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## **Kinetic Development Group Limited**

**力量發展集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1277)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION AND SUBSCRIPTION OF SHARES IN STAR IDEA AND TERMINATION OF THE LOAN AGREEMENT**

#### **THE ACQUISITION AND THE SUBSCRIPTION**

The Board is pleased to announce that on 30 December 2022 (after trading hours), the Vendor and the Purchaser entered into the Acquisition and Subscription Agreement, pursuant to which (i) the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, for the Acquisition Consideration, and (ii) the Purchaser has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price. The Acquisition and the Subscription are inter-conditional upon each other.

As of the date of this announcement, the Target Company is wholly owned by the Vendor. Upon completion of the Acquisition and the Subscription, the Target Company will be held as to 79.75% by the Company and 20.25% by the Vendor, and will be an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into that of the Group.

The principal asset of the Target Company is 100% equity interest in the Subsidiary, a company incorporated in the Kingdom of Cambodia principally engaging in the manufacturing and wholesale of tobacco products, including cigarettes and hand-made cigars in Cambodia and Southeast Asia.

## **TERMINATION OF THE LOAN AGREEMENT**

Reference is made to the Loan Announcement. As of the date hereof, approximately US\$9,098,333.64 out of the Loan Commitment has been drawn down. Pursuant to the Acquisition and Subscription Agreement, the Company and the Target Company agreed that subject to compliance with all relevant and applicable laws and regulations, the outstanding loan principal and accrued interest shall be treated as part of the Subscription Price payable by the Purchaser in connection with the Subscription. Upon Closing, the balance of the Loan Commitment will not be drawn down by the Target Company, and the Loan Agreement will be terminated with immediate effect.

## **LISTING RULES IMPLICATIONS**

As the Acquisition and Subscription are proposed to be carried out by the Group within a 12-month period after the consummation of the Loan Agreement, and the Company and the Target Company are respectively the lender and the borrower under the Loan Agreement, the Loan Agreement and the Acquisition and Subscription are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratios in respect of the Loan Agreement, the Acquisition and the Subscription, on an aggregate basis, are more than 5% and less than 25%, the Loan Agreement and the Acquisition and Subscription Agreement and the transactions contemplated thereunder collectively constitute a series of discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being a former Director in the past 12 months and a substantial shareholder of the Company. Accordingly, the Loan Agreement and the Acquisition and Subscription Agreement and the transactions contemplated thereunder collectively constitute a series of connected transactions of the Company under Chapter 14A the Listing Rules and are subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Acquisition and Subscription Agreement and the transaction contemplated thereunder. Mr. Zhang Li and his associates will abstain from voting at the EGM. An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Acquisition and Subscription Agreement and the transaction contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## GENERAL

A circular containing, among other things, (i) further details of the Acquisition and Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Subscription; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently intended to be on or before 28 February 2023, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

*As completion of the Acquisition and Subscription Agreement is subject to Independent Shareholders' approval, the Acquisition and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.*

## THE ACQUISITION AND THE SUBSCRIPTION

The principal terms of the Acquisition and Subscription Agreement are set out below:

**Date:** 30 December 2022

**Parties:**

- (1) The Purchaser
- (2) The Vendor
- (3) Target Company

**Asset to be acquired:** The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, being 36,500 existing shares, representing approximately 73% of the equity interest in the Target Company as at the date of the Acquisition and Subscription Agreement, which holds 100% equity interest in the Subsidiary. In addition, the Purchaser agreed to subscribe for the Subscription Shares, being 16,667 additional shares in the Target Company at the Subscription Price. The Acquisition and the Subscription are inter-conditional upon each other, and following completion of the Acquisition and the Subscription, the Purchaser will own 79.75% of the equity interest in the Target Company as enlarged by the Subscription.

**Total consideration and payment:** The Total Consideration payable by the Purchaser under the Acquisition and Subscription Agreement amounts to US\$91,413,178.98, which comprises (i) US\$62,757,010.02 being the Acquisition Consideration; and (ii) US\$28,656,168.96 being the Subscription Price.

The Acquisition Consideration and the Subscription Price are both determined by reference to the valuation of 100% equity interest of the Target Company of RMB610.0 million as at 30 November 2022 as appraised by the Independent Valuer by way of discounted cash flow method of the income approach, and the proportional interest of the Group in the Target Company upon completion of the Acquisition and the Subscription.

Both the Acquisition Consideration and the Subscription Price will be funded by internal resources of the Group.

