased from RMB18.2 million for the six months ended June 30, 2023 to RMB11.9 million for the six months ended June 30, 2024 because the relevant revenue was recorded as revenue from sales of ophthalmic products instead of revenue from pharmaceutical products promotion services during the six months ended June 30, 2024. Such change in revenue recognition was due to the change of business model of Xalatan® and Xalacom® during the six months ended June 30, 2024.

For the sale of ophthalmic products, revenue is recognized when control of the goods is transferred, being when the goods have been delivered to the customer's specific location, i.e., when the products are delivered and titles are passed to customers upon receipt by customers.

For pharmaceutical products promotion services, revenue is recognized at a point in time when we satisfy the obligation to arrange for sales and/or delivery of pharmaceutical products pursuant to the service contracts. The sales-based royalty income is based on the profit margin of each sale and is recognized at a point of time upon the customer completes its sales. The CDMO service revenue is recognized at the point in time when the products are delivered to our customers.

Cost of Sales

Our cost of sales consists of purchase price of goods and amortization of license rights. The cost of sales of our Group increased from RMB41.0 million for the six months ended June 30, 2023 to RMB68.4 million for the six months ended June 30, 2024. The increase was mainly due to (i) the increased cost in relation to our sales of ophthalmic products and amortization of license rights, which was generally in line with the growth of our revenue; and (ii) the change of business model of Xalatan® and Xalacom® from providing promotion services to direct sales.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the six months ended June 30, 2024, our selling and marketing expenses were RMB109.9 million, representing a decrease of RMB4.7 million from RMB114.7 million for the six months ended June 30, 2023, which was primarily due to (i) a decrease in share-based payments for sales and marketing staff during the six months ended June 30, 2024 as compared to the same period last year; and (ii) reduced expenses in marketing and promotion activities due to optimized budget control, partially offset by an increase in salary and benefits expenses resulting from the expansion of our commercialization team.

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

	Six months ended June 30,	
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Salary and benefits	52,360	43,615
Share-based payments	18,347	30,957
Marketing and promotion	22,528	26,750
Others	16,678	13,338
Total selling and marketing expenses	109,913	114,660

R&D Expenses

During the six months ended June 30, 2024, we recorded R&D expenses of RMB58.7 million, representing a decrease of 19.7% from RMB73.1 million for the six months ended June 30, 2023. Such decrease was primarily due to (i) a decrease in third-party contracting costs, as we successfully completed the phase II clinical trial of a drug candidate and several in-house R&D projects during the six months ended June 30, 2024; and (ii) a decrease in share-based payments for R&D staff during the six months ended June 30, 2024 as compared to the same period last year.

The following table sets forth the components of our R&D expenses for the periods indicated:

	Six months ended June 30,	
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Third-party contracting costs	19,656	28,781
Staff costs	27,709	35,423
Depreciation and amortization	5,423	4,448
Others	5,917	4,439
Total R&D expenses	58,705	73,091

Gross Profit

The gross profit of our Group increased by 58.2% from RMB62.7 million for the six months ended June 30, 2023 to RMB99.2 million for the six months ended June 30, 2024. The increase in the gross profit was largely in line with the growth of our revenue.

Loss for the Period

As a result of the above factors, for the six months ended June 30, 2024, our loss was RMB151.3 million, representing a decrease of RMB57.1 million from RMB208.4 million for the six months ended June 30, 2023, mainly attributable to (i) an increase of RMB36.5 million in gross profits; and (ii) decreases in selling and marketing expenses, R&D expenses and administrative expenses as compared to the same period last year.

Working Capital and Source of Capital

Our primary uses of cash related to (i) expenses and costs for our daily operation and sales and marketing activities; (ii) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; and (iii) payments in relation to the construction project and production

equipment at our Suzhou manufacturing site, as well as operational costs and fees incurred for the on-site trial production. During the six months ended June 30, 2024, we primarily funded our working capital needs through equity financing and cash generated from (i) the sales of Youshiying®, Ou Qin® (歐沁®), brimonidine tartrate eye drop, Emadine® (埃美丁®), Xalatan®, Xalacom® and Kangwenjuan® (康文涓®); (ii) the pharmaceutical products promotion services; and (iii) the CDMO service. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of June 30, 2024, our cash and cash equivalents amounted to RMB862.9 million (December 31, 2023: RMB842.8 million). Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of June 30, 2024, we did not have any borrowings (December 31, 2023: RMB120.0 million). In December 2023, we entered into short-term loan agreements with two banks, obtaining loans of RMB70.0 million and RMB50.0 million, respectively, at fixed interest rate of 3.0% and 3.1%, respectively. As of December 31, 2023, we have drawn down a total of RMB120.0 million, which has been paid off as of June 30, 2024.

Capital Commitments

As of June 30, 2024, we have a capital commitment of RMB2.9 million for the contracts in relation to acquisition of property, plant and equipment (December 31, 2023: RMB6.4 million).

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities, guarantees or any litigation against us (December 31, 2023: nil).

Pledge of Assets

As of June 30, 2024, we did not have any deposits to a bank to secure the letter of credit granted to the Group (December 31, 2023: RMB4.3 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of June 30, 2024, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisition and Disposal

During the six months ended June 30, 2024, the Group disposed of a total of 1,910,500 EyePoint Shares by way of block trade, at an aggregate consideration of approximately US$37,159,000 (equivalent to approximately HK$290,583,000) (exclusive of transaction costs), which was determined with reference to the then market price of EyePoint Shares based on arm's length negotiations between the parties and has been fully settled in cash. For details of the aforesaid disposal, please refer to the Company's announcement dated January 17, 2024. Upon completion of the aforesaid disposal, we directly hold 100,221 EyePoint Shares, representing approximately 0.21% of the total issued and outstanding EyePoint Shares based on publicly available information as of the date of the aforesaid announcement.

As of June 30, 2024, the carrying amount of our investment in EyePoint as equity instruments at fair value through other comprehensive income ("**FVTOCI**") was approximately RMB6.2 million (December 31, 2023: RMB329.1 million). Accordingly, the fair value of such investment compared to our total assets as of June 30, 2024 was approximately 0.21%. For the six months ended June 30, 2024, we have not received any dividend from such investment.

Save as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2024.

Future Plans for Material Investments or Capital Assets

As of the date of the interim report of the Company for the six months ended June 30, 2024, we planned to continue to invest in the construction of our Suzhou manufacturing site to enhance the manufacturing capacity to satisfy our long-term development strategies. Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of June 30, 2024.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in foreign currencies and are exposed to foreign currency risk. Our Group currently implements foreign currency hedging measures under our funding and treasury policies.

Employees and Remuneration

As of June 30, 2024, we had a total of 477 employees (June 30, 2023: 417). For the six months ended June 30, 2024, the total remuneration cost incurred, including the share-based payments, was RMB149.9 million (June 30, 2023: RMB170.6 million). The following table sets forth a breakdown of our employees by function as of June 30, 2024:

Function	Number	Percentage of total employees
Commercial	259	54.3%
R&D	59	12.4%
Manufacturing	123	25.8%
Management and administrative	36	7.5%
Total	477	100%

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

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

We have also adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme, the 2021 Share Award Scheme and the 2024 Share Award Scheme to provide incentives for our employees.

II. FOR THE YEAR ENDED DECEMBER 31, 2023

Business Review

Commercialization Performance

During the year ended December 31, 2023, we actively expanded the coverage of hospitals, accelerated the admission of products into hospitals, deeply explored the commercial potential of products with strong vitality, such as Emadine® and Xalatan®, and thereby achieved rapid growth in our revenue. We recorded a total revenue of RMB246.4 million, representing a year-on-year increase of 55.0%. We achieved a coverage of 10,120 hospitals nationwide, 1,558 of which are Grade III hospitals. With the number of commercial team members exceeding 230, we have completed the coverage of the national business network.

In December 2023, Youshiying® (fluocinolone intravitreal implant), a new drug of the Company for the treatment of uveitis, has been included in the updated NRDL issued by the China NHSA for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye. The updated NRDL officially took effect on January 1, 2024.

R&D Performance

During the year ended December 31, 2023, we managed to achieve a number of key milestones in clinical R&D projects. Our R&D team worked closely with clinical principal investigators (PIs), demonstrating our potent clinical development capability. The NDA for OT-1001 (ZERVIATE®, 0.24% cetirizine eye drops) has been accepted by the CDE and included in the priority review and approval process, and is expected to be approved for commercialization in the near future. We have completed the enrollment of patients for the global multi-center phase III clinical trial for OT-101 (0.01% atropine sulfate eye drop) and the real-world study for OT-502 (dexamethasone implant) has been completed. We have completed the enrollment of patients for the phase II clinical trial for OT-202 (tyrosine kinase inhibitor), an in-house developed class I new drug for the treatment of dry eye. The clinical projects were launched in 26 new experimental centers, and a total of more than 700 patients were enrolled during the year ended December 31, 2023.

Manufacturing Performance

During the year ended December 31, 2023, we mainly focused on pilot scale production and validation batch production of our products at our Suzhou manufacture site and maintained the ongoing production of products transferred from other manufacture sites.

Financial Review

Revenue

The revenue of our Group increased by 55.0% from RMB159.0 million for the year ended December 31, 2022 to RMB246.4 million for the year ended December 31, 2023. The following table sets forth the components of our revenue for the years indicated:

	For the year ended December 31,	
	2023	**2022**
	RMB'000	*RMB'000*
Sales of ophthalmic products	204,695	108,833
Pharmaceutical products promotion services	38,347	22,655
Sales-based royalty income	3,054	27,469
Contract development and manufacturing services	271	–
Total Revenue	246,367	158,957

The increase in our revenue was primarily attributable to (i) a significant increase of 88.1% in the sales of ophthalmic pharmaceutical products from RMB108.8 million for the year ended December 31, 2022 to RMB204.7 million for the year ended December 31, 2023; and (ii) an increase in the revenue generated from the provision of pharmaceutical products promotion services from RMB22.7 million for the year ended December 31, 2022 to RMB38.3 million for the year ended December 31, 2023. The revenue generated from the sales-based royalty income decreased from RMB27.5 million for the year ended December 31, 2022 to RMB3.1 million for the year ended December 31, 2023 because the relevant revenue was recorded as revenue from sales of ophthalmic products instead of revenue from sales-based royalty income during the year ended December 31, 2023. Such change in revenue recognition was due to the change of business model of Emadine® during the year ended December 31, 2023.

For the sale of ophthalmic products, revenue is recognized when the control of goods is transferred, being the time when the goods are delivered to the location specified by customers, i.e., when the products are delivered and titles are passed to customers upon receipt by customer. For pharmaceutical products promotion services, revenue is recognized at a point in time when we satisfy the obligation to arrange for sales and/or delivery of pharmaceutical products pursuant to the service contracts. The sales-based royalty income is based on the profit margin of each sale and is recognized at a point of time upon the customer completes its sales.

Cost of Sales

Our cost of sales consists of cost incurred for the purchase of goods and amortization of license rights. The cost of sales of our Group increased by 82.0% from RMB56.0 million for the year ended December 31, 2022 to RMB102.0 million for the year ended December 31, 2023. The increase was mainly due to (i) the increased cost in relation to our sales of ophthalmic products and amortization of license rights, which was generally in line with our revenue growth; and (ii) the change of business model of Xalatan® and Xalacom® from providing promotion services to direct sales during the year ended December 31, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the year ended December 31, 2023, our selling and marketing expenses were RMB226.3 million, representing an increase of 23.6% from RMB183.0 million for the year ended December 31, 2022, primarily due to (i) the expansion of our commercialization team; and (ii) the increasing marketing and promotion activities for our products during the year ended December 31, 2023; partially offset by a decrease in share-based payments for sales and marketing staff during the year ended December 31, 2023 as compared to last year.

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

	For the year ended December 31,	
	2023	**2022**
	RMB'000	*RMB'000*
Salary and benefits	91,133	77,292
Share-based payments	52,257	66,307
Marketing and promotion	56,803	24,728
Others	26,060	14,712
Total selling and marketing expenses	226,253	183,039

R&D Expenses

During the year ended December 31, 2023, we recorded R&D expenses of RMB123.8 million, representing a decrease of 32.8% from RMB184.3 million for the year ended December 31, 2022, which was primarily due to (i) a decrease in share-based payments for R&D staff during the year ended December 31, 2023 as compared to last year; and (ii) a decrease in third-party contracting costs.

