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EVEREST MEDICINES

云 頂 新 耀

Everest Medicines Limited

雲 頂 新 耀 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1952)

**(1) MAJOR TRANSACTION IN RELATION TO THE
TERMINATION AND TRANSITION SERVICES AGREEMENT
AND
(2) CHANGE IN USE OF PROCEEDS
FROM THE GLOBAL OFFERING**

(1) MAJOR TRANSACTION

TERMINATION AND TRANSITION SERVICES AGREEMENT

The Board is pleased to announce that on 15 August 2022, the Company, Everest Medicines II and Everest SG, each a wholly-owned subsidiary of the Company, entered into a Termination and Transition Services Agreement with Immunomedics, a wholly-owned subsidiary of Gilead, pursuant to which each of the parties has conditionally agreed to effectuate the Transaction for the Consideration in the aggregate amount of up to approximately US\$455 million (equivalent to approximately RMB3,067 million) comprising (i) an upfront payment of US\$280 million (equivalent to approximately RMB1,887 million) and (ii) milestone payments of up to US\$175 million (equivalent to approximately RMB1,180 million) in aggregate, subject to the terms and conditions of the Termination and Transition Services Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Transaction will be subject to the approval by the Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Transaction and the Termination and Transition Services Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Transaction and the Termination and Transition Services Agreement.

A circular containing, among other things, further details of the Transaction and the Termination and Transition Services Agreement, a notice convening the EGM and other information required under the Listing Rules will be despatched to the Shareholders on or before 30 September 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Transaction is subject to the terms and conditions under the Termination and Transition Services Agreement, the Transaction may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Annual Report of the Company in relation to the use of net proceeds from the Global Offering. As disclosed in the Annual Report, the net proceeds received by the Company from the Global Offering were approximately HK\$3,795 million.

In light of the Transaction and having considered the prospects that the Transaction may bring to the Group and the reasons for and benefits of the Transaction as set out in the section headed "Reasons for and Benefits of the Termination and Transition Services Agreement" in this announcement, in order to better allocate and utilize its financial resources and to capture favorable investment opportunities, which may complement the Group's existing pipeline assets, the Board has reviewed the intended use of the Unutilised Net Proceeds and resolved to reallocate the Unutilised Net Proceeds subject to, among other things, the Transaction and the Termination and Transition Services Agreement, are approved by the Shareholders at the EGM.

(1) MAJOR TRANSACTION

INTRODUCTION

The Board is pleased to announce that on 15 August 2022, the Company, Everest Medicines II and Everest SG, each a wholly-owned subsidiary of the Company, entered into a Termination and Transition Services Agreement with Immunomedics, a wholly-owned subsidiary of Gilead, pursuant to which each of the parties has conditionally agreed to effectuate the Transaction for the Consideration in the aggregate amount of up to approximately US\$455 million (equivalent to approximately RMB3,067 million) comprising (i) an upfront payment of US\$280 million (equivalent to approximately RMB1,887 million) and (ii) milestone payments of up to US\$175 million (equivalent to approximately RMB1,180 million) in aggregate, subject to the terms and conditions of the Termination and Transition Services Agreement.

THE TERMINATION AND TRANSITION SERVICES AGREEMENT

Date

15 August 2022

Parties

- (i) Immunomedics;
- (ii) the Company;
- (iii) Everest Medicines II; and
- (iv) Everest SG

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of Immunomedics and Gilead (as the ultimate beneficial owner of Immunomedics) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Nature of the Transaction

Reference is made to the Prospectus of the Company where the Company entered into the License Agreement with Immunomedics in April 2019 under which Immunomedics granted the Group an exclusive license to develop and commercialize the Licensed Product in the specified territories (the “**Territory**”).

Pursuant to the Termination and Transition Services Agreement, Everest and Immunomedics agree (i) to terminate the License Agreement and certain ancillary agreements entered into by the relevant parties in connection with the development of the Licensed Product; (ii) for Everest to assign to Immunomedics all of its intellectual property, regulatory materials and other assets related to the Licensed Product; and (iii) for Everest to perform transition services to enable Immunomedics or its affiliates to assume the development and commercialization of the Licensed Product in the Territory, all on the terms and conditions set forth in the Termination and Transition Services Agreement.

