EVEREST MEDICINES
云 顶 新 耀
雲頂新耀有限公司

Everest Medicines Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1952)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Everest Medicines Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2020 (the "**Reporting Period**"). These annual results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

IFRS Numbers:

- Research and development expenses increased by RMB226.5 million to RMB377.4 million for the year ended 31 December 2020, from RMB150.9 million for the year ended 31 December 2019, primarily due to additional clinical trials of our drug candidates and the expansion of our research and development headcount.

- General and administrative expenses increased by RMB223.9 million to RMB277.8 million for the year ended 31 December 2020, from RMB53.9 million for the year ended 31 December 2019, primarily due to initial public offering ("**IPO**") costs and the increase in employee remuneration in connection with organization expansion.

- The loss from fair value change in financial instruments issued to investors increased by RMB4,901.5 million to RMB4,938.0 million for the year ended 31 December 2020, from RMB36.5 million for the year ended 31 December 2019, primarily attribute to significant increase in the per share fair value upon the completion of the IPO of the Company when re-measuring convertible redeemable preferred shares previously issued to the investors before conversion into the Company's ordinary shares.

- Net loss for the year ended 31 December 2020 increased to RMB5,658.2 million, from RMB214.5 million for the year ended 31 December 2019, primarily due to the loss of RMB4,938.0 million in fair value change in financial instruments issued to investors, which was a non-cash and one-time adjustment upon the listing as required under the International Financial Reporting Standard ("**IFRS**").

Non-IFRS Measure:

- Adjusted loss for the year[1] was RMB602.9 million for the year ended 31 December 2020, representing an increase of RMB439.8 million from RMB163.1 million for the year ended 31 December 2019, primarily due to the increase in research and development expenses and general and administrative expenses.

[1] Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares (non-current financial liabilities measured at fair value through profit or loss) and share-based compensation loss. For the calculation and reconciliation of this non-IFRS measure, please refer to paragraph numbered 13 under the heading "Financial Review" below.

BUSINESS HIGHLIGHTS

Since the Company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 October 2020 (the "**Listing Date**"), the Group has made significant progress with respect to its drug pipeline and business operations, including the following milestones and achievements:

Sacituzumab govitecan-hziy (Trodelvy™), *our anchor drug candidate in oncology therapeutic area, is a first-in-class TROP-2 directed antibody-drug conjugate ("**ADC**").*

- New drug application ("**NDA**") for sacituzumab govitecan-hziy for the treatment of metastatic triple negative breast cancer ("**mTNBC**") was submitted and accepted by the Health Sciences Authority ("**HSA**") of Singapore in January 2021.

- A Phase 2b registrational clinical trial for sacituzumab govitecan-hziy for mTNBC in China was initiated in November 2020, and is currently ongoing.

- A Phase 3 Asia study designed to assess and compare the efficacy and safety of sacituzumab govitecan-hziy versus Treatment of Physician's Choice ("**TPC**") in Asian patients with hormone receptor positive, HER2 negative metastatic breast cancer ("**HR+/HER2- mBC**") who have failed at least two prior chemotherapy regimens was initiated in December 2020, and is currently ongoing.

- Sacituzumab govitecan-hziy was included in the updated 2020 China Guidelines for the Standardized Diagnosis and Treatment of Advanced Breast Cancer, compiled by the Breast Cancer Expert Committee of the National Cancer Control Center, the Breast Cancer professional Committee of the Chinese Anti-Cancer Association, and the Cancer Drug Clinical Research Professional Committee of the Chinese Anti-Cancer Association, in October 2020.

- China Clinical Trial Application ("**CTA**") approval for TROPiCS-04, a global Phase 3 registration clinical trial of sacituzumab govitecan-hziy for metastatic urothelial cancer ("**mUC**") was granted by the China National Medical Products Administration ("**NMPA**") in January 2021.

Nefecon, *our anchor drug candidate in cardio-renal therapeutic area, is a novel oral formulation of budesonide in the development for the treatment of IgA nephropathy ("**IgAN**").*

- Nefecon was granted Breakthrough Therapy Designation ("**BTD**") for the treatment of IgAN by the China Center for Drug Evaluation ("**CDE**") of the NMPA in December 2020.