The following table sets forth the components of our R&D expenses for the years indicated:

	For the year ended December 31,	
	2023	**2022**
	RMB'000	*RMB'000*
Third-party contracting costs	43,493	52,328
Staff costs	62,656	118,238
Depreciation and amortization	9,002	3,534
Others	8,617	10,209
Total R&D expenses	123,768	184,309

Gross Profit

The gross profit of our Group increased by 40.3% from RMB103.0 million for the year ended December 31, 2022 to RMB144.4 million for the year ended December 31, 2023. The increase in the gross profit was largely in line with the growth of our revenue but slightly trailed behind, primarily due to the increase in cost of sale which was caused by the change of business model of Xalatan® and Xalacom® from providing promotion services to direct sales during the year ended December 31, 2023.

Loss for the Period

As a result of the above factors, for the year ended December 31, 2023, our loss was RMB379.8 million, representing a decrease of 5.7% from RMB402.6 million for year ended December 31, 2022, mainly attributable to an increase of RMB41.4 million in gross profits and a decrease of RMB60.5 million in R&D expenses, as compared to last year, which was partially offset by the decreases in other income and other gains of RMB27.0 million in aggregate, and an increase of RMB43.2 million in selling and marketing expenses, as compared to last year.

Working Capital and Source of Capital

Our primary uses of cash related to (i) expenses and costs for our daily operation and sales and marketing activities; (ii) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; and (iii) final payments in relation to the construction project and production equipment at our Suzhou manufacture site, as well as operational costs and fees incurred for the on-site trial production. During the year ended December 31, 2023, we primarily funded our working capital needs through equity financing and cash generated from (i) the sales of Youshiying®, Ou Qin®, brimonidine tartrate eye drop, Emadine® and Kangwenjuan® and (ii) the pharmaceutical products promotion services in relation to Xalatan® and Xalacom®. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our

operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, our cash and cash equivalents amounted to RMB842.8 million (December 31, 2022: RMB1,170.0 million). Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of December 31, 2023, we recorded a short-term loan of RMB120.0 million (December 31, 2022: nil). In December 2023, we entered into short-term loan agreements with two banks, obtaining loans of RMB70.0 million and RMB50.0 million, respectively, at fixed interest rate of 3.0% and 3.1%, respectively. As of December 31, 2023, we have drawn down a total of RMB120.0 million, which will be repayable within one year.

Capital Commitments

As of December 31, 2023, we have capital commitment of RMB6.4 million for the contracts in relation to the acquisition of property, plant and equipment (December 31, 2022: RMB49.0 million).

Contingent Liabilities

As of December 31, 2023, we did not have any contingent liabilities, guarantees or any litigation against us (December 31, 2022: nil).

Pledge of Assets

As of December 31, 2023, we pledged RMB4.3 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2022: RMB26.0 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2023, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisition and Disposal

We acquired 3,010,722 shares of EyePoint in January 2021 and became a shareholder of EyePoint since then. During the period from May 30, 2023 (New York time) to December 6, 2023 (New York time), we disposed of a total of 1,000,001 EyePoint Shares on the open market at an aggregate consideration of approximately US$19,499,000 (equivalent to approximately HK$152,482,000) (exclusive of transaction costs), which was determined based on the market price of the EyePoint Shares at the time of the relevant transactions and has been fully settled in cash. From January 11, 2024 (New York time) and up to January 17, 2024 (New York time), we further disposed of a total of 1,910,500 EyePoint Shares by way of block trade, at an aggregate consideration of approximately US$37,159,000 (equivalent to approximately HK$290,583,000) (exclusive of transaction costs), which was determined with reference to the market price of EyePoint Shares on January 11, 2024 (New York time) based on arm's length

negotiations between the parties and has been fully settled in cash. For details of the aforesaid disposals, please refer to the Company's announcement dated January 17, 2024. Upon completion of the aforesaid series of disposals, we directly hold 100,221 EyePoint Shares, representing approximately 0.21% of the total issued and outstanding EyePoint Shares based on publicly available information as of the date of the aforesaid announcement.

As of December 31, 2023, the carrying amount of our investment in EyePoint as equity instruments at FVTOCI was approximately RMB329.1 million (December 31, 2022: RMB73.4 million). Accordingly, the fair value of such investment compared to our total assets as of December 31, 2023 was approximately 10.1%. For the year ended December 31, 2023, we have not received any dividend from such investment.

Save as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2023.

Future Plans for Material Investments or Capital Assets

As of the date of the annual report for the year ended December 31, 2023, we planned to continue to invest in the construction of our Suzhou manufacture site to enhance the manufacturing capacity to satisfy our long-term development strategies. Saved as disclosed above, we do not have any concrete future plans for material capital expenditure, investments or capital assets as of December 31, 2023.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. Our Group currently implements foreign currency hedging measures under our funding and treasury policies.

Employees and Remuneration

As of December 31, 2023, we had a total of 444 employees (December 31, 2022: 398). For the year ended December 31, 2023, the total remuneration cost incurred, including the share-based payments, was RMB314.6 million (2022: RMB382.1 million). The following table sets forth a breakdown of our employees by function as of December 31, 2023:

Function	Number	Percentage of total employees
Commercial	232	52.3%
R&D	58	13.1%
Manufacturing	119	26.8%
Management and administrative	35	7.9%
Total	444	100%

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

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

We have adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for our employees.

III. FOR THE YEAR ENDED DECEMBER 31, 2022

Business Review

Commercialization Performance

During the year ended December 31, 2022, despite that the regional and nationwide recurrence of COVID-19 has affected hospital visits and ophthalmic treatment, we still demonstrated strong resilience as the pandemic situation gradually improved. Our commercialized products achieved operating revenue of RMB159.0 million, representing an increase of 183.1% as compared to the year ended December 31, 2021. We continued to accelerate the penetration of our drugs in hospitals in the PRC ophthalmology market, achieving a coverage of 8,171 hospitals nationwide, 1,384 of which are Grade III hospitals. With a commercialization team of 191 employees, we have achieved a nationwide business network coverage.

In March 2022, we announced that we had entered into a series of cooperation arrangements with Viatris, a world-renowned pharmaceutical corporation, pursuant to which we became the exclusive promoter to promote and market in hospitals nationwide in the PRC two ophthalmic drugs of Viatris, Xalatan® (適利達®) (latanoprost eye drops) and Xalacom® (適利加®) (latanoprost timolol eye drops), and reciprocally, Viatris China became the exclusive distributor to distribute, promote and market our product Ou Qin® (sodium hyaluronate eye drops) in the out-of-hospital distribution and retail drug markets in the PRC. Xalatan is commonly used for the treatment of glaucoma and ocular hypertension. We believed that the cooperation enabled us to capture certain synergetic effects brought along in terms of business development in the PRC. Particularly, we obtained the promotion rights of current first-line drug for glaucoma and IOP lowering treatment in hospitals nationwide in the PRC, and thus to expand our pipeline and thereby enhancing our overall sales performance and improving our sales coverage in public hospitals in the PRC, especially Grade III hospitals.

Prior to its official market launch, we introduced an early bird program for Youshiying®, which generated an enthusiastic market response. During the year ended December 31, 2022, over 200 discount vouchers have been sold to participants under the early bird program. In December 2022, Youshiying® was prescribed for the first time in China at Sichuan Provincial People's Hospital (四川省人民醫院) for a patient with binocular VKH (Vogt-Koyanagi-Harada syndrome), and the first injection was subsequently completed.

R&D Performance

During the year ended December 31, 2022, despite the recurrence of COVID-19 in China, which posed challenges to the overall progress of our R&D projects in clinical trials, we still managed to achieve a number of key milestones in R&D for our pipeline products in clinical trials, demonstrating our potent clinical development capability. During the year ended December 31, 2022 and up to the date of the Company's annual results announcement of 2022, the NDA for our Core Product, OT-401 (fluocinolone intravitreal implant, trade name:

Youshiying® (優施瑩®), was officially approved by the NMPA for commercialization in the PRC based on real-world study data and overseas clinical data; Kangwenjuan® (康文涓®) (OT-601, moxifloxacin hydrochloride eye drops), the first self-developed product by us, obtained the product registration certificate in the PRC; the phase III clinical trial of OT-1001 (ZERVIATE®, 0.24% cetirizine eye drops) has achieved its primary clinical endpoint and received positive results; OT-101 (0.01% atropine sulfate eye drop) has completed the enrollment of patients in China for the global phase III randomized, double-blind, placebo-controlled, parallel-group, multicenter clinical trial; the real-world study of OT-502 (dexamethasone implant) is progressing steadily; and the phase I clinical trial of OT-202 (tyrosine kinase inhibitor), a class I new drug developed by us for the treatment of dry eye, has been completed successfully. As one of the innovative pharmaceutical enterprises with the largest number of ophthalmic drugs in phase III clinical trials in China, we are committed to continually strengthening our competitive advantages and unwaveringly devoting our efforts to the commercialization of product pipeline.

On June 21, 2022, we announced that the NDA for Youshiying® had been officially approved by the NMPA for the treatment of chronic NIU-PS and commercialization in the PRC. Youshiying® is the first new drug approved for marketing in our pipeline, the approval of which filled the gaps in the treatment of uveitis in China and satisfied the tremendous underserved clinical demands in such therapeutic area. The research data showed that in the real-world study diagnostic environment, OT-401 could significantly reduce the recurrence rate and disease burden for patients with chronic NIU-PS while improving visual acuity. The safety profile of OT-401 is also favorable. The patients implanted with OT-401 experienced a significant decrease in systemic medication use and in local application of hormone to eyes as well as an evident macular edema alleviation. The safety profile was proven throughout the follow-up sessions without any unexpected serious adverse events.

Manufacturing Performance

During the year ended December 31, 2022, we maintained our focus on pilot scale production and validation batch production for our products, such as Emadine® (埃美丁®), at our Suzhou manufacture site, as well as continuing to conduct production for products that were transferred from other manufacture sites, such as Ou Qin®.

Financial Review

Revenue

The revenue of our Group increased from RMB56.1 million for the year ended December 31, 2021 to RMB159.0 million for the year ended December 31, 2022. The increase was mainly attributed to (i) a significant increase in the revenue generated from the sales of our Core Product, Youshiying®, after its commercialization; (ii) an increase in the revenue generated from sales of our other ophthalmic products, including Ou Qin®, Emadine® and brimonidine tartrate eye drop, primarily resulting from the smooth progression in marketing and promotion of these products in hospitals; (iii) an increase in the revenue generated from the

pharmaceutical products promotion services, in particular, the increase in revenue generated from the promotion services provided by the Group to Viatris in relation to Xalatan® and Xalacom®; and (iv) an increase in the sales-based royalty income in relation to Emadine® and Betoptic®.

The following table sets forth the components of our revenue for the years indicated:

	For the year ended December 31,	
	2022	**2021**
	RMB'000	*RMB'000*
Sales of ophthalmic products	108,833	43,627
Pharmaceutical products promotion services	22,655	1,324
Sales-based royalty income	27,469	11,195
Total Revenue	158,957	56,146

Our revenue generated from sales of ophthalmic pharmaceutical products increased by 149.5% to RMB108.8 million for the year ended December 31, 2022. Our revenue generated from sales-based royalty income is mainly in relation to the licensing of ophthalmic pharmaceutical products to a third party, which reached RMB27.5 million for the year ended December 31, 2022.

Cost of Sales

Our cost of sales consists of the purchase price of goods and amortization of license rights. The cost of sales of our Group increased from RMB19.2 million for the year ended December 31, 2021 to RMB56.0 million for the year ended December 31, 2022. The increase was mainly due to the increased cost in relation to our sales of ophthalmic products and amortization of license rights, which was generally in line with the growth of our revenue.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the year ended December 31, 2022, our selling and marketing expenses were RMB183.0 million, representing an increase of RMB55.4 million from RMB127.6 million for the year ended December 31, 2021, primarily due to (i) the expansion of our commercialization team; (ii) the increase in share-based payments as we further granted options and awards to our staff in commercialization team during the year ended December 31, 2022; and (iii) the increasing marketing and promotion activities for our products.

