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EVEREST MEDICINES

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Everest Medicines Limited

雲 頂 新 耀 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1952)

DISCLOSEABLE TRANSACTION

LICENSE AGREEMENT FOR GLOBAL DEVELOPMENT, MANUFACTURING AND COMMERCIALIZATION OF NOVEL BTK INHIBITOR IN RENAL DISEASES

THE LICENSE AGREEMENT

The Board is pleased to announce that on 16 September 2021, Everest HK, a wholly-owned subsidiary of the Company, entered into the License Agreement with Sinovent and SinoMab, pursuant to which Sinovent and SinoMab granted Everest HK an exclusive, sublicensable license under the Licensed Technology to develop, manufacture and commercialize XNW1011 (or SN1011 as referred to by the Licensor) and the Licensed Products worldwide for all renal diseases or conditions.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transaction contemplated under the License Agreement exceeds 5% but is less than 25%, the transaction under such agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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THE LICENSE AGREEMENT

Date

16 September 2021

Parties

- (i) Sinovent;
- (ii) SinoMab; and
- (iii) Everest HK

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of SinoMab and Sinovent and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Term

Unless terminated earlier in accordance with the terms of the License Agreement, the License Agreement shall become effective as of the first Business Day after all conditions precedent under the License Agreement have been satisfied (or waived by Everest HK in writing, where applicable) (the “**Effective Date**”) and shall continue to be in full force until the expiration of the last Royalty Term.

Grant of License

Pursuant to the License Agreement, the Licensor has granted Everest HK an exclusive, sublicensable, royalty-bearing license under the Licensed Technology to Exploit the Licensed Products in the Everest Field worldwide.

In addition, the Licensor shall disclose and make available to Everest HK all know-how, data and regulatory filings in the Licensor’s control that are necessary or reasonably useful to develop the Licensed Product in the Everest Field worldwide, and provide access to and transfer to Everest HK all know-how in the Licensor’s control that are necessary or reasonably useful for Everest HK to manufacture XNW1011 and the Licensed Products worldwide.

Right of First Offer

In the event the Licensor or any of its affiliates intends to make an offer to or receives an offer from, a third party to grant or obtain, as applicable, a license to Exploit any product containing XNW1011 for use outside the Everest Field worldwide, the Licensor has granted Everest HK a right of first offer with respect to such license.

License Fee

The license fee under the License Agreement shall comprise: (i) an upfront payment of US\$12 million (approximately RMB77.5 million); (ii) development milestone payments of up to US\$129 million (approximately RMB832.9 million) in aggregate; and (iii) sales milestone payments of up to US\$420 million (approximately RMB2,711.8 million) in aggregate. The Company currently intends to settle the aforementioned license fee in cash through internal resources.

Upfront Payment

Everest HK shall pay a non-refundable, non-creditable payment in cash in the sum of US\$8 million (approximately RMB51.7 million) to Sinovent, and US\$4 million (approximately RMB25.8 million) to SinoMab within 10 Business Days of the Effective Date.

Development Milestone Payments

Everest HK shall pay to the Licensor various specified non-refundable, non-creditable development milestone payments for the first indication and second indication in respect of a Licensed Product, respectively, based on the achievement by Everest HK of different development milestone events such as the initiation of a phase II clinical study, the initiation of a pivotal study, the receipt of first regulatory approval in respect of a Licensed Product in the U.S., the EU or UK, Japan and mainland China, respectively. The maximum development milestone payments payable by Everest HK to the Licensor shall be US\$129 million (approximately RMB832.9 million) in aggregate. Everest HK shall notify the Licensor promptly in writing of the achievement of any milestone event.

Sales Milestone Payments

Everest HK shall pay to the Licensor various specified sales milestone payments, based on the achievement by Everest HK of different sales milestone figures for the annual Net Sales of all Licensed Products worldwide, from first exceeding US\$250 million to first exceeding US\$4 billion. The maximum sales milestone payments payable by Everest HK to the Licensor shall be US\$420 million (approximately RMB2,711.8 million) in aggregate. Everest HK shall notify the Licensor promptly after the end of the year during which a sales milestone event is achieved.