Eravacycline (Xerava™), *is a novel, fully synthetic fluorocycline intravenous antibiotic developed for use as first-line empiric monotherapy for the treatment of multidrug resistance ("**MDR**") infections, including MDR Gram-negative infections.*

- China NMPA accepted a NDA for eravacycline for the treatment of complicated intra-abdominal infections ("**cIAI**") in March 2021.

- A Phase 3 bridging clinical trial of eravacycline for the treatment of cIAI in China was completed in October 2020.

Other key business activities:

- We initiated construction of our global manufacturing site in the Jiashan Economic and Technological Development Zone. This facility is expected to comply with the U.S. Food and Drug Administration ("**US FDA**"), the European Medicines Agency and NMPA good manufacturing practice standards to meet demands in both China and the global market.

- Kevin Guo joined as the Chief Commercial Officer in February 2021 to lead commercial planning and execution across the pipeline, helping to transition the company into a commercial organization.

- Effective 15 March 2021, the company's stock was included as a constituent stock of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-Listed Biotech Index and fulfilled the eligibility criteria for Southbound Trading under the Stock Connect scheme.

For details of any of the foregoing, please refer to the rest of this announcement and, where applicable, the Company's prior announcements.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. We believe our productive business development, clinical development and regulatory teams and integrated commercial platform position us to accelerate developmental timelines for our drug candidates and to benefit from China's new regulatory and reimbursement policies.

Since our Company was found in July 2017, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease. We have targeted these four therapeutic areas because of the significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. Leveraging a broad and experienced business development team in the United States and Europe with a local presence in four cities, we have built strong relationships with global biopharmaceutical companies, and systematically screened and evaluated assets within each therapeutic area of focus that are differentiated and late-stage, and that we believe have significant commercial potential in Greater China and emerging Asia Pacific markets. To develop our drug candidates, we have assembled a senior leadership team with an extensive track record of successfully developing novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. An entrepreneurial culture is the backbone of our Company: our subject-matter experts in each therapeutic area are focused on net value creation and their incentives are tied closely to performance. We endeavor to build a leadership position in each of our chosen therapeutic areas through anchor assets in each of our four initial areas of focus and we have demonstrated our ability to successfully advance our drug development projects.

PRODUCT PIPELINE

Our product pipeline includes eight potentially first-in-class or best-in-class assets in our four therapeutic areas of focus: oncology, immunology, cardio-renal disease and infectious disease.

The following table summarizes our pipeline and the development status of each drug candidate as of the date of this announcement:

	Molecule (Modality)	Partner	Commercial Right (In-licensing time)	Indication	IND Approval	China Ph3 / Pivotal		Clinical Status	
						Planning	Enrollment	Global	APAC
Oncology	Trodelvy / Sacituzumab govitecan-hziy (ADC)	GILEAD / Immunomedics	Greater China, South Korea, Mongolia, SE Asia (Apr 2019)	mTNBC (3L)	✓			BLA approved in US	Seek BLA approval based on US approval; include South Korea and Taiwan in multi-regional trials; NDA submitted in Singapore
				HR+ / HER2- (3L)	✓			Phase 3	
				mUC (2/3L)	✓			Phase 3	
				Asia basket trial				-	
				mTNBC (1L)				Phase 2	
	FGF401 (Small Molecule)	NOVARTIS	Worldwide (Jun 2018)	HCC	✓			Phase 1/2	
Immunology	Etrasimod (Small Molecule)	ARENA PHARMACEUTICALS	Greater China, South Korea (Dec 2017)	Ulcerative Colitis	✓			Phase 3	South Korea and Taiwan included in multi-regional trial
				Other autoimmune disease (CD and AD)				Phase 2/3[1]	
Cardio-renal	Nefecon (Small Molecule)	calliditas	Greater China, Singapore (Jun 2019)	IgA nephropathy	✓			Phase 3	Seek NDA approval based on US approval
	Ralinepag (Small Molecule)	United Therapeutics	Greater China, South Korea (Dec 2017)	PAH	✓			Phase 3	
Infectious Disease	Xerava (eravacycline) (Small Molecule)	La Jolla / TETRAPHASE	Greater China, South Korea, SE Asia (Feb 2018)	cIAI	✓			NDA approved in US and Singapore	NDA approved in Singapore; NDA filed and accepted in China
	Taniborbactam (Small Molecule)	VenatoRx PHARMACEUTICALS	Greater China, South Korea, SE Asia (Sep 2018)	cUTI	✓			Phase 3	
	SPR206 (Small Molecule)	SPERO THERAPEUTICS	Greater China, South Korea, SE Asia (Jan 2019)	Gram negative infections	✓			Phase 1	