The Total Consideration shall be paid in the following three instalments:

- (1) as at the date of the Acquisition and Subscription Agreement, US\$19,435,763.04 has been paid to the Vendor as deposit;
- (2) US\$20,000,000, shall be paid within 30 Business Days from (and excluding) the Signing Date; and
- (3) the balance of the Total Consideration shall be paid on or before Closing (except for the balance of the Loan Commitment, which is to be paid in the form of capital contribution to the Target Company by 31 December 2023).

## **TERMINATION OF THE LOAN AGREEMENT**

Reference is made to the Loan Announcement. As of the date hereof, approximately US\$9,098,333.64 out of the Loan Commitment has been drawn down. Pursuant to the Acquisition and Subscription Agreement, the Company and the Target Company agreed that subject to compliance with all relevant and applicable laws and regulations, the outstanding loan principal and accrued interest shall be treated as part of the Subscription Price payable by the Purchaser in connection with the Subscription. Upon Closing, the balance of the Loan Commitment will not be drawn down by the Target Company, and the Loan Agreement will be terminated with immediate effect.

**Conditions precedent:** Completion of the Acquisition and Subscription Agreement is conditional upon various conditions having been fulfilled, or waived by the Purchaser including, amongst others:

- (1) each of the representations and warranties of the Warrantors contained in the Acquisition and Subscription Agreement is and remains true, accurate and complete;
- (2) the Purchaser shall have completed satisfactory financial, legal and business due diligence with respect to the Target Group to the satisfaction of the Purchaser;
- (3) each Warrantor shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Closing;
- (4) no provision of any applicable laws shall prohibit the consummation of any transactions contemplated under the Transaction Documents and all consents required from any competent governmental authority or other third party have been obtained;
- (5) the Purchaser has obtained all approvals (including but not limited to approval from the shareholders if applicable) required for the consummation of the transactions contemplated under the Transaction Documents and have completed all procedures required therefor under the Listing Rules;
- (6) all corporate and other proceedings in connection with the transactions to be completed at the Closing shall have been completed in form and substance satisfactory to the Purchaser; and
- (7) since the Statement Date, no material adverse effect shall have occurred, and no event shall have occurred or arisen that would reasonably be expected to result in a material adverse effect.

**Termination:**

The Acquisition and Subscription Agreement may be terminated prior to the Closing (a) by written consent of all parties, (b) by the Purchaser, by written notice, if there has been a material misrepresentation (or any representation or warranty made becomes untrue, inaccurate or misleading) or material breach of a covenant or agreement contained in the Acquisition and Subscription Agreement on the part of the Vendor or any Warrantor, and such breach, if curable, has not been cured within 14 days of such notice, or (c) by the Purchaser, if any condition precedent has neither been fulfilled nor waived by 30 June 2023, or if due to change of applicable laws, the consummation of the transactions contemplated thereunder would become prohibited under applicable laws.

Such termination shall not relieve the Vendor or the Target Company from any liability arising from any breach of the Acquisition and Subscription Agreement on their part(s), and shall not relieve the Vendor from any of his obligation to refund the payment made by the Purchaser under the Acquisition and Subscription Agreement in accordance with the terms therein within the time period and in the manner requested by the Purchaser.

**Closing:**

The consummation of the sale and purchase of the Sale Shares shall take place remotely via the signing of documents and/or exchange of documents and signatures on the date which is a Business Day by which all closing conditions specified in the section "Conditions Precedent" above have either been satisfied or waived before or upon Closing or at such other time and place as the Vendor and the Purchaser shall mutually agree in writing.

At the Closing, the Target Company shall deliver to the Purchaser all corporate documents, licenses, certificates, as reasonably requested by the Purchaser.

At the Closing, the Vendor shall (1) deliver to the Purchaser (a) the relevant share certificate evidencing ownership of the Sale Shares, (b) a duly signed instrument of transfer to effect the transfer of the Sale Shares to the Purchaser, (c) all evidence reasonably requested by the Purchaser for the issue and allotment of the Subscription Shares by the Target Company to the Purchaser, (d) resignation as director(s) signed by any existing director of the Target Company (if so requested by the Purchaser), and (2) provide all assistance reasonably required by the Purchaser to complete the registration of the Purchaser as owner of the Sale Shares and of any person nominated by the Purchaser to as director(s) of the Target Company at the relevant authority as soon as possible after Closing.

At the Closing, the Purchaser shall deliver to the Target Company duly completed application for the Subscription Shares.