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

	For the year ended December 31,	
	2022	**2021**
	RMB'000	*RMB'000*
Salary and benefits	77,292	62,262
Share-based payments	66,307	43,128
Marketing and promotion	24,728	13,377
Others	14,712	8,880
Total selling and marketing expenses	183,039	127,647

R&D Expenses

During the year ended December 31, 2022, we recorded R&D expenses of RMB184.3 million, representing an increase of 9.0% from RMB169.1 million for the year ended December 31, 2021, which was primarily due to the increase in staff costs.

The following table sets forth the components of our R&D expenses for the years indicated:

	For the year ended December 31,	
	2022	**2021**
	RMB'000	*RMB'000*
Third-party contracting costs	52,328	54,458
Staff costs	118,238	104,999
Depreciation and amortization	3,534	1,999
Others	10,209	7,599
Total R&D expenses	184,309	169,055

Gross Profit

The gross profit of our Group increased by 178.6% from RMB36.9 million for the year ended December 31, 2021 to RMB102.9 million for the year ended December 31, 2022. The increase in the gross profit was generally in line with the growth of our revenue.

Loss for the Period

As a result of the above factors, for the year ended December 31, 2022, our loss was RMB402.6 million, representing an increase of RMB142.6 million from RMB260.0 million for year ended December 31, 2021, mainly due to (i) no one-time gain was generated from transaction with third parties during the year ended December 31, 2022, as compared to a one-time gain of RMB100.6 million and RMB14.5 million generated from the respective transactions with EyePoint and Alimera Sciences, Inc. for the year ended December 31, 2021; and (ii) an increase in share-based payments of RMB30.7 million as we have further granted options, awards and RSUs under the share incentive schemes to our employees and consultant during the year ended December 31, 2022.

Working Capital and Source of Capital

Our primary uses of cash related to (i) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; (ii) expenses and costs for our daily operation and commercial promotion activities; and (iii) final payments in relation to the construction project and production equipment at our Suzhou manufacture site, as well as operational costs and fees incurred for the on-site trial production. We primarily funded our working capital needs through equity financing and also cash generated from (i) the sales of Ou Qin®, Emadine® and brimonidine tartrate eye drop; (ii) the pharmaceutical products promotion services in relation to Xalatan and Xalacom; and (iii) the sales-based royalty income in relation to Emadine® and Betoptic® S. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2022, our cash and cash equivalents amounted to RMB1,170.0 million (December 31, 2021: RMB1,125.2 million). Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of December 31, 2022, we did not have any borrowings (as of December 31, 2021: nil).

Capital Commitments

As of December 31, 2022, we have capital commitment of RMB49.0 million for the contracts in relation to the acquisition of property, plant and equipment (December 31, 2021: RMB27.9 million).

Contingent Liabilities

As of December 31, 2022, we did not have any contingent liabilities, guarantees or any litigation against it (December 31, 2021: nil).

Pledge of Assets

As of December 31, 2022, we pledged RMB26.0 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2021: RMB20.0 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2022, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisition and Disposal

We did not have any other material investments or acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2022.

Future Plans for Material Investments or Capital Assets

As of the date of the annual report of the Company for the year ended December 31, 2022, we planned to continue to invest in the construction of our Suzhou manufacture site to enhance the manufacturing capacity to satisfy our long-term development strategies. Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of December 31, 2022.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. Our Group currently implements foreign currency hedging measures under our funding and treasury policies.

Employees and Remuneration

As of December 31, 2022, we had a total of 398 employees (December 31, 2021: 244). For the year ended December 31, 2022, the total remuneration cost incurred, including the share-based payments, was RMB382.1 million (2021: RMB298.4 million). The following table sets forth a breakdown of our employees by function as of December 31, 2022:

Function	Number	Percentage of total employees
Commercial	191	48.0%
R&D	60	15.1%
Manufacturing	118	29.6%
Management and administrative	29	7.3%
Total	398	100%

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

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

We have also adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for our employees.

IV. FOR THE YEAR ENDED DECEMBER 31, 2021

Business Review

Commercialization Performance

During the year ended December 31, 2021, we have achieved the revenue of gross hospital terminal sales of approximately RMB90 million (unaudited) generated from our six commercialized products, representing an increase of 466.53% as compared to the year ended December 31, 2020. We continued to accelerate the penetration of our drugs in hospitals in the PRC ophthalmology market, achieving a coverage of 1,024 hospitals nationwide, 59 of which are Grade III hospitals. Ou Qin (sodium hyaluronate eye drop) is a preservative-free artificial tear with high viscosity. Leveraging its exceptional profile on comfort and safety, Ou Qin made its headway into the in-hospital market rapidly since its launch, demonstrating strong academic promotion capability of the Company, and laying a solid foundation for the commercialization of subsequent pipeline products. Kangshu (康姝) is an eye-cleaning cotton containing 0.02% chlorine-fixation glucose hydrochloride, which can thoroughly clean the skin around an eye and precisely remove mites without alcohol added as components. Since its launch on Tmall at the end of 2021, the sales volume has climbed to the fourth place in the best-selling list for eye pad products.

In August 2021, the Company entered into an asset purchase agreement with Novartis, a world-renowned pharmaceutical group, pursuant to which the Company acquired from Novartis, among others, all approvals, licenses, registrations, or authorizations necessary to market the pharmaceutical products commercialized under the brand names Emadine® (emedastine difumarate ophthalmic solution) and Betoptic® S (betaxolol hydrochloride eye drop) in the PRC for a total consideration of US$35 million, along with a technical transfer plan to transfer the manufacture of the two products to the Company.

R&D Performance

During the year ended December 31, 2021, despite the COVID-19 pandemic continued to rage around the globe, to an extent having affected the overall progress of our R&D projects in domestic and international multi-center clinical trials, we still managed to achieve a number of key milestones for our R&D projects in clinical trials. Our six drug candidates, including OT-401 (fluocinolone intravitreal implant), OT-1001 (hydrochloride cetirizine eye drop), OT-702 (aflibercept biosimilar), OT-301 (NO prostaglandin analog), OT-101 (atropine sulfate eye drop) and OT-502 (dexamethasone implant) have entered phase III clinical trial stage, and OT-202 (tyrosine kinase inhibitor), a self-developed class I new drug for the treatment of dry eye, has entered clinical trial stage. As of the date of the 2021 annual report of the Company, Ocumension is one of the innovative pharmaceutical enterprises with the largest number of ophthalmic drugs in phase III clinical trials in China.

During the year ended December 31, 2021, the Company continued to make breakthroughs in exploring the acceleration in NDA registration through real-world study. The NMPA accepted the NDA of OT-401 in April 2021 and thus OT-401 became the first Chinese drug in history to file application for marketing entirely based on real-world data. In August 2021, OT-502 was approved by the CDE for carrying out real-world study in Boao Lecheng Pilot Zone, which brought hope to patients suffering from repeated inflammation after cataract surgery. In October 2021, the Company entered into a four-party strategic cooperation agreement in respect of OT-101 in Hainan Province, officially launching the first real-world study on low-concentration atropine in China. Real-world study is an essential component of the evidence chain for evaluating the effectiveness and safety of the new drugs in their application in actual clinical use, and will play an important role in accelerating NDA registration for the products in our pipeline and promoting the commercialization of such products in the future.

We have established a research institute in Suzhou, primarily focusing on preclinical research and chemistry, manufacturing and controls (CMC) work, which enables us to make breakthroughs in our in-house developed product pipelines. OT-101, an in-house developed key product, has completed the first patient enrollment for phase III clinical trials in the U.S., the United Kingdom and China. OT-202, the Company's first in-house developed class I novel targeted new drug for the treatment of dry eye, is a brand-new molecular substance independently developed by our Company. It achieves anti-inflammatory effects by inhibiting the activity of Syk kinase, a brand-new mechanism, and thus to treat dry eye. It is one of the few innovative drugs with brand-new targets in the field of ophthalmology in China. The first patient enrollment for the phase I clinical trial of OT-202 was completed.

Manufacturing Performance

Our Suzhou Xiaxiang manufacture site was inaugurated in October 2021 and has commenced the trial production. The construction of this modern ophthalmic production base, covering approximately 30,000 square meters, only took 496 days. The manufacture site has a total of four production workshops, and the maximum planned capacity is expected to reach 455 million doses per year.

Financial Review

Revenue

The revenue of our Group increased from RMB13.1 million for the year ended December 31, 2020 to RMB56.1 million for the year ended December 31, 2021. The increase was mainly attributed to (i) the significant increase in sales volume of ophthalmic products, namely Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康姝), resulting from the smooth progression in our marketing and promotion of these products in hospitals; and (ii) the increase in sales-based royalty income in relation to Emadine® and Betoptic® S.

The revenue generated from sales of ophthalmic pharmaceutical products increased by 379.8% from RMB9.1 million for the year ended December 31, 2020 to RMB43.6 million for the year ended December 31, 2021. The revenue generated from pharmaceutical products promotion services amounted to RMB1.3 million for the year ended December 31, 2021 (2020: RMB4.0 million). The revenue generated from sales-based royalty income in relation to licensing ophthalmic pharmaceutical products to a third party reached RMB11.2 million for the year ended December 31, 2021 (2020: nil).

	For the year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Sales of ophthalmic products	43,627	9,093
Pharmaceutical products promotion services	1,324	4,003
Sales-based royalty income	11,195	–
Total Revenue	56,146	13,096

Cost of Sales

Our cost of sales consists of the purchase price of goods. Cost of sales of our Group increased from RMB1.7 million for the year ended December 31, 2020 to RMB19.2 million for the year ended December 31, 2021. The increase was mainly attributed to the increased cost in relation to our sales of Ou Qin®, OT-401 and Kangshu (康姝) and amortization of license rights.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the year ended December 31, 2021, our selling and marketing expenses were RMB127.6 million, representing an increase of RMB76.9 million from RMB50.7 million for the year ended December 31, 2020, primarily attributable to (i) the expansion of our commercialization team; (ii) the grant of options under the 2021 Share Option Scheme and the grant of awards under the 2021 Share Award Scheme to our staff in commercialization team; and (iii) the increasing marketing and promotion activities for our products.

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

	For the year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Salary and benefits	62,262	19,480
Share-based payments	43,128	16,378
Marketing and promotion	13,377	8,418
Others	8,880	6,453
Total selling and marketing expenses	127,647	50,729

R&D Expenses and Adjusted R&D Spending

For the year ended December 31, 2021, our adjusted R&D spending were RMB454.7 million, increasing by 27.9% from RMB355.4 million for the year ended December 31, 2020. The increase was primarily because our number of pipeline products and R&D activities for our clinical trial and non-clinical trial stage drug candidates increased, with part of the R&D expenses capitalized as a result of the corresponding drug candidates entering phase III clinical trial stage during the year ended December 31, 2021. We capitalized certain R&D spending as the relevant drug candidates have met the capitalization criteria in accordance with relevant accounting standards for the year ended December 31, 2021.

The following table sets forth the components of our R&D expenses and adjusted R&D spending for the years indicated:

	For the year ended December 31,	
	2021	**2020**
	RMB'000	*RMB'000*
Third-party contracting costs and upfront and milestone payments	54,458	65,832
Staff costs	104,999	107,676
Depreciation and amortization	1,999	989
Others	7,599	5,053
Total R&D expenses	169,055	179,550
Add:		
Capitalized R&D spending	285,672	175,876
Adjusted R&D spending for the year	454,727	355,426

Gross Profit

The gross profit of our Group increased by 224.8% from RMB11.4 million for the year ended December 31, 2020 to RMB36.9 million for the year ended December 31, 2021. The increase in the gross profit was mainly in line with the growth in revenue.

Loss for the Period

As a result of the above factors, for the year ended December 31, 2021, our loss was RMB260.0 million, representing a decrease of RMB2,004.9 million from RMB2,264.9 million for year ended December 31, 2020, mainly due to (i) the fair value loss of financial liabilities at fair value through profit or loss (FVTPL) of nil, as compared with the one-time fair value loss of RMB1,694.5 million for the year ended December 31, 2020 attributable to the conversion of all of our preferred Shares upon Listing; and (ii) a decrease in share-based payments of RMB105.5 million as the share-based payments under the 2021 Share Option Scheme and 2021 Share Award Scheme we adopted during the year ended December 31, 2021 is significantly less than that of the RSU Scheme we adopted for the year ended December 31, 2020.