Abbreviations: mTNBC=metastatic triple-negative breast cancer; HR+/HER2-=hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC=metastatic urothelial cancer; HCC=hepatocellular carcinoma; CD=Crohn's disease; AD=atopic dermatitis; IgA=immunoglobulin A; PAH=pulmonary arterial hypertension; cIAI=complicated intra-abdominal infections; cUTI=complicated urinary tract infections; IND=investigational new drug; BLA=biologics license application; NDA=new drug application; 1L=first-line of treatment; 2L=second- line of treatment; 3L=third-line of treatment; SE Asia=Southeast Asia; US=United States; Greater China=PRC, Hong Kong SAR, Macau SAR and Taiwan.

Note:

(1) Arena is conducting a Phase 2/3 program for CD and is planning on initiating a Phase 3 development program for AD.

Business Review

The Company was successfully listed on the Stock Exchange on the Listing Date. Since then, the Group has made significant progress advancing its product pipeline and enhancing its business operations.

Sacituzumab govitecan-hziy

- Development achievements during the Reporting Period:

  — On 2 November 2020, the China NMPA approved a CTA for sacituzumab govitecan-hziy for a regional Phase 3 registration clinical trial, EVER-132-002, designed to assess and compare the efficacy and safety of sacituzumab govitecan-hziy versus TPC in Asian patients with HR+/HER2- mBC who received at least two, and no more than four, systemic chemotherapy regimens. The trial will enroll approximately 330 HR+/HER2- mBC patients in Mainland China, Taiwan and South Korea. On 9 December 2020, the first patient was dosed in this Phase 3 study.

  — On 3 November 2020, the first patient was dosed in China into our EVER-132-001 Phase 2b registration clinical trial evaluating sacituzumab govitecan-hziy for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. EVER-132-001 will enroll approximately 80 mTNBC patients in China. It is worth mentioning that sacituzumab govitecan-hziy has also been included in the newly updated 2020 Guidelines for the Standardized Diagnosis and Treatment of Advanced Breast Cancer, compiled by the Breast Cancer Expert Committee of the National Cancer Control Center, the Breast Cancer professional Committee of the Chinese Anti-Cancer Association, and the Cancer Drug Clinical Research Professional Committee of the Chinese Anti-Cancer Association.

- Post-Reporting Period (expected) milestones and achievements:

  — On 6 January 2021, we submitted a NDA to the HSA of Singapore for sacituzumab govitecan-hziy for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease.

  — On 6 January 2021, the CDE of the China NMPA approved a CTA for sacituzumab govitecan-hziy for the treatment of patients with mUC. With this CTA, we plan to enroll patients in China as part of the Phase 3, global, multicenter, open-label randomized controlled TROPiCS-04 trial. The trial will evaluate sacituzumab govitecan-hziy compared with standard of care chemotherapeutic options in subjects with metastatic or locally advanced unresectable urothelial cancer who have progressed after prior therapy with a platinum-based regimen and anti-programmed cell death protein 1 ("**PD1**")/programmed death-ligand 1 ("**PD-L1**") therapy. Subjects will be randomized to receive either sacituzumab govitecan-hziy or TPC, including paclitaxel, docetaxel, and vinflunine.

  — In the second half of 2021, we expect to read-out topline results of the China EVER-132-001 Phase 2b registration clinical trial for mTNBC and initiate patient enrollment in China as part of the Phase 3, global, multicenter, open-label TROPiCS-04 clinical trial for mUC.

  — Our partner Gilead Sciences, Inc. ("**Gilead**") anticipates obtaining full US FDA approval for mTNBC and accelerated US FDA approval for mUC in the first half of 2021, as well as releasing topline results from the global Phase 3 TROPiCS-02 study HR+/HER2- mBC in the second half of 2021. Phase 1 TROPiCS-03 basket study continues to progress, Gilead expects to provide an update, particularly in non-small cell lung cancer, in the second half of 2021.