Royalties

The royalties will be settled on a country-by-country and Licensed Product-by-Licensed Product basis. Everest HK will pay to the Licensor a royalty calculated by multiplying each amount of incremental, aggregated Net Sales of the applicable Licensed Product in the applicable country by the applicable tiered royalty rate shown as follows:

Everest HK shall pay at different specified royalty rates for different portions of the aggregate annual Net Sales. To illustrate, for annual Net Sales of a Licensed Product of up to US\$2 billion, Everest HK shall pay to the Licensor up to US\$180 million (approximately RMB1,162.2 million) in aggregate. For the portion of aggregate annual Net Sales of a Licensed Product greater than US\$2 billion, Everest HK shall pay royalties to the Licensor at a rate of 12%.

Payment method

The payment of all development milestones, sales milestones and royalties will be split one-third (approximately 33%) and two-thirds (approximately 66%) between SinoMab and Sinovent, respectively. Each of SinoMab and Sinovent shall issue its invoice to Everest HK separately of the amount of corresponding development milestone payment, sales milestone payment and royalties. Everest HK shall pay the relevant amount separately to each of SinoMab and Sinovent within 10 Business Days upon receipt of the invoice.

Each of the development milestone payments and sales milestone payments set out above is payable only upon the first achievement of such milestone by the first Licensed Product to achieve such milestone event and none of the milestone payments will be payable more than once regardless of how many times such milestone event is achieved.

Conditions precedent

The commencement and effectiveness of the License Agreement is conditional upon the satisfaction or waiver (where applicable) by Everest HK in writing of the following conditions:

- (i) SinoMab having made an announcement on, and obtained independent shareholders' approval as to, the License Agreement and transactions contemplated thereunder at a general meeting;
- (ii) SinoMab having obtained approval from its independent shareholders at a general meeting in relation to the supplemental agreement entered into between SinoMab and Sinovent amending certain terms of an existing licensing agreement in respect of the Licensed Products; and
- (iii) SinoMab having obtained the waiver granted by the Stock Exchange in relation to Rule 14A.53, details of which are set out in the announcement of SinoMab dated 17 September 2021.

Sublicense

Everest HK shall have the right to grant sublicenses to: (i) its affiliates without the Licensor's consent, but with prompt written notification to the Licensor; and (ii) independent third parties with the Licensor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

Non-compete

The Licensor shall not, directly or indirectly, conduct any activity involving any competing products against the Licensed Products.

Basis of the License Fee

The license fee was determined after arms' length negotiations between Everest HK and the Licensor with reference to various factors, including but not limited to: (i) the status of the development of XNW1011; (ii) the future prospects of the development and commercialization of the Licensed Products globally, based on addressable patient population, unmet medical needs as well as discount taking into account the probability of success; and (iii) the valuation of comparable companies and assets.

INFORMATION ABOUT THE PARTIES

Everest HK and the Company

Everest HK is a company limited by shares incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company. The Company is a biopharmaceutical company focused on developing and commercializing transformative pharmaceutical products that address critical unmet medical needs for patients in Asia 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 Asia and with leading global pharmaceutical companies. The Company has built a portfolio of nine potentially global first-in-class or best-in-class molecules and vaccine, many of which are in late stage clinical development. The Company's focused areas of interest include oncology, autoimmune disorders, cardio-renal diseases and infectious diseases.

SinoMab

SinoMab is a limited liability company incorporated under the laws of Hong Kong, whose shares have been listed on the Main Board of the Stock Exchange (stock code: 3681) since 12 November 2019. SinoMab and its subsidiaries are principally engaged in the research, development, manufacturing and commercialization of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody-based biologics.

Sinovent

Sinovent is a limited liability company incorporated under the law of the PRC and is principally engaged in the development of innovative medicines to fulfill unmet clinical needs for the treatment of cancer, metabolic diseases and infectious disease, with its headquarters located in Suzhou with a global presence of branches established in Beijing, Shanghai, Australia and Boston.