Working Capital and Source of Capital

Our primary uses of cash related to (i) upfront and milestone payments and fees incurred under the Novartis transaction and other in-licensing projects; (ii) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; (iii) spending with respect to the development of new manufacturing facilities and equipment of Suzhou Xiaxiang manufacture site, and (iv) expenses and costs for our daily operation and commercial promotion activities. We primarily funded our working capital needs through equity financing and also cash generated from (i) the sales of Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu and (ii) the sales-based royalty income in relation to Emadine® and Betoptic® S. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2021, our cash and cash equivalents amounted to RMB1,125.2 million (December 31, 2020: RMB2,034.3 million). The decrease in our cash and cash equivalents is primarily attributable to our primary uses of cash in the aspects stated above and placement of term deposits, partially offset by the funds raised from our top-up placing of Shares in January 2021. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of December 31, 2021, we did not have any borrowings (December 31, 2020: nil).

Capital Commitments

As of December 31, 2021, we have capital commitment of RMB27.9 million for the contracts in relation to the acquisition of property, plant and equipment (December 31, 2020: RMB197.5 million).

Contingent Liabilities

As of December 31, 2021, we did not have any contingent liabilities, guarantees or any litigation against it (December 31, 2020: nil).

Pledge of Assets

As of December 31, 2021, we pledged RMB20.0 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2020: RMB17.5 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2021, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisition and Disposal

On December 31, 2020, the Company and EyePoint entered into a share purchase agreement, pursuant to which the Company agreed to acquire 3,010,722 shares of EyePoint for a total consideration of approximately US$15.7 million (equivalent to approximately HK$121.8 million). EyePoint principally focuses on developing and commercializing innovative ophthalmic products for the treatment of serious eye diseases. Upon completion of such investment on January 1, 2021, the Company held approximately 16.6% of the enlarged total outstanding shares of EyePoint. Subsequent to such investment, as a result of share allotment and issue of new ordinary shares by EyePoint, the Group's shareholding in EyePoint was diluted from 16.6% to 10.5%.

As of December 31, 2021, the carrying amount of EyePoint as equity instruments at FVTOCI of the Group was approximately RMB235.0 million (December 31, 2020: nil). Accordingly, the fair value of such investment compared to the Group's total assets as of December 31, 2021 was approximately 7.1%. For the year ended December 31, 2021, no dividend related to such investment was received.

Saved as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2021.

Future Plans for Material Investments or Capital Assets

The Company did not have any future plans for material investments or capital assets as of December 31, 2021.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. Our Group currently implements foreign currency hedging measures under our funding and treasury policies.

Employees and Remuneration

As of December 31, 2021, we had a total of 244 employees (December 31, 2020: 136). For the year ended December 31, 2021, the total remuneration cost incurred, including the share-based payments, was RMB298.4 million (2020: RMB359.6 million). The following table sets forth a breakdown of our employees by function as of December 31, 2021:

Function	Number	Percentage of total employees
Commercial	101	41.4%
R&D	49	20.1%
Manufacturing	69	28.3%
Management and administrative	25	10.2%
Total	244	100%

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

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

The Company has also adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for the Group's employees.

The following is the text of valuation report and valuation certificate, prepared for the purpose of incorporation in this Circular received from Shanghai Dahua Appraisal Co., Ltd., an independent valuer, in connection with its valuation of the License Rights as at June 30, 2024.

Our Ref: HDHZPB(2024) No. 2054

Date: September 30, 2024

Ocumension Therapeutics

Attn.: Board of Directors

Dear Sirs/Madams,

Re: Valuation of License Rights for Ocumension Therapeutics

We enclose our valuation report (the "Valuation Report") in relation to the analysis of the fair market value ("FMV") in respect of the value of the rights under the acquisition of the Transferred Products and the in-licensing of the Licensed Products ("License Rights") as at June 30, 2024 (the "Valuation Date"). We understand that the analysis is prepared to assist in Ocumension Therapeutics (Shanghai) Co., Ltd (the "Client" or "You" or "Ocumension") and your holding companies in connection with your internal management and public circular purposes in accordance with the terms of the Engagement Agreement dated May 22, 2024, signed and agreed between the parties (the "Engagement Agreement").

In completing our work, we have relied on information and data (business forecast, etc.) provided by management of Ocumension. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market value of the License Rights.

This valuation is complied with the International Valuation Standards ("IVS") published by the International Valuation Standards Council.

1. PURPOSE OF VALUATION

We understand the purpose of our valuation is to express an independent opinion on the fair market value of the License Rights as at the Valuation Date. This report outlines our latest findings and value conclusion prepared solely for the management of Ocumension ("Management") for its internal management and public circular purpose only.

2. SCOPE OF WORK

- Asset Identification: Identify and analyze the License Rights to be valued, including their research status and economic benefits.

- Market Research: Conduct market research and gather data on comparable companies and industry benchmarks.

- Valuation Methodology: Select and apply appropriate valuation methods, such as the income, market, or cost approach.

- Financial Analysis: Discuss with the management to understand the status and future planning of the products, and analyze forecasts to estimate the future economic benefits of the assets.

- Report Preparation: Prepare a detailed valuation report, outlining the assets, methodologies, assumptions, and valuation conclusions.

- Quality Control: Review the valuation analysis and report to ensure accuracy and reliability.

- Client and External Coordination: Collaborate with the client and assist in responding to inquiries from regulatory authorities.

3. DEFINITION OF VALUE

FMV is defined as:

"The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."

FMV assumes no specific buyer or seller. FMV is a concept of value, which may or may not equal the "purchase/sale price" that could be obtained if the shares were sold in an actual transaction in the open market.

4. OVERVIEW OF THE LICENSE RIGHTS

The value of the License Rights includes the value of

(i) the Transferred Assets in respect of the 6 Transferred Products owned by Alcon Research, a wholly owned subsidiary of Alcon;

- **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.

(ii) the rights to develop, manufacture and commercialize the Pipeline Product owned by the Alcon Pharma in PRC ("Territory") and;

- The Pipeline Product, a novel TRPM8 agonist for dry eye, is a first-in-class topical treatment for dry eye disease (DED). It has shown significant improvements in tear production in pivotal U.S. studies (COMET-2 and COMET-3) with no serious adverse events, involving over 930 subjects in phase III trials. The product demonstrated rapid onset and sustained effectiveness, addressing a critical gap in DED treatment, with FDA submission expected by mid-2024. Following FDA approval, the Group plans to initiate a phase III clinical trial in China.

(iii) the rights to commercialize Commercial Product owned by Alcon Pharma in the Territory.

- **Systane® Ultra (Lubricant eye drops)**, endorsed by healthcare professionals, 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.

5. INDUSTRY OVERVIEW

China's Artificial Tears Market

The artificial tears market in China has experienced notable growth in recent years, driven by an increase in eye-related health concerns such as dry eye syndrome (DES). As lifestyles change with increased screen time and urbanization, the prevalence of eye strain and related conditions has surged, leading to greater demand for products that alleviate discomfort.

According to *Frost & Sullivan Analysis*, the market size for artificial tears in China has been growing at a compound annual growth rate (CAGR) of approximately 7-10% over the past five years.

The artificial tears market size is expected to see strong growth in the next few years. The anticipated growth in the forecast period can be attributed to several factors, including the increasing prevalence of dry eye syndrome, a rise in contact lens usage, the aging population, global urbanization leading to environmental factors such as pollution, and the growth of e-commerce. On the other hand, private medical institutions in ophthalmology in China are booming, and the disease diagnosis rate has been significantly improved.

China's Ophthalmic Surgery Market

China's ophthalmic surgery market is also expected to see substantial growth in the coming years. The increasing prevalence of cataracts, glaucoma, and refractive errors is driving the demand for surgical interventions. Cataract surgeries, in particular, are poised for significant expansion due to the aging population and the increasing availability of advanced surgical techniques and technologies.

The refractive surgery segment, including procedures like LASIK and SMILE, is also expected to grow as younger populations seek to reduce dependence on corrective lenses. According to a report by ReportLinker, the ophthalmic surgery market in China is expected to grow at a CAGR of 8-12% over the next decade, driven by rising incidence of eye diseases, improvements in healthcare infrastructure, and increasing disposable income that allows more people to afford elective surgeries.

Overall Ophthalmic Products Market

Both artificial tears and ophthalmic surgery market are part of the broader ophthalmic products sector, which has been expanding rapidly. According to *Frost & Sullivan Analysis*, the overall ophthalmic drug market in China was close to RMB26 billion in 2021. It is expected to exceed RMB100 billion by 2030, indicating a CAGR of approximately 18%.

6. VALUATION METHODOLOGY

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.

We have considered all three approaches to estimate the fair value of the rights in relation to the Transferred Products and 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 discounted cash flow – 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.

We 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.

7. DISCUSSION OF INCOME APPROACH ANALYSIS

7.1 Forecast period

For Transferred Products and the Commercial Product ("Commercialized Products"), as they are mature products, an expected life of 15 years was estimated by management. This forecast period aligns with the royalty term. These products are less impacted by patent expiry and are expected to maintain a relatively long sales period due to factors such as brand loyalty, established market presence, and potential extensions of market exclusivity.

For the Pipeline Product, a 15-year market life post-launch was assumed. This projection considers the duration of patent protection, market dynamics, and the likely emergence of market competition, including generic entrants and new innovative therapies, which could impact the drug's market share and profitability over time.

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

7.2 Forecast of Commercialized Products

HK$ million	2024 July-Dec	2025	2026	2027	2028	2029	2030	2031
Revenue	114	435	517	616	715	825	916	1,019
Less: COGS and operating expenses	(82)	(313)	(376)	(435)	(522)	(596)	(665)	(733)
Profit before tax	**32**	**122**	**141**	**182**	**192**	**229**	**251**	**287**
Less: Income tax	(6)	(21)	(24)	(31)	(33)	(39)	(43)	(49)
Net profit	27	101	116	151	159	190	208	238
Less: Return of contributory assets	(1)	(3)	(4)	(5)	(5)	(6)	(7)	(8)
Free cash flow	26	98	113	146	154	184	201	230
Discount period	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0
Discount factor	1.0	0.9	0.7	0.6	0.5	0.5	0.4	0.3
Present value of free cash flow	**25**	**84**	**83**	**92**	**84**	**86**	**80**	**79**

HK$ million	2032	2033	2034	2035	2036	2037	2038	2039
Revenue	1,099	1,190	1,256	1,335	1,379	1,406	1,414	942
Less: COGS and operating expenses	(794)	(853)	(895)	(951)	(990)	(1,010)	(1,018)	(676)
Profit before tax	**305**	**337**	**361**	**384**	**389**	**396**	**396**	**267**
Less: Income tax	(52)	(58)	(62)	(65)	(66)	(68)	(68)	(46)
Net profit	253	279	299	318	322	328	328	221
Less: Return of contributory assets	(8)	(9)	(10)	(10)	(11)	(11)	(11)	(7)
Free cash flow	244	270	290	308	312	317	317	214
Discount period	8.0	9.0	10.0	11.0	12.0	13.0	14.0	14.8
Discount factor	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Present value of free cash flow	**72**	**68**	**63**	**57**	**50**	**44**	**37**	**22**

Note: 2039 is partial year based on 15 years after the first commercial sale.

7.2.1 Revenue of Commercialized Products

The Commercialized Products can be categorized into artificial tears products ("AT") and surgical products ("PRx"). 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. These parameters were back-tested against historical periods to assess their accuracy, and the results are not materially different from the actual revenue provided by Alcon. This alignment indicates that the parameters and the underlying calculation logic are reasonably sound and reliable for forecasting purposes. The unit prices of the Commercialized Products are predicted to decline gradually based on current selling price,

reflecting a general price adjustment of medicines in national medical insurance catalog. Importantly, these mature products are not expected to be significantly impacted by patent expiration or centralized procurement. Details of revenue forecast are listed as below.