For further details of the development of the Licensed Product, please refer to the Annual Report. The assets to be transferred, as elaborated in this announcement, include tangible and intangible assets related to the Licensed Product.

Consideration

The Consideration shall be equivalent to the aggregate amount of up to approximately US\$455 million (equivalent to approximately RMB3,067 million). The Consideration comprises:

- (i) an upfront payment of US\$280 million (equivalent to approximately RMB1,887 million); and
- (ii) milestone payments, consisting of (a) regulatory milestone payments of up to US\$50 million (equivalent to approximately RMB337 million) in aggregate, and (b) commercial milestone payments of up to US\$125 million (equivalent to approximately RMB843 million) in aggregate.

Upfront Payment

Immunomedics shall pay a one-time, upfront payment of US\$280 million (equivalent to approximately RMB1,887 million), payable as follows: (i) 50% within five business days following the later to occur of (a) the Termination Effective Date (as defined below) and (b) the PRC MA Transfer Completion Date; and (ii) remaining 50% upon (a) approvals by applicable regulatory authorities in respect of transfer of certain regulatory approval; assignment of certain agreements submitted with respect to the Licensed Product; initiation of transfer of certain regulatory approvals to Immunomedics or its designee; and execution and delivery of certain documents to Immunomedics or its designee in relation to such regulatory approvals; and (b) certain filing and/or submissions by Everest with the relevant regulatory authorities required to transfer certain ongoing clinical trials to Immunomedics and fulfillment of certain conditions in connection with data assignment in relation to such transfer.

Milestone Payments

Regulatory Milestone Payments

Subject to the occurrence of the Termination Effective Date, Immunomedics shall pay to Everest various specified non-refundable, non-creditable and one-time regulatory milestone payments, based on the achievement by Immunomedics or any of its affiliates or licensees of various regulatory milestone events. The maximum regulatory milestone payments payable by Immunomedics to Everest shall be up to US\$50 million (equivalent to approximately RMB337 million) in aggregate.

Commercial Milestone Payments

Subject to the occurrence of the Termination Effective Date, Immunomedics shall pay to Everest various specified non-refundable, non-creditable and one-time commercial milestone payments. The maximum commercial milestone payments payable by Immunomedics to Everest shall be up to US\$125 million (equivalent to approximately RMB843 million) in aggregate.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms. Negotiations between the Parties followed extensive outreach to local and multinational pharma companies to gauge whether there was interest in pursuing a transaction involving the Licensed Product. In arriving at its decision, the Board considered (i) the broader macroeconomic and capital markets backdrop, (ii) the business prospects, investment necessary and risks associated with commercializing the Licensed Product, (iii) the capabilities and status of Gilead and Immunomedics as the best partner to maximize patient access to the Licensed Product in the Territory, (iv) the substantial after-tax proceeds to be received in the Transaction, (v) the additional operating runway that the proceeds from the Transaction will afford the Group and (vi) other reasons for and benefits of the Transaction as set out in the paragraph headed "Reasons for and Benefits of the Termination and Transition Services Agreement".

Conditions Precedent

The “**Termination Effective Date**” shall mean the date upon which all of the following conditions have been satisfied by Everest and the Company or waived by Immunomedics (to the extent applicable), provided that condition (i) below cannot be waived:

- (i) receipt of all necessary approvals from shareholders of Everest and the Company; and
- (ii) all consents or waivers from any third parties or governmental authorities that are required to validly consummate the terminations contemplated under the Termination and Transition Services Agreement shall have been obtained and no governmental authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation or court order (whether temporary, preliminary or permanent), which is then in effect and has the effect of prohibiting, enjoining or otherwise restricting the termination contemplated by the Termination and Transition Services Agreement and no action, proceeding or investigation brought by a governmental authority shall be pending that is reasonably likely to give rise to any of the foregoing.