Nefecon

- Development achievements during the Reporting Period:

  — On 10 November 2020, our licensing partner, Calliditas, reported positive topline results from Part A of the global Phase 3 clinical trial NefIgArd, which analyzed the effect of Nefecon versus placebo in 199 patients with primary IgAN. The trial met its primary objective of demonstrating a statistically significant reduction in urine protein creatinine ratio, or proteinuria, after 9 months of treatment, with significant continued improvement at 12 months. The trial also met the key secondary endpoint showing a statistically significant difference in estimated glomerular filtration rate or eGFR after 9 months of treatment compared to placebo. The efficacy data indicated a significant and beneficial effect on key factors correlated to the progression to end stage renal disease for IgAN patients. In addition, results showed that Nefecon was generally well-tolerated.

  — On 2 December 2020, the China CDE of the NMPA recommended and subsequently granted BTD for Nefecon for the treatment of IgAN. We are currently enrolling patients as part of the Phase 3 global registrational study NefIgArd to support approval for IgAN patients in China.

- Post-Reporting Period (expected) milestones and achievements:

  — We expect to complete patient enrollment in China into the NeflgArd Phase 3 global registration study for IgAN in the first half of 2021.

Eravacycline

- Development achievements during the Reporting Period:-

  — On 27 October 2020, we completed a Phase 3 bridging clinical trial of eravacycline which enrolled a total of 144 treated patient, for the treatment of cIAI in China.

- Post-Reporting Period (expected) milestones and achievements:

  — China NMPA accepted a NDA for eravacycline for the treatment in cIAI in China in March 2021 as our first NDA submission in China.

Other assets

- Post-Reporting Period (expected) milestones and achievements:

  — We expect to announce topline results in the Phase 3 global clinical trial for Taniborbactam for complicated urinary tract infections ("**cUTI**") in 2021.

  — We plan to initiate Phase 2 clinical trial for FGF401 for the treatment of hepatocellular carcinoma in China in the second half of 2021.

Cautionary Statement required by Rule 18A.08(3) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"): The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Corporate Development

— In January 2021, we entered into an amended license agreement with Spero Therapeutics under which the relevant patents for SPR206 will be assigned to us in Greater China, South Korea and certain Southeast Asian countries. SPR206 is in clinical development as an innovative option for the treatment of MDR Gram-negative bacterial infections.

— On 18 February 2021, we appointed Kevin Guo as our Chief Commercial Officer. Mr. Guo has more than 22 years of commercial leadership and business management experience across a number of multinational pharmaceutical companies.

— We have been selected as a constituent stock of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-Listed Biotech Index in accordance with the latest index series release by Hang Seng Indexed Company Limited, with effect from 15 March 2021. Being selected as a constituent stock of the above Hang Seng Indexes fulfills the eligibility criteria for Southbound Trading under the Stock Connect Scheme, which is a channel that facilitates stock trading and investment between Hong Kong and a broader base of China investors.

Future Development

We will continue to build a leading biopharmaceutical company focused on the development and commercialization of globally innovative therapies, initially in Greater China and other Asia Pacific markets. To achieve the goal, we will strive to advance our existing drug candidates into and through registrational trials and will seek the most efficient approval pathways. In the meantime, we will continue to expand our innovative drug portfolio in areas of high unmet medical needs across our chosen therapeutic areas through in-licensing and building organic discovery capabilities. To support our anticipated commercial launch of multiple late-stage products, we have commenced building a commercial team with deep knowledge of sales, marketing and market access strategies across a range of therapeutical areas. In addition, we are building our own GMP/GSP manufacturing facilities in China in order to ensure stable and sufficient long term drug supply and to optimize the cost of goods.

Financial Review

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

	Years Ended 31 December	
	2020	2019
	(RMB in thousands)	
General and administrative expenses	**(277,833)**	(53,851)
Research and development expenses	**(377,411)**	(150,888)
Distribution and selling expenses	**(33,246)**	—
Other income	**1,084**	29,253
Other losses	**(1,051)**	(626)
Operating loss	**(688,457)**	(176,112)
Finance costs—net	**(31,725)**	(1,947)
Fair value change in financial instruments issued to investors	**(4,937,983)**	(36,453)
Loss before income tax	**(5,658,165)**	(214,512)
Income tax expense	**—**	—
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(5,246,910)**	(229,826)
Non-IFRS measure:		
Adjusted loss for the year	**(602,912)**	(163,114)

1. Overview

For the year ended 31 December 2020, the Group recorded a loss of RMB5,658.2 million. The general and administrative expenses were RMB277.8 million for the year ended 31 December 2020 as compared with RMB53.9 million for the year ended 31 December 2019. The research and development expenses of the Group were RMB377.4 million for the year ended 31 December 2020, as compared with RMB150.9 million for the year ended 31 December 2019.