Revenue of Artificial Tears Products

Artificial Tears Products include Systane Ultra (Lubricant eye drops), Bion Tears (Lubricant eye drops), Tears Naturale Forte (Lubricant eye drops) and Tears Naturale II (Lubricant eye drops), and are used for the treatment of moderate to severe dry eye disease ("DED"). The number of patients with moderate to severe dry eye is calculated based on the projected population of China, prevalence of dry eye by symptoms and signs, the diagnosis rate of dry eye disease, and the proportion of moderate to severe cases among diagnosed patients, where:

- The population projections for China are derived from data provided by the National Bureau of Statistics and the "Notice of the State Council on Printing and Distributing the National Population Development Plan (2016-2030)."

- The prevalence of dry eye by symptoms and signs, diagnosis rate and the patient proportions are based on multiple industry literature sources.

  – The prevalence of dry eye by symptoms and signs was based on the median figure in the relevant literature. As dry eye is associated with age, air pollution and diabetes etc., the prevalence rate is expected to grow by 1.5% over the forecast period due to the increasing population exposed to the risk factors.

  – The current diagnosis rate for DED in China is approximately 50%. With increasing medical awareness and affordability, the diagnosis rate in China is expected to gradually approach the current rate in the U.S., which is around 70%.

  – The proportion of patient with moderate-severe DED is based on relevant data in the international ophthalmology journal, and is forecasted to remain stable in the forecast period.

- Given that the global incidence of dry eye disease (DED) is relatively consistent across different regions, we have conducted a comparative analysis to exam reasonability of our projections. Specifically, we aligned the historical diagnosis rate, prevalence of DED, and the affected population in China with the corresponding data disclosed in U.S. literature. This approach allowed us to benchmark the Chinese market against well-documented trends in the U.S., a country with extensive research and data on DED. The comparative analysis showed that the patterns observed in China are consistent with those in the U.S., and no significant discrepancies or irrationalities were identified.

- The current market share of each product is based on IQVIA CHPA database. The Management forecasts varying growth rates in market share across different products. Systane, as a flagship product, is expected to receive a larger allocation of resources of Ocumension Therapeutics (the "Company"), positioning it as the fastest-growing artificial tear product in the portfolio. The market share for Systane is projected to increase by an average of approximately 1.4% annually over the forecast period, reflecting its strategic importance and the Company's focus on expanding its market presence.

The revenue forecast of AT is expected to show a significant growth over the next 15 years, and can be divided into 3 phases. The initial five years indicate rapid expansion in revenue with a compound annual growth rate (CAGR) of 24.0%. The CAGR is expected to moderate to 10.5% in the subsequent five years and further slow to 3.2% in the final five-year period. In the early years, the significant increase in investment in the sales force leads to a substantial boost in sales performance. However, as time progresses, the marginal utility of this investment diminishes. The market begins to saturate, and growth stabilizes. Eventually, the growth rate levels off and aligns more closely with the long-term CPI growth rate, reflecting a mature and steady market environment where the impact of additional sales efforts is less pronounced.

This growth is primarily driven by the expansion of the sales team, increased channel presence in private and public hospitals, and online sales. Additionally, leveraging the strong logistics network of business partner of the Company has also played a crucial role.

Revenue of surgical (PRx) products

Alcaine

Alcaine is formulated for short-duration corneal anesthesia. The revenue for Alcaine is projected based on China's population forecast, the cataract surgery rate, the penetration rate of topical anesthetics, and the market share of Alcaine.

- The population projections are derived from data provided by the National Bureau of Statistics;

- The cataract surgery rate is based on relevant data disclosed in the ophthalmology journal. With an improved access to affordable cataract surgery in China, this number is expected to rise rapidly in the future and will be on par with current CSR of USA; and

- The current market penetration rate is based on IQVIA CHPA database. The penetration rate for Alcaine is projected to increase by an average of approximately 0.6% annually over the forecast period.

Fluorescite

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. The revenue for Fluorescite is projected based on the predicted number of patients with four diseases: wet Age-related Macular Degeneration (wAMD), Diabetic Macular Edema (DME), myopic Choroidal Neovascularization (mCNV), and Retinal Vein Occlusion (RVO). The projection also takes into account the average diagnosis rate, the penetration rate of retinal diagnostic tracers, and the market share of Fluorescite.

- The prevalence of wAMD, DME, mCNV and RVO is based on relevant data disclosed in the ophthalmology journal, and is forecasted to remain stable in the forecast period, except for the wAMD rate. Since wAMD is an age-related disease, the prevalence of wAMD is expected to see a slight increase as the population ages further.

- According to industry literature, the average diagnosis rate is relatively high. It is projected to increase by approximately 5% over the next 15 years during the forecast period. The penetration rate of retinal diagnostic tracers will remain low as the medical practice is anticipated to remain unchanged.

- The current market penetration rate is based on IQVIA CHPA database. The penetration rate for Fluorescite is projected to increase by an average of approximately 0.6% annually over the forecast period.

Cyclogyl

Cyclogyl is used for pupil dilation in myopic patients. Its revenue projection is based on the number of myopic patients under 20 years old in China, the diagnosis and treatment rate of myopia in China, the proportion of patients visiting hospitals, and the market share of Cyclogyl.

- The assumptions for calculating patient number were based on various industry literature. Although the population of adolescents in China is expected to decline, the incidence of myopia is rising. As a result, the overall number of myopic patients requiring dilated eye exams is projected to remain relatively stable over the next 15 years.

- Market research shows that most of the Chinese prefer going to traditional eyeware shops rather than medical institutions to perform their regular eye checks and prescription glasses. However, the proportion of myopia patients visiting ophthalmological centers will further grow due to increasing needs of more accurate, comprehensive optical examinations.

- The current market penetration rate is based on IQVIA CHPA database. The market share of Cyclogyl is small, and the market share is expected to increase slightly in the future.

The revenue of PRx product is forecast to increase moderately in the next 15 years, with a CAGR of 5.3%. The growth of PRx products is primarily driven by increased sales efforts and the expansion of distribution channels. However, its growth rate remains lower than that of AT products. This disparity is largely due to the limited increase in the number of surgeries, which constrains the overall market potential for surgical products.

7.2.2 Cost of goods sold and operating expenses of Commercialized Products

Cost of goods sold

Cost projections of the Commercialized Products are based on the supply agreement prices. While the Company has potential plans for in-house production of certain products after the transition period, there is high uncertainty related to the costs and capital investments under in-house production. To estimate the cost of goods sold under in-house production, the management needs to predict (a) material cost, labor cost and overhead and their changes in the future, (b) capital expenditure related to machinery and equipment, and potentially buildings, both of which are difficult the predict at the current stage. Therefore, procurement prices from Alcon are used as the cost basis throughout the forecast period.

As part of cross-check analysis, comparable companies are selected based on factors such as industry relevance, business model similarities, and region of operation. In the case of the Company, we have chosen pharmaceutical companies operating in China, with a particular focus on those that include ophthalmology products in their portfolio. These companies serve as a fair and reasonable basis for comparison as they provide benchmarks for estimating costs associated with the Commercialized Products and Pipeline Products. By analyzing the profit margin of these comparable companies, we can derive cost estimates that reflect the typical expenditures in the industry, ensuring that our projections are grounded in real-world data and market trends.

Over the past three years, comparable companies have demonstrated an average gross margin between 59% and 89%, with an average of 76.9% (shown in the table below). The projected gross margin for the Commercialized Products over the forecast period averages at approximately 64%, falling within the market range.

Company name	Stock code	3-year average Gross margin
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	77.6%
The Company	HKEX:1477	63.0%
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	58.6%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	84.5%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	89.2%
Essex Bio-Technology Limited	HKEX:1061	88.6%
High		**89.2%**
Average		**76.9%**
Low		**58.6%**

Sales & marketing expenses

For the Commercialized Products, the sales and marketing expense ratio starts at 25% of revenue, gradually reducing to 22% as sales stabilizes. The ratio is generally reference to those of the comparable companies. The average ratio of sales and marketing expenses as percentage of revenue of the comparable companies in the past three years ranged from 22% to 56%, with an average of 38% (shown in the table below). Since those products are mature products, a certain level of brand recognition and market presence has been established. Coupled with the Company's existing sales channels and sales force, the additional investment in sales resources is relatively small. As a result, a low ratio from the comparable companies is adopted.

Company name	Stock code	3-year average selling expense ratio
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	36.3%
The Company	HKEX:1477	nmf
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	22.1%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	34.7%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	38.4%
Essex Bio-Technology Limited	HKEX:1061	56.0%
High		**56.0%**
Average		**37.5%**
Low		**22.1%**

Note: The Company is excluded (marked as "not meaningful – nmf") because its revenue is relatively small and its expense ratio exceeds 100%.

General and Administrative expense

The general and administrative expenses for the first year of commercial sale are projected to be 2% of revenue. From the second to the fifth year, these expenses are expected to increase annually by 8%, reflecting the investment in management and support functions required to sustain growth. Starting from the sixth year, the growth rate of general and administrative expenses is anticipated to gradually decline, reaching a stable growth rate of 3% by the fifteenth year. This reduction in growth rate is attributed to the achievement of economies of scale, optimization of operational efficiencies, and the maturation of administrative functions.

The average ratio of general and administrative expenses as percentage of revenue of the comparable companies in the past three years ranged from 10.8% to 21.2%, with an average of 13.1% (shown in the table below). The general and administrative expenses as a percentage of revenue adopted in the financial forecast are lower than those of comparable companies, as the listed companies have some general and administrative activities at the company level, while the ratio adopted in the valuation analysis is at the asset level. According to the Management, the Company's current general and administrative expenses are sufficient to support the operations of the business post-acquisition. The additional 2% investment is considered as a supplement to ensure operational flexibility and is based on management's experience with other products and estimated management efforts.

Company name	**Stock code**	**3 year average G&A expense ratio**
Shenyang Xingqi Pharmaceutical Co., Ltd.	SZSE:300573	10.9%
The Company	HKEX:1477	nmf
Zhejiang Shapuaisi Pharmaceutical Co., Ltd.	SHSE:603168	21.2%
Jiangsu Hengrui Medicine Co., Ltd.	SHSE:600276	10.8%
Chengdu Kanghong Pharmaceutical Group Co., Ltd	SZSE:002773	11.4%
Essex Bio-Technology Limited	HKEX:1061	11.3%
High		**21.2%**
Average		**13.1%**
Low		**10.8%**

Note: The Company is excluded (marked as "not meaningful – nmf") because its revenue is relatively small and its expense ratio exceeds 100%.

Royalty fees and milestone payment

Royalty fees of Commercialized Products are calculated based on the rates stipulated in the Asset Purchase Agreement and License Agreement, in conjunction with the projected sales revenue.

Additionally, since the sales & marketing expense and general and administrative expenses are incurred by affiliated companies in Mainland China, these expenses will be charged to Ocumension HK with a certain markup. The markup is subject to the taxation of Mainland China.

Research and development expenses of Commercialized Products

Given that the Commercialized Product have been on the market for several years, there will be no need for future investment in research and development.

7.3 Forecast of Pipeline Product

7.3.1 Revenue of Pipeline Product

The Pipeline Product is an anti-inflammatory medication used for the treatment of moderate to severe DED. Its revenue projection is based on the number of diagnosed moderate to severe dry eye patients, the penetration rate of anti-inflammatory and other treatments in DED eye drops, and the market share of the Pipeline Product. The estimated number of diagnosed moderate-severe dry eye patients is the same as calculated under the revenue forecast of the Commercialized Products.

As this product has not yet been commercially launched, its sales estimates primarily reference to a comparable product, CyclosporineA (CsA). Both the Pipeline Product and CsA are anti-inflammatory treatments for moderate-to-severe dry eye disease. In China, cyclosporine has already been included in the National Reimbursement Drug List (NRDL) and has entered a stable growth phase, providing historical data reference. The Pipeline Product, featuring a dual mechanism of action, offers advantages in treatment efficacy and user experience.

In order to increase market share, the Company anticipates to participate in the National Reimbursement Drug List (NRDL) negotiation in 2029. According to statistics by NHSA, 80% of new drugs are able to be included in the NRDL within two years of their market launch. Therefore, the Company expects that Pipeline Product will be added to the NRDL by 2030. Additionally, considerations have been made regarding the impact of entering the NRDL on both sales volume and pricing.