Closing

Everest and the Company shall satisfy (or Immunomedics, to the extent applicable, may waive) the conditions precedent as soon as practicable after the execution of Termination and Transition Services Agreement, and in any event on or prior to the date that is 60 calendar days after the date of the execution of the Termination and Transition Services Agreement, or such later date as reasonably mutually agreed between Everest and Immunomedics (the “**Target Closing Date**”). The Target Closing Date shall be automatically extended for an additional 60 calendar days (and such new extended date shall thereafter be the “**Target Closing Date**”) if at the original Target Closing Date the foregoing conditions have not been fully satisfied, but Everest has taken all actions within its control, and is otherwise working in good faith, to satisfy such conditions. Any additional extension of the Target Closing Date beyond the additional 60 calendar days referenced in the preceding sentence will require the mutual agreement of Everest and Immunomedics in writing. If the Termination Effective Date has not occurred by the Target Closing Date, Immunomedics shall have the right to terminate the Termination and Transition Services Agreement upon written notice to Everest.

Termination and Assignments of Agreements

Upon the occurrence of the Termination Effective Date or at such other times as stipulated in the Termination and Transition Services Agreement, Everest and Immunomedics shall terminate the License Agreement and certain other ancillary agreements entered into by the relevant parties in connection with the development of the Licensed Product. In addition, effective upon the Termination Effective Date, Everest shall assign to Gilead all of its rights and obligations under certain commercial agreement.

Certain Conveyances

Upon the occurrence of the Termination Effective Date or at such other times as stipulated in the Termination and Transition Services Agreement, and subject to the terms of the Termination and Transition Services Agreement, Everest shall and, if applicable, shall cause each of its affiliates to assign, transfer, convey, deliver, provide, delegate, grant or sub-license, to the extent applicable, to Immunomedics and/or its designee, among other things:

(i) all of the Everest's (and each of Everest's affiliates') right, title and interest in and to all licensed know-how, licensed patents and licensed marks and interest in the joint patents and joint inventions; (ii) all of Everest's right, title and interest in all reports and data, including clinical and non-clinical data and reports, and all clinical samples, obtained or generated by or on behalf of the Everest or its affiliates or sublicensees to the extent that they relate to the Licensed Product; (iii) regulatory approvals, regulatory materials and ongoing clinical trials subject to the terms of the Termination and Transition Services Agreement; (iv) all remaining inventory of Licensed Product and other items of tangible personal property related to the Licensed Product, if any; and (v) copies of third party licenses relevant to the development, manufacture and/or commercialization of the Licensed Product and, where applicable, other rights and benefits with respect to such third party licenses.

Transition Services

Subject to the terms and conditions of the Termination and Transition Services Agreement, Everest, either directly or indirectly through an affiliate, shall perform certain transition services and activities as set forth in the Termination and Transition Services Agreement. Everest and Immunomedics shall work together in good faith to carry out such transition services and activities as expeditiously as possible, taking into consideration applicable regulatory requirements in the Territory.

Parent Guarantee

The Company shall unconditionally and irrevocably guarantee to Immunomedics the full and timely performance by Everest and each of its affiliates of their respective obligations pursuant to the Termination and Transition Services Agreement.

INFORMATION ABOUT THE PARTIES

The Company, Everest Medicines II and Everest SG

The Company is a biopharmaceutical company focused on developing and commercializing transformative pharmaceutical products that address critical unmet medical needs for patients in Asian markets. The management team of the Company has deep expertise and an extensive track record of high-quality clinical development, regulatory affairs, CMC, business development and operations both in China and with leading global pharmaceutical companies. The Company has built a portfolio of ten potentially global first-in-class or best-in-class molecules, many of which are in late stage clinical development. The Company's therapeutic areas of interest include oncology, autoimmune disorders, cardio-renal diseases and infectious diseases.

Everest Medicines II is a company incorporated with limited liability in the Cayman Islands and Everest SG is a company incorporated with limited liability in Singapore. Each of Everest Medicines II and Everest SG is a wholly-owned subsidiary of the Company.

Immunomedics and Gilead

Immunomedics was the original developer of the Licensed Product. Following the acquisition of Immunomedics by Gilead in 2020, Immunomedics is now a wholly owned operating subsidiary of Gilead. Gilead is a biopharmaceutical company that has pursued and achieved breakthroughs in medicine for more than three decades, with the goal of creating a healthier world for all people. The company is committed to advancing innovative medicines to prevent and treat life-threatening diseases, including HIV, viral hepatitis and cancer. Gilead operates in more than 35 countries worldwide, with headquarters in Foster City, California.