As of the date of this announcement, Mr. Qiang, a non-executive director of SinoMab, directly held approximately 0.52% in, and indirectly controlled in aggregate approximately 38.75% in Sinovent, Ms. Liu, the spouse of Mr. Qiang, indirectly held approximately 5.23% in Sinovent and third parties independent of each of SinoMab, the Company and their connected persons (as defined under the Listing Rules) held the remaining 55.50% in Sinovent.

INFORMATION ABOUT THE LICENSED PRODUCTS

Licensed Products refer to any pharmaceutical or biological product that incorporates XNW1011, in all forms, presentations, formulations and dosage forms, including one that combines XNW1011 with one or more other clinically or pharmacologically active ingredients in a single formulation or final package presentation for sale as a single unit (the “**Licensed Products**”).

XNW1011

XNW1011 (or SN1011 as referred to by the Licensor) is a next-generation covalent reversible BTK inhibitor that exhibits high selectivity, excellent pharmacokinetics property, robust target engagement and a safety profile that supports continued development based in part on results from a completed phase 1 study with healthy subjects conducted by SinoMab in China.

REASONS FOR AND BENEFITS OF THE LICENSE AGREEMENT

The Directors are of the view that the important partnership with Sinovent and SinoMab would not only solidify the Company’s leadership in developing novel therapies to combat renal disease, but also underscores the Company’s transition to developing novel therapies for the global market by leveraging the vast patient population in Greater China and Asia.

The Directors (including the independent non-executive Directors) consider that the terms of the License Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transactions contemplated under the License Agreement exceeds 5% but is less than 25%, the transactions under such agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Cautionary statement: We cannot guarantee that we will be able to develop, or ultimately market, the Licensed Products successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the Shares.

DEFINITIONS

“ Board ”	the board of Directors
“ Business Day ”	a day other than Saturday, Sunday or any day on which banks located in Hong Kong or the PRC are authorized or obligated to close
“ Company ”	Everest Medicines Limited, an exempted company with limited liability incorporated in the Cayman Islands on 14 July 2017

“Director(s)”	the director(s) of the Company
“Everest HK”	Everest Medicines II (HK) Limited, a company limited by shares incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Everest Field”	any and all uses in humans for all renal diseases or conditions
“Exploit” or “Exploitation”	research, develop, manufacture, commercialize, or otherwise make, have made, use, offer for sale, sell, import, export, and otherwise exploit
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“License Agreement”	the license agreement dated 16 September 2021 entered into between Everest HK, Sinovent and SinoMab in relation to the Exploitation of the Licensed Products
“Licensed Technology”	any and all patents and know-how controlled by the Licensor or its affiliates that are necessary or reasonable useful to Exploit XNW1011 and the Licensed Products in renal diseases and conditions
“Licensor”	each and collectively, Sinovent and SinoMab
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Net Sales”	the gross price billed or invoiced on sales of the Licensed Product by Everest HK or sublicensees, less certain usual and customary deductions as agreed by all parties
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Royalty Term”	the period commencing upon the first commercial sale of a Licensed Product in such country and ending upon the later of (i) the expiration of the last Valid Claim within the licensed patents covering specifically the composition of matter (excluding any formulation, method of use, diagnosis or treatment or method of manufacturing claims) of such Licensed Product in such country, (ii) the expiry of the applicable regulatory exclusivity of such Licensed Product in such country; and (iii) the tenth anniversary of the first commercial sale of such Licensed Product in such country

“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“SinoMab”	SinoMab BioScience Limited
“Sinovent”	Suzhou Sinovent Pharmaceuticals, Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Valid Claim”	either (i) a claim of an issued and unexpired patent included within the licensed patents from the Licensor to Everest HK, which has not been permanently revoked or declared unenforceable or invalid by an unreversed and unappealable or unreversed and unappealed decision of a court or other appropriate body of competent jurisdiction, or (ii) a claim of a pending patent application included within the aforesaid licensed patents, which claim was filed in good faith, has not been pending for more than seven years from its priority date, and has not been abandoned or finally disallowed without the possibility of appeal or refiling of such application

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

Hong Kong, 17 September 2021

As at the date of this announcement, the board of directors of the Company 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 RMB6.4566. 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.