- The penetration rate is determined based on the 2023 CHPA database, where anti-inflammatory and dry eye drugs with new mechanism account for approximately 30% of the total. It is expected to increase by 1% each year, from 25% to 37% over the forecast period. The increase in penetration is primarily based

on historical data for similarly status products, such as the annual growth rate calculated based on the difference between cyclosporine's first year of penetration in China and the current penetration rate in the United States (considered as the upper limit of penetration).

- Entering the NRDL typically means significant price reductions and an increase in market share. In the year of entering the NRDL, the unit price of sales is expected to fall by 50%. Based on statistics by IQVIA, during 2017 to 2023, the average price cut of newly added drugs to NRDL ranged from 44%-62%. Considering that the Pipeline Product is a new drug that has been launched for less than two years, a 50% price cut is adopted, which is slightly lower than the average reduction.

- In the year of entering the NRDL, the volume of sales is expected to increase by about 450%. According to Yaozhi Analysis, the median increase in sales of chemical drugs after entering NRDL is approximately 1,500%. The sales volume of cyclosporine products, which is comparable product of the Pipeline products, increased by 1,700% in the second year after entering NRDL. The current sales estimates are based on data from comparable products and a conservative assessment of future market competition.

With substantial sales expenses incurred during the initial launch phase, the Pipeline Product is expected to generate approximately HK$180 million in revenue in 2029, the first full year of sales. In 2030, the year the product enters the NRDL, sales are projected to increase significantly, reaching approximately HK$530 million. After this period of rapid growth, sales are expected to slow down, with a CAGR of 4.2% from 2031 to 2042, and reach approximately HK$920 million by 2042. The forecast of the Pipeline Product is subject to further adjustment of success rate as discussed under "Success Rate".

The future growth of the Pipeline Product is primarily driven by several factors: its suitability for adolescents and superior user experience, which give it an edge in market share compared to other treatments; the Company's significant sales efforts and established distribution channels; and the broad target audience for dry eye treatment, with a growing number of diagnosed patients. These factors together are expected to significantly boost the product's market presence.

7.3.2 Cost of goods sold and operating expenses of Pipeline Product

Cost of goods sold

Cost projections of the Pipeline Product is based on the supply agreement prices. While the Company has potential plans for in-house production of the Pipeline Products after pivotal study, there is high uncertainty related to the costs and capital investments under in-house production. To estimate the cost of goods sold under in-house production, the management needs to predict (a) material cost, labor cost and overhead and their changes in the future, (b) capital expenditure related to machinery and equipment, and potentially buildings, both of which are difficult the predict at the current stage. Therefore, procurement price from Alcon is used as the cost basis throughout the forecast period.

After entering the national medical insurance catalog, the Pipeline Product is expected to achieve gross margins of approximately 80%, which is within the range of the average gross margins of comparable companies over the past three years.

Sales & marketing expenses

The Pipeline Product, newly introduced to the market, requires significant initial marketing investments, which is projected at 46% of revenue. Over the subsequent 15-year period, these expenses are forecasted to decline annually, reaching a sustainable level of 26% as market penetration stabilizes and brand awareness expands. Over the lifecycle of the product, the sales and marketing ratios are expected to decrease from mid to high levels within the industry to comparatively lower levels, reflecting increased efficiency and optimized resource utilization as the business matures.

General and Administrative expense

The ratio of general and administrative expenses to revenue for the pipeline product is expected to be consistent with that of the Commercialized Products. This indicates that the Company has effectively managed its operational efficiency across both established and developing product lines.

Royalty fees and milestone payment

Royalty fees and milestone payment are calculated based on the rates stipulated in the Asset Purchase Agreement and License Agreement, in conjunction with the projected sales revenue.

Similarly, the sales & marketing expense and general and administrative expenses will be charged to Ocumension HK with a certain markup by affiliated companies in Mainland China. The markup is subject to the taxation of Mainland China.

Research and development expenses of Pipeline Product

As the Pipeline Product is currently in the clinical trial phase, the management anticipates future clinical stage research and development expenditures. A total of HK$95.4 million in R&D and registration expenses will be required for the Pipeline Product from 2024 to 2027. Approximately HK$56.7 million is budged for clinical research expenses, which are calculated based on the estimated number of participants (300 patients) and the per-person cost. The per person cost is based on the cost per person budget for the clinical trial of another pipeline dry eye drug of the Company. The remaining HK$38.7 million will be used for the registration phase, which includes non-clinical research expenses (HK$11 million), pharmaceutical R&D and production (HK$5 million), domestic outsourcing of raw material research and production (HK$18 million), and registration fees (HK$5 million). The forecast is primarily based on the Company's past project data.

7.3.3 Success rate of the Pipeline Product

Based on the financial forecast and discount rate discussed above and success rate, the fair market value of the License Right of Pipeline Product as at the Valuation Date is calculated to be approximately HK$183.1 million, on the condition that the Pipeline Product is launched successfully as expected. A success rate is applied to the financial forecast of the Pipeline Product to reflect uncertainty.

The Product is currently in Phase III of clinical trials in China as at the Valuation Date, but the FDA submission in US is expected to be in mid-2024. Therefore, a success rate of 60% was adopted, which is referenced to historical statistics of clinical development success rate of ophthalmology drugs from clinical trial to regulatory approval and commercialization.

7.4 Tax

The tax assumptions and calculation method applied to the Commercialized Products and the Pipeline Product are the same.

As the intangible assets is acquired by 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%.

7.5 Contributory assets charge

The assumptions and calculation method of contributory assets charge are the same for the Commercialized Products and Pipeline Products.

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. Therefore, it is necessary to determine the required return rate for each contributory asset.

The contributory assets for the subject products include net working capital, fixed assets, and assembled workforce. When determining the required return rate for each contributory asset, factors such as the type of asset, the company's cost of capital, the company's capital structure, and whether the asset can serve as collateral for debt financing are typically considered. An appropriate proportion between the cost of debt capital and the cost of equity capital is selected. Specific asset risks and market interest rates are considered when calculating the return on contributory assets. The required return rates on contributory assets are as follows.

The required return on these assets multiplied by the contributory assets is expressed as a percentage of sales in our analysis. The returns on working capital, fixed assets and assembled workforce are calculated to be approximately 0.8% of revenue in total.

7.6 Discount rate

The weight average cost of capital (the "WACC") was adopted as the benchmark discount rate in valuing the market value of the License Rights.

We have selected six companies listed in China and Hong Kong stock exchange that are engaged in the research, development, production, and sales of ophthalmic drugs as our comparable companies.

Under the multi-period excess earnings method, the fair value of an intangible asset is obtained by discounting the excess earnings. The discount rate for intangible assets is generally based on the company's WACC. It comprehensively considers the risk profile of the intangible asset compared to the overall company risk, adding an appropriate risk premium. We believe that the intangible asset risk of the target patent is slightly higher than the company's overall operational risk; therefore, a 1.0% risk premium was added to the company's WACC.

The company's weighted average cost of capital is calculated using the WACC model. The formula is: $WACC = r_d \times (1 - t) \times w_d + r_e \times w_e$

Where:

- r_d – Cost of debt capital, determined by the loan prime rate for 5 years and above in China as of the valuation date.
- W_d – Proportion of interest-bearing debt in total investment.
- r_e – Cost of equity capital.
- W_e – Proportion of equity in total investment.

The long-term equity-to-debt ratio of 22.1 is primarily determined by referencing the average level of comparable companies in the industry.

The cost of equity capital is determined using the Capital Asset Pricing Model (CAPM), with the formula as below. $r_e = r_f + \beta_e \times r_m + \varepsilon$

Where:

- r_e – Risk-free return rate of 2.36%, determined by the yield of 20-year Chinese government bonds as of the valuation date.
- r_m – Equity market risk premium of 7.06%, based on the country market risk premium by Aswath Damodaran.
- β_e – Expected equity market risk coefficient of 0.9, obtained by researching and calculating the data from the comparable companies engaged in similar or related businesses, via S&P Capital IQ.

- ε – Non-systematic risk factors of 7.05%, including small company risk premium and specific risk premium. The small company risk premium is derived from the Kroll Cost of Capital Navigator, while the specific company risk premium is determined through a comprehensive analysis of the operational conditions and future financial forecasts of the evaluated assets.

Component	**Figure**	**Formula**
Debt to equity ratio	4.5%	a
Unleveraged beta	0.90	b
Risk free rate	2.36%	c
Equity risk premium	7.06%	d
Leveraged beta	0.93	e
Size premium	3.05%	f
Company specific risk premium	4.0%	g
Cost of equity	**15.97%**	**h=c+d∗e+f+g**
Pre-tax cost of debt	3.95%	i
Tax rate	16.5%	j
After-tax cost of debt	**3.30%**	**k=I∗(1-j)**
WACC (rounded)	**15.5%**	**L=h/(1+a)+k/(1+a)∗a**

The concluded WACC (rounded) is 15.5%. The discount for intangible assets is 16.5% after considering the premium for intangible assets.

7.7 Tax amortization benefit ("TAB")

The value of identifiable intangible assets, in addition to their economic value, typically also considers the tax deduction value generated from amortization if they were to be purchased separately. The tax benefit is the present value of the net cash flows after discounting with an appropriate discount rate, which represents the expected tax savings from amortizing the intangible asset.

The cash flow factor, or the tax savings attributable to the amortization of the identified intangible assets was calculated using the following formula:

$$CF_f = \left[\frac{L}{L - (\sum PVA \times T)}\right] - 1$$

Where,

CF_f = Cash flow factor; L = Tax life

PVA = Present value annuity factor ; T= tax rate

The Hong Kong statutory tax rate of 16.5% was selected in estimating the TAB.

8. 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.

9. CONCLUSION

Based on the valuation methodology adopted, we are of the opinion that the fair market value of the License Rights as of June 30, 2024 was HK$1,280.3 million. Among these, the fair market value of the License Rights related to AT products, PRx and Pipeline Products was HK$812.6 million, HK$284.6 million and HK$183.1 million respectively.

Based on the purpose of this valuation and the specific circumstances of the License Rights, the liquidity in market trading environment has not been considered in this valuation report.

We would like to remind the client, shareholders, and relevant parties to pay attention to the assumptions, limitations, and the "Special Considerations" section of the valuation report, as these factors may affect the valuation conclusion. Furthermore, the valuation conclusion should not be interpreted as a guarantee of the realizable price of the assessed assets.

10. SENSITIVITY ANALYSIS

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

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

11. CONDITIONS FOR THE VALIDITY OF THE VALUATION CONCLUSION

(a) The valuation conclusion is derived based on the above principles, assumptions, methodology, and procedures, and is valid only under the conditions where these principles, and assumptions hold true.

(b) This valuation report provides a value reference opinion only for the specific purpose of this valuation. It does not take into account other economic activities that could affect the valuation conclusion. Therefore, this valuation report and its conclusions generally should not be applied to other valuation purposes.

(c) The valuation conclusion fairly reflects the value of the License Rights as of the Valuation Date.

(d) The valuation conclusion does not take into account the impact of special transaction conditions on the valuation conclusion.

12. SPECIAL CONSIDERATIONS

(a) The financial projections used in the income approach for this valuation were provided by the management of the Company. The valuation results are based on the assumptions that these financial forecasts are reasonable and likely to be realized. The management is responsible for the authenticity, completeness, and accuracy of these forecasted financial data. We reviewed these projections and held multiple discussions with the company's management, finding no significant errors or unreasonable assumptions. Additionally, the financial forecasts used in this valuation should not be interpreted as a guarantee of the future profitability of the License Rights. Since forecasts often do not materialize as expected, there may be differences between the projections and actual results, which could be significant. If there are substantial discrepancies between actual operations and the forecasts, the valuation results should be adjusted or reassessed accordingly.

(b) As of the Valuation Date, no pending legal, economic litigation, or other unresolved matters were identified.

(c) The impact of potential liquidity discounts in the market trading environment on the value of the License Rights was not considered in this valuation.

(d) If there are defects that might affect the valuation of the License Rights, which we cannot reasonably be expected to identify without explicit disclosure from the Client and Alcon, we cannot be held responsible for related consequences.

