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Zhaoke Ophthalmology Limited
兆科眼科有限公司

(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)
(Stock Code: 6622)

CONNECTED TRANSACTION ANNOUNCEMENT
RENEWAL OF THE LEASE AGREEMENT

This announcement is made by Zhaoke Ophthalmology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the provisions in relation to connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

INTRODUCTION

Reference is made to the prospectus of the Company dated April 16, 2021 (the “**Prospectus**”) in relation to the existing lease agreement (the “**Existing Lease Agreement**”) entered into by Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd. (兆科(廣州)眼科藥物有限公司) (“**Zhaoke Guangzhou**”), an indirect wholly owned subsidiary of the Company (as lessee), and Zhaoke Pharmaceutical (Guangzhou) Limited (兆科藥業(廣州)有限公司) (“**Lee’s Pharm Guangzhou**”), a subsidiary of Lee’s Pharmaceutical Holdings Limited (“**Lee’s Pharm**”) (李氏大藥廠控股有限公司) (as lessor). On March 1, 2022, Zhaoke Guangzhou has entered into a renewed lease agreement in relation to the leased premises with Lee’s Pharm Guangzhou (the “**Renewed Lease Agreement**”). The details of the Renewed Lease Agreement are as follows.

THE RENEWED LEASE AGREEMENT

Details of the Renewed Lease Agreement are as follows:

- Date of Agreement: March 1, 2022
- Parties: (i) Zhaoke Guangzhou (as lessee)
- (ii) Lee's Pharm Guangzhou (as lessor)
- Premises: The premises with a total gross area of approximately 11,258 sq.m. located at No. 1 of Meide 3rd Road, Zhujiang Industrial Park, Nansha District, Guangzhou, Guangzhou Province, PRC (中國廣東省廣州市南沙區珠江工業園美德3路1號) (the “**Leased Premises**”), including West District, 3rd floor of Building A (自編A棟3層西區) (“**Plot A**”), No 501, 5th floor of Building A (自編A棟5層501) (“**Plot B**”), 5th floor of Building B (自編B棟5層) (“**Plot C**”), B1 floor of Building A (自編A棟負一層) (“**Plot D**”), 2nd floor of Building B (自編B棟2層) (“**Plot E**”), self-built dangerous goods warehouse (自建的危險品倉庫) (“**Plot F**”) and District D, 2nd floor of Building B, (自編B棟2層D區) (“**Plot G**”).
- Term of Agreement: The term shall commence on August 1, 2022 and will expire on January 31, 2025 for Plot A. The term shall commence on March 1, 2022 and will expire on January 31, 2025 for Plot B, Plot C, Plot D, Plot E, Plot F and Plot G.
- Principal Terms: Lee's Pharm Guangzhou agreed to lease the Leased Premises to Zhaoke Guangzhou, for uses as office, manufacturing plant and warehouse.
- Rental Fee: An aggregate amount of approximately RMB657,987 per month (inclusive of maintenance fee) to be paid monthly.
- Pricing Policy: The Renewed Lease Agreement was entered into (i) in the ordinary and usual course of business of the Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rental being determined with reference to, among others, the prevailing market rental prices of comparable premises in the locality and the acreage of the Leased Premises.

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with the International Financial Reporting Standards 16 (the “**IFRS 16**”), the Company will recognize a right-of-use asset on its balance sheet in connection with the lease of the properties from Lee’s Pharm Guangzhou. Therefore, the lease of the Leased Premises from Lee’s Pharm Guangzhou under the Renewed Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the IFRS 16, the right-of-use asset will be recognized in the consolidated financial statements of the Group in respect of the Leased Premises under the Renewed Lease Agreement with an estimated value of approximately RMB14.8 million.

LISTING RULES IMPLICATION

As of the date of this announcement, Zhaoke Guangzhou is indirectly wholly owned by the Company, and Lee’s Pharm Guangzhou is an indirect wholly owned subsidiary of Lee’s Pharm, a substantial shareholder of the Company (as defined in the Listing Rules). Therefore, Lee’s Pharm Guangzhou is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Renewed Lease Agreement entered into by Zhaoke Guangzhou and Lee’s Pharm Guangzhou constitute connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentages ratios set out in Rule 14.07 of the Listing Rules in respect of the estimated value of the right-of-use asset to be recognized by the Group in connection with the Renewed Lease Agreement exceeds 0.1% but less than 5%, the Renewed Lease Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independence financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

It is a common practice in the pharmaceutical industry that a pre-profit biotech company, like the Company, operates by leasing premises instead of constructing its own premises, so as to input a substantial part of its cash flow into the research and development activities, especially when the Company is a pre-profit biotech company with over 20 proprietary pharmaceuticals in the R&D process. Zhaoke Guangzhou has been leasing the Leased Premises from Lee’s Pharm Guangzhou, for uses as office, manufacturing plant and warehouse. Given any relocation of facility or change of the current arrangements under the Existing Lease Agreement may cause disruption to the Company’s business operation and incur additional relocation costs, it is cost efficient and beneficial to the Company’s operations to continue to lease the premises from Lee’s Pharm Guangzhou.

The directors of the Company (“**Directors**”) (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the Renewed Lease Agreement is entered into in the ordinary course of business of the Company, on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

Dr. Li Xiaoyi and Ms. Leelalertsuphakun currently hold directorships in Lee’s Pharm and thus have material interests in the Renewed Lease Agreement and the transactions contemplated thereunder. Dr. Li Xiaoyi and Ms. Leelalertsuphakun Wanee have therefore abstained from voting on the resolution of the board of Directors (the “**Board**”) in relation to the Renewed Lease Agreement. Save as Dr. Li Xiaoyi and Ms. Leelalertsuphakun Wanee, none of the other Directors have any material interest in the Renewed Lease Agreement and the transactions contemplated thereunder which require any of them to abstain from voting on the Board resolution in relation to the Renewed Lease Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

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

Lee’s Pharm Guangzhou is a limited liability company established in the PRC on March 3, 2011, and is currently operating a manufacturing site in Nansha District, Guangzhou of the PRC which include a complete range of solid dosage production lines for the development and manufacturing of tablets and capsules. As of the date of this announcement, Lee’s Pharm Guangzhou is an indirect wholly owned subsidiary of Lee’s Pharm, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 00950).

ABOUT THE COMPANY

The Company is an ophthalmic pharmaceutical company dedicated to the research, development and commercialization of therapies that address significant unmet medical needs in China. Leveraging the deep domain expertise, the Company has built a comprehensive ophthalmic drug pipeline of 25 candidates that covers most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. The Company has also established an advanced ophthalmic manufacturing facility and is assembling an experienced marketing team in anticipation of near-term product launch. The Company's goal is to become a leader in China and the neighboring ASEAN (Association of Southeast Asian Nations) marketplace.

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

Hong Kong, March 1, 2022

As at the date of this announcement, the Board of directors of the Company comprises Dr. Li Xiaoyi and Mr. Dai Xiangrong as executive Directors, Ms. Leelalertsuphakun Wanee, Ms. Tiantian Zhang, Ms. Cai Li and Mr. Chen Yu as non-executive Directors, and Mr. Wong Hin Wing, Prof. Lo Yuk Lam and Dr. Tam Lai Fan Gloria as independent non-executive Directors.