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of Immunomedics and Gilead (as the ultimate beneficial owner of Immunomedics) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE TERMINATION AND TRANSITION SERVICES AGREEMENT

The Directors are of the view that the Transaction will maximize the value and impact of the Licensed Product and represent the best opportunity to optimize value for Shareholders and patients worldwide. The Transaction would allow the Company to focus on growing other pipeline assets as well as pursue additional opportunities to further expand its existing pipeline of drug products through business development and in-house R&D efforts. In addition, the proceeds derived from the Transaction would be best deployed and aligned with the overall and long-term goals of the Group that will best serve the interests of the Company and its shareholders in the long run. For further details of the use of proceeds from the Transaction, please refer to the section headed “Use of Proceeds from the Transaction”.

The Board considers that the terms and conditions of the Termination and Transition Services Agreement and the Transaction are on normal commercial terms after arm’s length negotiations and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTION

There is no revenue or profit attributable to the Licensed Product for the two financial years ended 31 December 2021 and 31 December 2020. The unaudited book value of the Licensed Product as at 30 June 2022 was approximately US\$141 million (equivalent to approximately RMB950 million).

The maximum gain to be derived from the Transaction (assuming the receipt of the entire Consideration of up to approximately US\$455 million (equivalent to approximately RMB3,067 million) upon the satisfaction and occurrence of all regulatory and commercial milestone events) is approximately US\$314 million (equivalent to approximately RMB2,116 million), which is calculated based on the Consideration for the Transaction less the book value of the Licensed Product. The actual amount of gain as a result of the Transaction to be recognised by the Company will be subject to, among other things, future clinical development and commercialization of the Licensed Product or other contingent events and audit, and the amount of actual gain incurred in relation to the Transaction may be different from the aforementioned expected amount. Following the Transaction, the Company will cease to have any interests in the Licensed Product.

USE OF PROCEEDS FROM THE TRANSACTION

The expected net proceeds (assuming the receipt of the entire Consideration of up to approximately US\$455 million (equivalent to approximately RMB3,067 million) on a pre-tax basis) to be received from the Transaction, after deduction of applicable transactions fees and other relevant estimated expenses in relation to the Transaction, is up to approximately US\$451 million (equivalent to approximately RMB3,040 million).

Having considered the prospects that the Transaction may bring to the Group and the reasons for and benefits of the Transaction as set out in the paragraph headed “Reasons for and Benefits of the Termination and Transition Services Agreement”, in order to better allocate and utilize its financial resources, the Board has reviewed the net proceeds from the Transaction, and resolved to apply the net proceeds from the Transaction in the following areas: (1) 30% to fund the business development activities and the expansion of our drug pipeline consistent with the principal business activities carried on by the Company, (2) 15% for the continued development of Nefecon, (3) 35% on the rest of the existing pipeline assets (other than Nefecon), (4) 10% to strengthen our discovery capabilities, and (5) 10% for working capital and general administrative purposes.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The Transaction will be subject to the approval by the Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Transaction and the Termination and Transition Services Agreement.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Transaction and the Termination and Transition Services Agreement.

A circular containing, among other things, further details of the Transaction and the Termination and Transition Services Agreement, a notice convening the EGM and other information required under the Listing Rules will be despatched to the Shareholders on or before 30 September 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Transaction is subject to the terms and conditions under the Termination and Transition Services Agreement, the Transaction may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

(2) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Annual Report in relation to the use of net proceeds from Global Offering. As disclosed in the Annual Report, the net proceeds received by the Company during the Global Offering were approximately HK\$3,795 million. The table below sets out (i) the original net proceeds allocated to the development of the Licensed Product and (ii) the utilization status of such net proceeds as at 31 December 2021 based on the Annual Report and as at 31 July 2022:

| Purpose | % of use of proceeds from the Global Offering | Original allocation of net proceeds (HK\$ million) | Unutilised as at 31 December 2021 (HK\$ million) | Unutilised as at 31 July 2022 (HK\$ million) |
|---|--|---|---|---|
| Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of the Licensed Product | 20% | 759 | 344 | 37 |

In light of the Transaction and having considered the prospects that the Transaction may bring to the Group and the reasons for and benefits of the Transaction as set out in the paragraph headed “Reasons for and Benefits of the Termination and Transition Services Agreement”, in order to better allocate and utilize its financial resources, the Board has reviewed the intended use of the Unutilised Net Proceeds and resolved to apply the Unutilised Net Proceeds to working capital and general and administrative purposes subject to, among other things, the Transaction and the Termination and Transition Services Agreement, are approved by the Shareholders at the EGM. The Board confirms that, the change in the use of the Unutilised Net Proceeds is appropriately adjusted to better meet the business needs of the Group, which provides the Group with greater flexibility so as to meet the operational needs of the Group. Save as disclosed in this announcement, there are no other changes to the use of net proceeds from the Global Offering.