(e) This valuation does not take into account or calculate the potential tax impact resulting from any special accounting treatments by the Company, nor the related tax implications due to changes in the value of the License Rights.

(f) Apart from the disclosures mentioned above, we did not find any defects in the economic activities corresponding to this valuation that could significantly impact the valuation conclusion.

(g) We advise the report users to consider the above special considerations and any significant post-valuation events that might affect the valuation conclusion and the related economic activities when using this report.

13. SOURCE OF INFORMATION

The information used in this valuation report has been gathered from a variety of reliable sources, including historical financial data from Alcon, and market research data, etc. Additionally, discussions with the Management were conducted to gain deeper insights into

operational strategies and market trends. Publicly available information, such as industry benchmarks and reports from comparable companies, was also utilized to ensure a comprehensive and accurate analysis.

In completing our work, we have relied on the integrity of the information and data supplied to us by the Management. We have not independently verified the information or documentation provided to us unless expressly stated in the report. Accordingly, we do not express an audit opinion on the information included in the report.

14. LIMITATIONS ON THE USE OF THE VALUATION REPORT

(a) This valuation report may only be used for the purposes specified within the report.

(b) Any excerpts, quotations, or disclosures of all or part of the contents of this valuation report in public media must be reviewed by the valuation firm, unless otherwise stipulated by laws, regulations, or agreements with the relevant parties.

(c) The effective period for using this valuation report is one year from the Valuation Date of June 30, 2024, with the valuation conclusion being valid until June 30, 2025.

Yours faithfully,
For and on behalf of Shanghai Dahua Appraisal Co., Ltd.
Pingchang Wang, CPV, CICPA
Partner

PROFIT AND LOSS STATEMENT OF THE ACQUISITION OF THE TRANSFERRED PRODUCTS AND IN-LICENCING OF LICENSED PRODUCTS

Pursuant to Rule 14.69(4)(b)(i) of the Listing Rules, a profit and loss statement of the Acquisition of the Transferred Products and In-licensing of the Licensed Products for the three preceding financial years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 (the "Relevant Financial Periods") on identifiable net income stream and valuation in relation to the Transferred Products and the Licensed Products which must be reviewed by the auditor or reporting accountant to ensure that such information has been properly compiled and derived from the underlying books and records.

Despite requests made by the Company with Alcon, Alcon refused to provide the underlying books and records of the Transferred Products and the Licensed Products except the revenue of the Transferred Products and the Licensed Products for the Relevant Financial Periods, but without the underlying books and records.

As such, the Company was unable to properly compile the profit and loss statement for the Transferred Products and the Licensed Products' net income stream in the Relevant Financial Periods in compliance with Rule 14.69(4)(b)(i) of the Listing Rules given the limited information available. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with the Rule 14.69(4)(b)(i), such that the following information be disclosed instead.

The financial information of the Transferred Products and the Licensed Products for each Relevant Financial Years set out below has been prepared by the Directors solely based on the information provided by Alcon and the experience of the Company's management in the ophthalmic pharmaceutical industry. Accordingly, it may not give a true picture of the performance of the Transferred Products and the Licensed Products actually occurred during the Relevant Financial Periods.

Pursuant to the information provided by Alcon, the revenue of the Transferred Products and the Licensed Products in respect of the three financial years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 would be US$30.6 million, US$35.1 million, US$38.7 million and US$15.4 million, respectively.

Based on the experience of the Company's management in the ophthalmic pharmaceutical industry, estimated cost of sales and selling and marketing expenses in relation to the sales of the Transferred Products and the Licensed Products in respect of the three financial years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 would be US$12.2 million, US$18.0 million, US$22.4 million and US$8.0 million, respectively.

We estimate the total amount of cost of sales and selling and marketing expenses based on the gross margin of the comparable companies ranging from 59% to 89% and ratio of selling and marketing expenses to revenue of the same comparable companies ranging from 22% to 56%. Further details of the comparable companies are set out in "Appendix III – Discussion of Income Approach Analysis – Forecast of Commercialized Products – Cost of goods sold and operating expenses of Commercialized Products" to this circular. Additionally, we communicated our estimated total amount of cost of sales and selling and marketing expenses with Alcon and compared to their preliminary gross margin of products and selling and marketing expenses incurred during the respective years and period.

After completion of the Transaction, the cost of products is determined by the Supply Price and royalty payment agreed between Alcon and us as well as the amortization of the rights acquired and licensed under the Transaction. Meanwhile we will invest significant resources to conduct the marketing and promotion activities in China. Therefore, it is possible that our future cost of sales and selling and marketing expenses could be different from our estimate above.

In accordance with Listing Rules 14.69(4)(b)(i), the Company engaged Deloitte Touche Tohmatsu, the auditor of the Company, to conduct certain procedures in respect of the revenue of the Transferred Products and the Licensed Products, in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised) "Agreed-upon Procedures Engagements" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were preformed solely to assist the directors in evaluating the accuracy of the sales revenue from the Pharmaceutical Products, and are summarised as follows:

1. To obtain a schedule of the revenue by the Transferred Products and Licensed Products for the three years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 from the management of the Company ("Revenue Summary by Product") and to check its arithmetical accuracy.

2. To obtain a schedule of monthly revenue of Transferred Products and Licensed Products by customer for the three years ended December 31, 2021 and 2022 and 2023, and three months ended March 31, 2024 from the management of the Company ("Monthly Revenue by Customer") and to check its arithmetical accuracy.

3. To obtain a schedule of revenue after deducting the discounts, rebates and other adjustments to the gross product revenue for the three years ended December 31, 2021, 2022 and 2023, and three months ended March 31, 2024 from the management of the Company ("Revenue with Gross-to-Net Adjustments") and to check its arithmetical accuracy.

The auditor of the Company reported their findings below:

(a) With respect to procedure 1, the auditor found Revenue Summary by Product obtained from the management of the Company for the three years ended December 31, 2021, 2022 and 2023 and three months ended March 31, 2024 is arithmetical accurate.

(b) With respect to procedure 2, the auditor found Monthly Revenue by Customer obtained from the management of the Company for the three years ended December 31, 2021, 2022 and 2023, and three months ended March 31, 2024 is arithmetical accurate.

(c) With respect to procedure 3, the auditor found Revenue with Gross-to-Net Adjustments obtained from the management of the Company for the three years ended December 31, 2021, 2022 and 2023, and three months ended March 31, 2024 is arithmetical accurate.

It should be noted that the auditors have been unable to access the underlying books and records of Alcon and accordingly, the auditors have been unable to verify whether or not the reported figures in the Revenue Summary by Product, Monthly Revenue by Customer and Revenue with Gross-to-Net Adjustments are free from material misstatement.

Because of the above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the Revenue Summary by Product, Monthly Revenue by Customer and Revenue with Gross-to-Net Adjustments.

Had the auditor performed additional procedures or had the auditor performed an assurance engagement of the Revenue Summary by Product, Monthly Revenue by Customer and Revenue with Gross-to-Net Adjustments in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to the auditor's attention that would have been reported to directors.

The Directors consider that the alternative disclosure as set out in Appendix IV of this circular in lieu of a profit and loss statement for the Transferred Products and Licensed Products' net income stream for the Relevant Financial Periods would not render this circular materially incomplete or misleading or deceptive.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF OCUMENSION THERAPEUTICS (THE "COMPANY") AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "GROUP") AFTER THE COMPLETION OF THE ACQUISITION AND IN-LICENSING

Regarding to the waiver we have applied and obtained on Rule 14.69(4)(b), we did not prepare the pro forma statement of profit and loss of the Group. The unaudited pro forma statement of net assets of the Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at June 30, 2024 extracted from the Company's interim report for the six months ended June 30, 2024 and adjusted for the effect of the Acquisition and In-licensing described in the accompanying notes, which are directly attributable and factually supportable and was prepared in accordance with paragraph 4.29 of the Listing Rules to illustrate how the Acquisition and In-licensing would affect the net assets of the Group as if the Acquisition and In-licensing had taken place on June 30, 2024.

As the unaudited pro forma statement of net assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it does not purport to present what the financial position of the Group would be on actual completion of the Acquisition and In-licensing.

	Before the Acquisition and In-licensing *RMB'000*	**Pro forma Adjustments** *RMB'000*	*Note*	**After the Acquisition and In-licensing** *RMB'000*
Non-current assets				
Property, plant and equipment	449,218			449,218
Right-of-use assets	21,807			21,807
Intangible assets	1,199,753	1,172,902	(1)	2,372,655
Equity instruments at FVTOCI	56,504			56,504
Deposits and prepayments	95,522			95,522
Financial assets at fair value through profit or loss	234			234
Current assets				
Inventories	78,814			78,814
Trade and other receivables	151,386			151,386
Bank balances and cash	972,907	(3,916)		968,991

	Before the Acquisition and In-licensing *RMB'000*	Pro forma Adjustments *RMB'000*	*Note*	After the Acquisition and In-licensing *RMB'000*
Current liabilities				
Trade and other payables	211,837	482		212,319
Lease liabilities – current	12,686			12,686
Income tax payables	418			418
Net current assets	978,166			973,768
Total assets less current liabilities	2,801,204			3,969,708
Non-current liabilities				
Contract liabilities	30,090			30,090
Lease liabilities – non-current	2,652			2,652
Net assets	2,768,462			3,936,966

Notes:

(1) The unaudited pro forma statement of net assets of the Group has been prepared to illustrate how the Acquisition and In-licensing would affect the net assets of the Group as if the Acquisition and In-licensing had taken place on June 30, 2024. The adjustment is to reflect the Acquisition and In-licensing at a reliable estimated fair value of RMB1,168,504,000 (equivalent to HK$1,280,300,000) in accordance with International Financial Reporting Standard 2 – *Share-Based Payment* and other directly attributable cost of acquisition of RMB4,398,000. In exchange of the Acquisition and In-Licensing, the Company issued 139,159,664 number of ordinary shares at the par value of US$0.00001 per share. For the purpose of the pro forma statement and based on the valuation report issued by Shanghai Dahua Appraisal Co., Ltd., as set out in Appendix III of this circular, it is assumed that the fair value of the rights of Transferred Products and Licensed Products as at June 30, 2024 approximate the cost of Acquisition and In-licensing. The rights of Transferred Products and Licensed Products are subject to the impairment assessment in accordance with International Accounting Standard 36 – *Impairment of Assets*, which defines recoverable amount to be the higher of value in use and fair value less costs of disposal.

(2) The exchange rates adopted for the purpose of the compilation of this unaudited pro forma financial information is HK$1 to RMB0.9127.

(3) No adjustment has been made to the unaudited pro forma statement of net assets as at June 30, 2024 to reflect any event or transaction of the Group entered into subsequent to June 30, 2024.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Ocumension Therapeutics

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ocumension Therapeutics (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of net assets as at June 30, 2024 and related notes as set out on pages V-1 to V-2 of the circular issued by the Company dated September 30, 2024 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the Transferred Products and in-licensing the Licensed Products on the Group's net assets as at June 30, 2024 as if the transaction had taken place at June 30, 2024. As part of this process, information about the Group's net assets has been extracted by the Directors from the Group's financial statements for the six months ended June 30, 2024, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 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' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 30, 2024

I. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN THE ANNOUNCEMENT

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's calculations of discounted future estimated cash flows that was included in the announcement of the Company dated August 12, 2024.

Deloitte. 德勤

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

II. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN THE CIRCULAR

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's calculations of discounted future estimated cash flows for inclusion in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE RIGHTS IN RELATION TO ACQUISITION OF TRANSFERRED PRODUCTS AND IN-LICENSING OF LICENSED PRODUCTS

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 September 30, 2024, of the rights in relation to Acquisition of Transferred Products and In-licensing of Licensed Products as at 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 circular dated September 30, 2024 to be issued by Ocumension Therapeutics (the "Company") in connection with the rights in relation to the Transferred Products and Licensed Products (the "Circular").

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 Circular (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 rights in relation to the Transferred Products and 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
September 30, 2024

I. LETTER FROM THE BOARD ON THE PROFIT FORECAST IN THE ANNOUNCEMENT

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

Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

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

II. LETTER FROM THE BOARD ON THE PROFIT FORECAST IN THE CIRCULAR

Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

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 circular (the "**Circular**") of the Company dated September 30, 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 September 30, 2024 (the "**Valuation Report**") as set out in Appendix III to the Circular 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 Circular.