2. General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB53.9 million for the year ended 31 December 2019 to RMB277.8 million for the year ended 31 December 2020. The increase was primarily attributable to IPO listing costs and increase in employee remuneration in connection with organization expansion.

3. Research and Development Expenses

Our research and development expenses increased significantly from RMB150.9 million for the year ended 31 December 2019 to RMB377.4 million for the year ended 31 December 2020. The increase was primarily attributable to additional clinical trials of our drug candidates and the expansion of our research and development headcount.

4. Distribution and Selling Expenses

We recorded nil distribution and selling expenses for the year ended 31 December 2019 and RMB33.2 million distribution and selling expenses for the year ended 31 December 2020. The increase was primarily attributable to the commencement of commercial activities including market research expense and remuneration to commercial team.

5. Other Income

Our other income decreased from RMB29.3 million for the year ended 31 December 2019 to RMB1.1 million for the year ended 31 December 2020. The decline of our other income was primarily attributable to reduced consultancy service to related parties.

6. Other Losses

Our other losses increased from RMB626 thousands for the year ended 31 December 2019 to RMB1.1 million for the year ended 31 December 2020, primarily attributable to foreign exchange losses from operating activities.

7. Operating Loss

Operating loss increased significantly from RMB176.1 million for the year ended 31 December 2019 to RMB688.5 million for the year ended 31 December 2020. The increase primarily attributable to increased employee remuneration in connection with organization expansion and increased research and development activities, as well as IPO listing cost.

8. Finance Costs — Net

Finance costs increase from RMB1.9 million for the year ended 31 December 2019 to RMB31.7 million for the year ended 31 December 2020, primarily attributable to interest expenses on borrowings from Jiashan Shanhe Equity Investment Company ("**Jiashan Shanhe**").

9. Fair Value Change in Financial Instruments Issued to Investors

We recorded a loss from fair value change of financial instruments issued to investors of RMB36.5 million for the year ended 31 December 2019 and RMB4,938.0 million for the year ended 31 December 2020. The change in 2020 was primarily attributable to significant increase in the per share fair value upon the completion of the IPO of the Company when re-measuring convertible redeemable preferred shares previously issued to the investors before conversion into the Company's ordinary shares.

10. Loss for the Year Attributable to the Equity Holders of the Company

The loss for the year attributable to equity holders of the Company increased by RMB5,443.7 million to RMB5,658.2 million for the year ended 31 December 2020 from RMB214.5 million for the year ended 31 December 2019, primarily attributable to the losses of RMB4,938.0 million in fair value change in financial instruments issued to investors and increased business activities.

11. Income Tax Expense

For the years ended 31 December 2020 and 2019, the Company did not incur any income tax expense as the Company did not generate taxable income in both years.

12. Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased by RMB5,017.1 million to RMB5,246.9 million for the year ended 31 December 2020 from RMB229.8 million for the year ended 31 December 2019.

13. Non-IFRS Measure

To supplement the Group's consolidate financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year, which is not required by, or presented in accordance with the IFRS. The Company believes that the adjusted loss for the year provides useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations.

Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes in financial instruments issued to investors and share-based compensation expenses. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this measure is a reflection of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extend applicable.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

	Year Ended 31 December	
	2020	**2019**
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)
Added:		
Loss on fair value changes in financial instruments issued to investors	**4,937,983**	36,453
Share-based compensation expenses	**117,270**	14,945
Adjusted loss for the year	**(602,912)**	**(163,114)**

14. Liquidity and Source of Funding

As of 31 December 2020, the Group's cash and cash equivalents increased to RMB4,481.1 million from RMB106.1 million as of 31 December 2019. The increase primarily resulted from the proceeds of the Company's series C financing and the IPO.

As of 31 December 2020, the current assets of the Group were RMB4,496.4 million, including bank balances and cash of RMB4,481.1 million and other current assets of RMB15.3 million. As of 31 December 2020, the current liabilities of the Group were RMB186.9 million, including trade payable of RMB167.5 million, lease liabilities of RMB19.0 million and amounts due to related party of RMB440 thousands. As of 31 December 2020, the Group has borrowings from Jiashan Shanhe of RMB369.4 million.

