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開拓藥業有限公司*

KINTOR PHARMACEUTICAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9939)

**SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION
PROVISION OF LOAN**

Reference is made to the announcement of Kintor Pharmaceutical Limited dated 8 February 2022 in relation to the entering into of a loan agreement with Dr. Youzhi Tong (the “**Announcement**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcement.

The Board wishes to provide the below supplemental information in relation to the provision of the Loan to Dr. Tong.

FURTHER INFORMATION ON THE REASONS FOR THE PROVISION OF THE LOAN

In determining the terms of the Loan Agreement, the Company has taken into account the following factors:

1. the provision of the Loan was for Dr. Tong to refinance another loan (the “**Other Loan**”) extended to him by an independent third party to avoid a potential default which is likely to cause an adverse impact on the Shares. If the default happens, the Shares price drop would be detrimental to the Company and its Shareholders;
2. the terms and conditions of the Loan Agreement were determined in accordance with prevailing market terms with reference to the interest rates charged by major Hong Kong banks on unsecured personal loans;
3. after conducting extensive due diligence and evaluation on the repayment capability of Dr. Tong, the Board was satisfied that the value of his net assets was substantially sufficient to cover the Loan;

4. having considered the financial capability of Dr. Tong, his credibility and integrity as shown by his long-term service and his inextricable ties with the Company, the Board considered that the terms of the Loan fairly and appropriately reflect the good repayment capability of Dr. Tong and relatively remote credit exposure of the Company;
5. the provision of the Loan will generate higher interest income on funds which would otherwise be idle as compared to the time deposits and wealth management products currently held by the Group; and
6. the Company has in place, and will strictly implement, various internal control and risk management measures to ensure timely repayment of the Loan by Dr. Tong (as further detailed in the section headed “Repayment plan and internal control measures” in this announcement).

In view of the above, the Board considers that the terms and conditions of the Loan Agreement are fair and reasonable, and the provision of the Loan was on normal commercial terms and in the interest of the Company and its Shareholders as a whole. The primary purpose of the Loan was to provide a lifeline to Dr. Tong and to enable him to continue to focus on the Group’s business and daily operation and properly perform his duties as an executive Director and the chief executive officer of the Company, as Dr. Tong is the founder and business leader of the Group and the Group is highly dependent on his expertise and leadership in biopharmaceutical R&D and management. The provision of the Loan also protected the Company and its Shareholders from potential losses which they would have suffered if Mr. Tong were in default on the Other Loan.

The Board considered that the provision of the Loan, which is short-term, transitional and one-off in nature, would enable Dr. Tong to remain focused on the business of the Group, and the Board has no intention to enter into, nor has it entered into, any negotiation, undertaking or understanding regarding other financial assistance/loan agreement to Dr. Tong. As the Loan was funded by the non-operating income of the Group which was composed of interest income, government grant and tax subsidies, the Loan will not lead to any adverse effect on the Company’s operations or research and development activities. The Loan was not funded by the remaining proceeds from the global offering of the Shares in 2020 or the top-up placing of the Shares in 2021.

REPAYMENT PLAN AND INTERNAL CONTROL MEASURES

Dr. Tong has presented to the Board a repayment plan under which he would liquidate his investments in the stock and property markets (including but not limited to the sale of his Shares in the Company at an appropriate time by 30 June 2022) to repay the Loan in full. To ensure timely collection of the Loan, the Company has implemented the following procedure and measures:

1. Dr. Tong will, by the end of each month preceding the full repayment of the Loan, present to the designated personnel from the finance department of the Group a progress report on the repayment plan and cashflow statement showing his cash inflow and assets status and cash outflow. Such cashflow statement and progress report will be verified against the supporting documents provided by Dr. Tong;

2. the cash flow statement and progress report will be presented to the Board if the designated personnel is satisfied that they demonstrate a true and fair view of the information stated therein. Otherwise, Dr. Tong will be required to provide further information and/or documents;
3. the Board will review the cashflow statement and progress report and raise enquiries if needed. The Board intends to request Dr. Tong to provide further documents and/or information should such need arise to assist the Company with its assessment of his repayment capability. If the circumstance so warrants and where appropriate, the Board will invite Dr. Tong to a meeting to ensure it has a comprehensive and accurate understanding of Dr. Tong's financial condition; and
4. at the request of the Company, Dr. Tong has agreed that the Company may withhold the majority of his monthly salary (post-tax) for the five months ending 30 June 2022 and unpaid post-tax bonus as the last source of funding and set off any payment due from Dr. Tong to the Company with such amount should the Loan is not repaid in full by 30 June 2022.

The Board is of the view that the above measures will enable it to have a timely and effective understanding of Dr. Tong's liquidity and assets status, identify any issue at an early stage and ensure the repayment of the Loan on a timely basis.

As at the date of this announcement, Dr. Tong has repaid approximately RMB500,000 (representing approximately HK\$615,000) of the Loan through his monthly salary.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
KINTOR PHARMACEUTICAL LIMITED
Dr. Youzhi Tong

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 22 April 2022

For the purpose of this announcement and for illustration purpose only, conversion of RMB to HK\$ is based on the exchange rate of RMB to HK\$1.23. No representation is made that any amounts in RMB have been or could be converted at the above rate or any other rates.

As of the date of this announcement, the executive Directors are Dr. Youzhi Tong and Ms. Yan Lu; the non-executive Directors are Mr. Weipeng Gao, Dr. Yan Wang and Ms. Geqi Wei; and the independent non-executive Directors are Dr. Michael Min Xu, Mr. Wallace Wai Yim Yeung and Prof. Liang Tong.

* *For identification purpose only*