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
September 30, 2024

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. SHARE CAPITAL

The authorized and issued share capital of the Company (a) as of the Latest Practicable Date; and (b) immediately upon Share Issue (assuming that there are no other changes in the issued share capital of the Company since the date of this circular and up to the Closing) are set out as follows:

(A) As of the Latest Practicable Date

Type of Shares	**Number of Shares**	**Par value of each Share**	**Nominal Value of Shares** *US$ (approximately)*
Authorized share capital:			
Ordinary Shares	5,000,000,000	US$0.00001	50,000
Total	**5,000,000,000**		**50,000**
Issued and fully paid or credited as fully paid:			
Ordinary Shares issued and outstanding	681,786,850	US$0.00001	6,817.87
Treasury Shares	11,868,000	US$0.00001	118.68
Total	**693,654,850**		**6,936.55**

(B) Immediately upon Share Issue (Assuming No Other Changes in the Issued Share Capital of the Company since the Date of this Circular and up to the Closing)

Type of Shares	Number of Shares	Par value of each Share	Nominal Value of Shares *US$ (approximately)*
Authorized share capital:			
Ordinary Shares	5,000,000,000	US$0.00001	50,000
Total	**5,000,000,000**		**50,000**
Issued and fully paid or credited as fully paid:			
Ordinary Shares issued and outstanding	681,786,850	US$0.00001	6,817.87
Treasury Shares	11,868,000	US$0.00001	118.68
Consideration Shares to be allotted and issued	139,159,664	US$0.00001	1,391.60
Total	**832,814,514**		**6,936.5485**

The Consideration Shares will rank *pari passu* in all respects with each other and with the Shares in issue at the time of Share Issue.

The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be issued will be listed on the Stock Exchange.

III. DISCLOSURE OF INTERESTS

(A) Directors and Chief Executive of the Company

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

Interests in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/underlying Shares	Approximate percentage of shareholding interest[(3)]
Mr. Ye LIU	Beneficial owner	76,112,990[(1)]	10.97%
Dr. Zhaopeng HU	Beneficial owner	4,182,420[(2)]	0.60%

Notes:

(1) Including (i) a total of 33,089,730 Shares directly held by him; (ii) 16,714,710 options that have been granted yet unexercised under the ESOP; (iii) RSUs representing 11,150,050 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iv) 10,828,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (v) 4,330,500 awards that have been granted yet unvested under the 2021 Share Award Scheme.

(2) Including (i) a total of 3,739,520 Shares directly held by him; (ii) 287,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (iii) 155,900 awards that have been granted yet unvested under the 2021 Share Award Scheme.

(3) The calculation is based on the total number of 693,654,850 Shares in issue (including 11,868,000 treasury Shares for the purpose of the SFO) as of the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options of the Company which remained outstanding as of the Latest Practicable Date.

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

(B) Substantial Shareholders

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

Interests in the Shares or underlying Shares of the Company

Name of Shareholders	Nature of interest	Total number of Shares/ underlying Shares	Approximate percentage in shareholding[7]
6 Dimensions Capital, L.P.[1]	Beneficial interest	119,890,000	17.28%
6 Dimensions Affiliates Fund, L.P.[1]	Beneficial interest	6,310,000	0.91%
6 Dimensions Capital GP, LLC[1]	Interest in controlled corporation	126,200,000	18.19%
Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)) ("**Suzhou Frontline II**")[2]	Beneficial interest	88,340,000	12.74%
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥))[2]	Interest in controlled corporation	88,340,000	12.74%
Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業 (有限合夥)) ("**Suzhou 6 Dimensions**")[2]	Beneficial interest	37,860,000	5.46%
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥))[2]	Interest in controlled corporation	37,860,000	5.46%
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司)[2]	Interest in controlled corporation	126,200,000	18.19%
Qiping ZHANG (張綺蘋)[2]	Interest in controlled corporation	126,200,000	18.19%
Summer Iris Limited[3]	Beneficial interest	78,214,230	11.28%
Boyu Capital Fund IV, L.P.[3]	Interest in controlled corporation	78,214,230	11.28%

Name of Shareholders	Nature of interest	Total number of Shares/ underlying Shares	Approximate percentage in shareholding[7]
Boyu Capital General Partner IV, Ltd.[3]	Interest in controlled corporation	78,214,230	11.28%
Boyu Capital Group Holdings Ltd.[3][4]	Interest in controlled corporation	82,979,730	11.96%
TLS Beta Pte. Ltd.[5]	Beneficial interest	36,032,400	5.19%
Temasek Life Sciences Private Limited[5]	Interest in controlled corporation	36,032,400	5.19%
Fullerton Management Pte Ltd[5]	Interest in controlled corporation	36,032,400	5.19%
Temasek Holdings (Private) Limited[5][6]	Interest in controlled corporation	41,309,400	5.96%

Notes:

(1) For the purpose of the SFO, 6 Dimensions Capital GP, LLC, as the general partner of each of 6 Dimensions Capital, L.P. and 6 Dimensions Affiliates Fund, L.P., is deemed to have an interest in the Shares held by each of 6 Dimensions Capital, L. P. and 6 Dimensions Affiliates Fund, L.P.

(2) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is the general partner of Suzhou Frontline II. Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is the general partner of Suzhou 6 Dimensions. Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) is the general partner of each of Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) and Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)), and is wholly held by Qiping ZHANG (張綺蘋). Qiping ZHANG (張綺蘋) is the mother-in-law of Dr. Lian Yong CHEN, the Chairman and non-executive Director of our Company.

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

(3) For the purpose of the SFO, each of Boyu Capital Fund IV, L.P. (as the sole shareholder of Summer Iris Limited), Boyu Capital General Partner IV, Ltd. (as the general partner of Boyu Capital Fund IV, L.P.) and Boyu Capital Group Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner IV, Ltd.) is deemed to have an interest in the 78,214,230 Shares held by Summer Iris Limited.

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

(5) TLS Beta Pte. Ltd. is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 36,032,400 Shares held by TLS Beta Pte. Ltd.

(6) For the purpose of the SFO, Temasek Holdings (Private) Limited is deemed to have an interest in the 5,277,000 Shares held by Aranda Investments Pte. Ltd., which in turn is ultimately controlled by Temasek Holdings (Private) Limited.

(7) The calculation is based on the total number of 693,654,850 Shares in issue (including 11,868,000 treasury Shares for the purpose of the SFO) as of the Latest Practicable Date but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any share options or convertible preference shares of the Company which remained outstanding as of the Latest Practicable Date.

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

IV. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

V. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2023 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as of the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

VI. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

VII. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business of the Group) which have been entered into by the Group within the two years immediately preceding the date of this circular:

(i) the Asset Purchase Agreement;

(ii) the Subscription Agreement;

(iii) the License Agreement; and

(iv) the Manufacture and Supply Agreement.

VIII. LITIGATION

As far as the Directors are aware, none of the members of the Group was at present engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as of the Latest Practicable Date.

IX. EXPERTS AND CONSENT

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

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
Shanghai Dahua Appraisal Co., Ltd.	Certified assets valuer
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, 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 to nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities with voting rights of the Company and its subsidiaries.

As of the Latest Practicable Date, to the best knowledge of the Directors, none of the experts had any direct or indirect interest in any assets which had been, since December 31, 2023 (being the date of the latest published audited accounts of the Group), acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

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

X. MISCELLANEOUS

1. The headquarters and principal place of business of the Company is located at No. 1858 Yinzhongnan Road, Guoxiang Subdistrict, Wuzhong District, Suzhou, Jiangsu Province, PRC.

2. The registered office of the Company is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

3. The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

4. The joint company secretaries of the Company include Mr. Tim RUAN and Ms. Tingchan CHEN, who is an associate member of The Hong Kong Chartered Governance Institute.

5. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

XI. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.ocumension.com**) for a period of 14 days from the date of this circular and will be made available for inspection on the date of the EGM:

(i) the Transaction Documents, including:

  (a) the Asset Purchase Agreement;

  (b) the License Agreement;

  (c) the Subscription Agreement; and

  (d) the Manufacture and Supply Agreement;

(ii) the letter from the Independent Board Committee, the text of which is set out on pages 86 to 87 of this circular;

(iii) the letter from Gram Capital, the Independent Financial Adviser, to the Independent Board Committee and the independent Shareholders, the text of which is set out from pages 88 to 121 of this circular;

(iv) the written consents of experts as referred to above in the paragraph headed "IX. Experts and Consent" of this Appendix VIII;

(v) the Valuation Report prepared by Shanghai Dahua Appraisal Co., Ltd., the Valuer, the text of which is set out in Appendix III to this circular;

(vi) the assurance report from Deloitte Touche Tohmatsu, the Reporting Accountants, in relation to unaudited pro forma financial information of the Group, the text of which is set out in Appendix V to this circular;

(vii) the assurance report from Deloitte Touche Tohmatsu, the Reporting Accountants, on the calculations of discounted future estimated cash flows, the text of which is set out in Appendix VI to this circular; and

(viii) the letters from the Board on the profit forecast, the text of which is set out in Appendix VII to this circular.

Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1477)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Ocumension Therapeutics (the "**Company**") will be held at 56th Floor, One Museum Place Office Building, No. 669 Xinzha Road, Shanghai, PRC on Wednesday, October 16, 2024 at 10:00 a.m. for considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated September 30, 2024.

ORDINARY RESOLUTIONS

To consider, and if thought fit, pass the following resolutions as ordinary resolutions:

"**THAT**,

1. the terms of the Transaction Documents dated August 12, 2024 and the Transaction contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;

2. subject to the fulfilment of the conditions precedent of the Share Issue, the Directors be and are hereby granted a specific mandate to allot and issue 139,159,664 Consideration Shares to Alcon Pharma as consideration for the Acquisition and In-Licensing;

3. the proposed annual caps (where applicable) in relation to the Transactions contemplated under the Transaction Documents be and are hereby approved; and

4. any one or more Director(s) be and is/are hereby authorized for and on behalf of the Company to sign, execute and deliver all such Transaction Documents (including under seal, where applicable), to do all other acts and things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Transaction Documents and the completion of the Transaction, and take such action as may in the opinion of the Director(s) be necessary, desirable or expedient to implement and give effect to or in connection with the Transaction Documents and the Transactions contemplated thereunder and the proposed annual

caps in relation thereto (where applicable), and to agree to such variation, amendments or waiver or matters relating to the Transaction Documents (including any variation, amendments or waiver of such Transaction Documents or any terms thereof) as is/are, in the opinion of such Director(s) or the duly authorized committee of the board of Directors, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, September 30, 2024

Registered Office:	*Principal place of business in the PRC:*	*Principal place of business in Hong Kong:*
The offices of Vistra (Cayman) Limited	No. 1858 Yinzhongnan Road	Unit 417, 4th Floor
P.O. Box 31119 Grand Pavilion	Guoxiang Subdistrict	Lippo Centre
Hibiscus Way	Wuzhong District	Tower Two
802 West Bay Road	Suzhou	No. 89 Queensway
Grand Cayman KY1-1205	Jiangsu Province	Admiralty
Cayman Islands	the PRC	Hong Kong

As of the date of this notice, 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.

Notes:

1. Ordinary resolutions numbered 2 and 3 will be proposed to the Shareholders for approval provided that ordinary resolution numbered 1 is passed by the Shareholders. Ordinary resolution numbered 4 will be proposed to the Shareholders for approval provided that ordinary resolutions numbered 2 and 3 are passed by the Shareholder.

2. A shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting. On a poll, votes may be given either personally or by proxy.

3. In the case of joint holders, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed

for the holding of the above meeting (i.e. no later than 10:00 a.m. on Monday, October 14, 2024, Hong Kong time) or any adjournment thereof. The completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

5. The transfer books and register of members of the Company will be closed from Tuesday, October 15, 2024 to Wednesday, October 16, 2024, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, October 14, 2024.

6. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. Votes on the ordinary resolutions set out herein which are to be passed at the EGM will be taken by way of poll.

8. References to dates and time in this notice are to Hong Kong dates and time.