Operating Activities

Net cash used in our operating activities for the year ended 31 December 2020 was RMB471.9 million. Our net loss was RMB5,658.2 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB4,938.0 million and (ii) increased share-based compensation to employees in the amount of RMB102.4 million.

Net cash used in our operating activities for the year ended 31 December 2019 was RMB88.7 million. Our net loss was RMB214.5 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB36.5 million and (ii) changes in the working capital. Changes in the working capital mainly include decrease in trade and other receivables of RMB26.5 million and increase in trade and other payables of RMB51.2 million.

Investing Activities

Net cash used in investing activities for the year ended 31 December 2020 was RMB520.0 million, primarily attributable to our purchase of intangible assets of RMB475.9 million in connection with our milestone payment for sacituzumab govitecan-hziy.

Net cash used in investing activities for the year ended 31 December 2019 was RMB47.4 million, primarily attributable to (i) our purchase of intangible assets of RMB86.2 million in connection with our milestone payments for etrasimod, eravacycline and ralinepag and (ii) our payment for the collaboration agreement with I-Mab in the amount of RMB52.5 million, partially offset by cash received as part of the Merger with Everest II in the amount of RMB98.4 million.

Financing Activities

Net cash generated from financing activities for the year ended 31 December 2020 was RMB5,637.9 million, primarily attributable to initial global offering and Series C financing.

Net cash generated from financing activities for the year ended 31 December 2019 was RMB62.0 million, primarily attributable to the borrowing from Everest II in the amount of RMB70.3 million.

15. Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	As at 31 December	
	2020	2019
Current ratio[(1)]	**24.06**	0.26

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

16. Significant Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 percent or more of the Company's total assets as at 31 December 2020) during the year ended 31 December 2020.

17. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2020.

18. Future plans for material investments or capital asset

We have completed the design phase of our Jiashan manufacturing facility and will continue the build out of the facility in 2021.

19. Pledge of Assets

As at 31 December 2020, the land for our Jiashan manufacturing facility has been pledged to Jiashan Shanhe.

20. Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

21. Foreign Exchange Exposure

During the year ended 31 December 2020, the Group mainly operated in China and the majority of the transactions were settled in the Renminbi ("**RMB**"), the functional currency of the operating entities. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2020.

22. Employees and Remuneration

As of 31 December 2020, we employed a total of 149 full-time employees, 137 based in China, 10 based in the United States, 1 based in France and 1 based in Singapore, including a total of 24 employees with a Ph.D. degree or an M.D. degree.

The following table sets forth a breakdown of our employees by function as of 31 December 2020:

	Number	**% of Total**
Function		
Clinical Development	83	56
Business Development	6	4
Commercialization	10	7
Operations and Administrative	50	34
Total	149	100

The total remuneration cost incurred by the Group for the year ended 31 December 2020 was RMB309.3 million, as compared to RMB152.6 million for the year ended 31 December 2019.

The Company also has adopted a pre-IPO management share option plan, a pre-IPO employee share option plan, a post-IPO share award scheme and a post-IPO share option scheme.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020.

AMENDMENT OF THE POST-IPO SHARE AWARD SCHEME

In March 2021, the Board has resolved to amend the rules of the post-IPO share award scheme adopted by the Company on 21 September 2020 (the "**Post-IPO Share Award Scheme**") to the effect that the annual limit for share awards granted under the scheme shall be changed from 1% to 2% of the total number of issued shares as of the relevant times. For the avoidance of doubt, the maximum aggregate number of shares underlying all grants made pursuant to the Post-IPO Share Award Scheme shall remain unchanged at 14,184,519 shares.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on 1 June 2021 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on 1 June 2021. The register of members of the Company will be closed from 27 May 2021 to 1 June 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 May 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2017 as an exempted company with limited liability, and the shares of the Company were listed on the Stock Exchange on 9 October 2020.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

1. Compliance with the Code on Corporate Governance Practices

The Company was only listed on the Main Board of the Stock Exchange on 9 October 2020. Throughout the period from the Listing Date up to 31 December 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

Pursuant to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 9 October 2020, one Board meeting was held during the period from the Listing Date to 31 December 2020.

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

2. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period from the Listing Date up to 31 December 2020.