The Board will constantly evaluate the Group’s business objective and may change or modify plans against the changing market conditions to ascertain the business growth of the Group. The Board is not aware that there are material changes in the nature of the businesses of the Group. The Board is of the view that the above change in the use of the net proceeds is fair and reasonable as this would allow the Group to deploy its financial resources more effectively to enhance the business and operational needs of the Group, would not have any material adverse effect on the existing business and operations of the Group, and is therefore in the best interests of the Group and the Shareholders as a whole. The Board considers that the development direction of the Group is in line with the disclosure in the Prospectus in spite of such change in the use of the Unutilised Net Proceeds as stated above.

DEFINITIONS

Unless the context requires otherwise, the terms below have the following meanings in this announcement:

| | |
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| “Annual Report” | the annual report of the Company dated 28 March 2022 |
| “Board” | the Board of Directors |
| “Company” | Everest Medicines Limited, an exempted company with limited liability incorporated in the Cayman Islands and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1952) |
| “Consideration” | the total consideration payable by Immunomedics to Everest for the Transaction |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Transaction and the Termination and Transition Services Agreement |
| “Everest” | Everest Medicines II and Everest SG, collectively |
| “Everest Medicines II” | Everest Medicines II Limited, a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company |
| “Everest SG” | Everest Medicines (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability and is a wholly-owned subsidiary of the Company |
| “Gilead” | Gilead Sciences, Inc., the shares of which are listed on the National Association of Securities Dealers Automated Quotations (stock code: GILD) |
| “Global Offering” | the global offering of the Company in connection with the listing of the Shares on the Stock Exchange consummated on 9 October 2020 |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region |

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|--|--|
| “Immunomedics” | Immunomedics, Inc., a wholly-owned subsidiary of Gilead |
| “License Agreement” | the License Agreement, dated as of 28 April 2019, by and between Immunomedics and Everest Medicines II |
| “Licensed Product” | sacituzumab govitecan (Trodelvy™) |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC MA Transfer Completion Date” | the completion date of the transfer of the marketing approval for the Licensed Product in the People’s Republic of China from Everest to Immunomedics or its designee, including receipt of all necessary approvals with respect to such transfer by the applicable regulatory authorities |
| “Prospectus” | the prospectus of the Company dated 25 September 2020 in relation to the Company’s Global Offering |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “Shareholder(s)” | holder(s) of the Shares |
| “Shares” | ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Termination and Transition Services Agreement” | the Termination and Transition Services Agreement made and entered into on 15 August 2022 by and between Immunomedics, the Company, Everest Medicines II and Everest SG |
| “Transaction” | the transactions contemplated under the Termination and Transition Services Agreement |
| “Unutilised Net Proceeds” | the unutilised net proceeds from the Global Offering in respect of the net proceeds originally allocated for the purpose of funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of the Licensed Product |
| “US\$” | U.S. dollars, the lawful currency of the United States of America |

“%”

per cent

By order of the Board
Everest Medicines Limited
Wei Fu
Chairman and Executive Director

Hong Kong, 16 August 2022

As at the date of this announcement, the Board comprises Mr. Wei Fu as Chairman and Executive Director, Dr. Kerry Levan Blanchard, Mr. Ian Ying Woo and Mr. Xiaofan Zhang as Executive Directors, Mr. Yubo Gong and Ms. Lan Kang as Non-executive Directors, and Mr. Bo Tan, Mr. Yifan Li and Mr. Shidong Jiang as Independent Non-executive Directors.

For the purpose of this announcement, conversion of US\$ into RMB is based on the exchange rate of US\$1 to RMB6.74. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in US\$ or RMB have been, could have been or may be converted at such or any other rate or at all.