3. Scope of Work of the Company's Auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive loss and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

4. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Yifan Li, Mr. Shidong Jiang and Mr. Bo Tan. Mr. Yifan Li (being the independent non-executive Director with the appropriate professional qualifications) is the chairperson of the audit committee.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 and has met with the independent auditor, PricewaterhouseCoopers. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

5. Other Board Committees

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

6. Purchase, Sale or Redemption of the Company's Listed Securities

Other than the global offering, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Reporting Period.

7. Use of Proceeds

The Company's shares were listed on the Stock Exchange on 9 October 2020 with a total of 73,079,000 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised during the global offering were approximately HK$3,795 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. The Company will gradually apply the unutilised net proceeds in the manner set out in the Prospectus.

Set out below is the status of use of proceeds from the global offering as at 31 December 2020.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020 (HK$ million)	Unutilised amount as at 31 December 2020 (HK$ million)
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of eravacycline, one of our Core Drug Candidates	15%	569	22	547
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of etrasimod, one of our Core Drug Candidates	15%	569	13	556
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan-hziy	20%	759	13	746

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020 (HK$ million)	Unutilised amount as at 31 December 2020 (HK$ million)
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon	10%	380	43	336
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline	15%	569	31	538
Funding our business development activities and the expansion of our drug pipeline. To further expand our portfolio, we will continue to bring in highvalue and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas	15%	569	0	569
Working capital and general and administrative purposes	10%	380	49	331
Total	**100%**	**3,795**	**171**	**3,624**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Years ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
General and administrative expenses	4	**(277,833)**	(53,851)
Research and development expenses	4	**(377,411)**	(150,888)
Distribution and selling expenses	4	**(33,246)**	—
Other income		**1,084**	29,253
Other losses		**(1,051)**	(626)
Operating loss		**(688,457)**	(176,112)
Finance costs—net		**(31,725)**	(1,947)
Fair value change in financial instruments issued to investors		**(4,937,983)**	(36,453)
Loss before income tax		**(5,658,165)**	(214,512)
Income tax expense	5	**—**	—
Loss for the year attributable to the equity holders of the Company		**(5,658,165)**	(214,512)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Change in foreign currency translation adjustments		**(160,396)**	(15,314)
Change in fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")		**571,651**	—
Other comprehensive income/(loss)		**411,255**	(15,314)
Total comprehensive loss for the year attributable to the equity holders of the Company		**(5,246,910)**	(229,826)
Basic loss per share for loss attributable to the equity holders of the Company	7	**(66.29)**	(41.04)
Diluted loss per share for loss attributable to the equity holders of the Company	7	**(66.29)**	(41.04)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**11,411**	7,725
Right-of-use assets		**110,563**	38,352
Intangible assets		**2,006,056**	1,663,449
Investments		**845,697**	293,000
Other non-current assets		**7,045**	3,261
		2,980,772	2,005,787
Current assets			
Amounts due from related parties		**—**	18,616
Prepayments and other current assets		**15,287**	6,476
Cash and cash equivalents		**4,481,122**	106,061
		4,496,409	131,153
Total assets		**7,477,181**	2,136,940
Liabilities			
Non-current liabilities			
Financial instruments issued to investors		**20,880**	2,463,933
Lease liabilities		**58,878**	30,216
Other non-current liabilities		**369,438**	—
		449,196	2,494,149
Current liabilities			
Financial instruments issued to investors		**—**	395,318
Lease liabilities		**19,015**	10,543
Trade and other payables	8	**167,459**	80,779
Amounts due to related parties		**440**	17,233
		186,914	503,873
Total liabilities		**636,110**	2,998,022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Equity		
Equity attributable to the equity holders of the Company		
Share capital	**198**	17
Reserves	**13,392,531**	443,649
Accumulated deficit	**(6,916,016)**	(1,257,851)
Accumulated other comprehensive income/(losses)	**364,358**	(46,897)
Total equity	**6,841,071**	(861,082)
Total equity and liabilities	**7,477,181**	2,136,940

NOTES

1 General information

Everest Medicines Limited (the "**Company**" or "**Everest**") was incorporated under the law of Cayman Islands as an exempted company with limited liability on 14 July 2017. The Company and its subsidiaries (collectively referred to as the "**Group**") engages primarily in license-in, development and commercialization of innovative therapies in Greater China and other emerging Asia Pacific markets.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 9 October 2020 (the "**Listing**").

2 Basis of preparation

The Consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by International Accounting Standards Board ("**IASB**"). The Consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value.

The Consolidated financial statements has been prepared on a going concern basis. The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies.

(a) New standards, amendments and interpretations that are effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January, 2020 for the preparation of the Group's consolidated financial statements:

IAS 1 and IAS 8 (Amendment)	*Definition of Material*
IFRS 9, IAS 39 and IFRS 7 (Amendment)	*Interest Rate Benchmark Reform*
Revised Conceptual Framework	*Revised Conceptual Framework for Financial Reporting*
IFRS 16 (Amendment)	*COVID-19-related Rent Concessions*

The amendments listed above did not have significant impact on the Company's consolidated financial statements for the year ended 31 December 2020.

3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During all the years presented, the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including operating expenses and operating loss at a consolidated level only. The Group has been focusing on research and development of innovative drug candidate. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

4 Expenses by nature

	Years ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**309,341**	152,642
Clinical trial expenses	**211,304**	86,641
Professional expenses	**121,806**	42,099
Office and travelling expenses	**19,681**	19,775
Depreciation	**20,395**	10,004
Auditors' remuneration:		
— Audit services	**7,646**	1,895
— Non-audit services	**682**	709
Others	**3,483**	9,226
Total general and administrative expenses, research and development, distribution and selling expense expenses and cost of other income	**694,338**	322,991

5 Income tax expense

(i) Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

Hong Kong

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the years ended 31 December 2020 and 2019, no Hong Kong profits tax has been provided.

United States of America

Entities in the State of New York are subject to Federal Tax at a rate of 21% and State of New York Profits Tax at a rate of 6.5%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the years ended 31 December 2020 and 2019.

Singapore

The Group's subsidiaries in Singapore are subject to Singapore profits tax at the rate of 17%. The Group had no taxable income during the years ended 31 December 2020 and 2019.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income.

The Group had no taxable income during the years ended 31 December 2020 and 2019.

5 Income tax expense (continued)

(i) Income tax expense (continued)

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Years ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss before income tax	**(5,658,165)**	(214,512)
Tax calculated at the applicable tax rate of 25%	**(1,414,541)**	(53,628)
Tax effect of:		
Difference in overseas tax rates	**1,326,453**	18,342
Tax losses not recognised as deferred tax assets	**74,379**	36,662
(Utilization of)/Deductible temporary differences not recognised as deferred tax assets	**(969)**	969
Super deduction in respect of research and development expenditures	**(14,221)**	(7,890)
Expenses not deductible for income tax purposes	**28,899**	5,545
Income tax expense	**—**	—

(ii) Tax losses

The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire in 5 years from the respective filing dates and are analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Expire year		
2023	**1,628**	1,628
2024	**51,840**	51,840
2025	**117,069**	117,069
2026	**266,449**	—
	436,986	170,537

6 Dividend

No dividend has been paid or declared by the Company or companies comprising the Group during the years presented.

7 Loss per share

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2020 and 2019. In determining the weighted average number of ordinary shares in issue the unvested restricted shares are excluded:

	Years ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(5,658,165)**	(214,512)
Weighted average number of ordinary shares in issue	**85,350,487**	5,227,184
Basic loss per share (in RMB)	**(66.29)**	(41.04)
Diluted loss per share (in RMB)	**(66.29)**	(41.04)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2020 and 2019, the Company had two categories of potential ordinary shares: convertible redeemable preferred shares (before the conversion to ordinary shares upon the completion of the Company's IPO) and share-based awards granted to employees. For the years ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2019 are the same as basic loss per share.

8 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**40,725**	12,276
Accrued service fees to contract research organizations ("**CROs**")	**37,823**	27,781
Payables to service suppliers	**34,376**	10,806
Salary and staff welfare payables	**49,357**	23,612
Payables for property and equipment	**—**	367
Payables for individual income tax	**3,674**	1,499
Others	**1,504**	4,438
	167,459	80,779

As at 31 December 2020 and 2019, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

8 Trade and other payables (continued)

As at 31 December 2020 and 2019, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
— Within 1 year	**75,101**	23,082

Publication of The Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.everestmedicines.com. The annual report of the Group for the year ended 31 December 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, 22 March 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.