**Key representations and warranties:**

Each of the Warrantors jointly and severally represents and warrants to the Purchaser that statements including the follows (amongst others) are true, correct, complete and not misleading as of the Closing:

- (1) The issued share capital of the Target Company is and immediately prior to the Closing shall be US\$50,000 divided into a total of 50,000 ordinary shares, and the issued share capital of the Target Company upon the Closing shall be increased to US\$66,667 divided into 66,667 ordinary Shares by the issue and allotment of 16,667 new shares as enlarged by the Subscription.
- (2) The Target Company is the sole record and beneficial holder of all of the equity securities of the Subsidiary free and clear of all encumbrances other than those arising under applicable law.
- (3) The Vendor does not, either on its own account or through any of its affiliates (other than the Target Group Companies), or in conjunction with or on behalf of any other person, carry on or are engaged in any business in direct competition with the main business of the Target Group Companies.
- (4) There are no outstanding loans, amounts payable or any other liabilities between any Target Group Company and the Vendor or any of its affiliates, except for those disclosed to the Purchaser (if applicable).
- (5) The unaudited consolidated balance sheet (the “**Balance Sheet**”) and unaudited income statements and unaudited accounts for the Target Group Companies for the two years ended 31 December 2021 (the “**Statement Date**”) and the unaudited consolidated balance sheet and unaudited income statements and management accounts for the Target Group Companies for the 11 months ended 30 November 2022 have been prepared in accordance with the books and records of the Target Group Companies and give a true and fair view of the financial condition and position of the Target Group Companies as of the dates indicated therein and the results of operations and cash flows of the Target Group Companies for the periods indicated therein.

- (6) Since the Statement Date, each of the Target Group Companies has operated its business in the ordinary course consistent with its past practices, and there has not been any material adverse effect or any material change in the way each Target Group Company conducts its business.
- (7) No Target Group Company has any liabilities or capital commitment of the type that would be disclosed on a balance sheet in accordance with the applicable Accounting Standards, except for (a) liabilities set forth in the Balance Sheet that have not been satisfied since the Statement Date and (b) current liabilities incurred since the Statement Date in the ordinary course of the Target Group business which do not exceed US\$100,000 in the aggregate.
- (8) The Vendor and the Target Company have disclosed to the Purchaser the information in relation to all Material Contracts, and in relation to all material capital commitment, guarantee or other contingent liabilities.
- (9) Each Target Group Company has good and valid title to, or valid leasehold interest in, or right to occupy and use, all of its respective assets and real properties. The foregoing assets and real properties collectively represent all material assets and real properties necessary or desirable for the conduct of the business of each Target Group Company as presently conducted and as proposed to be conducted.
- (10) Each Target Group Company owns or otherwise has sufficient rights to all intellectual property necessary or desirable for conducting its business as currently conducted by such Target Group Company and as contemplated to be conducted without any conflict with or infringement of the rights of any other person.
- (11) The inventory now held by the Target Company and not written off in the Financial Statements is not obsolete or expected by the Vendor to realize less than its book value and does not include goods returned by customers of the Target Company, and is not and will not when put to its intended use become defective or unsafe.

(12) During the 24-months ending respectively on the Signing Date and the date of Closing, there has been no substantial change in the basis or terms on which any key customer, material supplier or other business partner is prepared to do business with the Target Company (apart from normal price changes), no key customer or material supplier or other business partner has ceased or substantially reduced its business with the Target Company, and no key employee ceasing or proposing to cease to work for any Target Group Company.

**Waiver:** The Vendor waives any right of pre-emption, right of first refusal or other right conferred on the Vendor in respect of any of the Sale Shares or Subscription Shares.

**Negative covenants:** Between the Signing Date and the Closing, except as the Purchaser otherwise agrees in writing, none of the Target Group Companies shall (and the Warrantors shall not permit any of the Target Group Companies to) (a) take any action that would make any representation and warranty of the Warrantors inaccurate at any Closing, (b) waive, release or assign any material right or claim, (c) take any action that would, in the opinion of the Purchaser, materially impair the value of the Target Group Companies, (d) sell, purchase, assign, lease, transfer, pledge, encumber or otherwise dispose of any material asset, (e) issue, sell, or grant any equity security, (f) declare, issue, make, or pay any dividend or other distribution with respect to any equity security, (g) incur any indebtedness for borrowed money or capital lease commitments or assume or guarantee any indebtedness of any person, (h) enter into any contract or other transaction with any related party, or (i) authorize, approve or agree to any of the foregoing.

## **BASIS OF DETERMINATION OF CONSIDERATION**

The Total Consideration payable by the Purchaser under the Acquisition and Subscription Agreement amounts to US\$91,413,178.98, which comprises (i) US\$62,757,010.02 being the Acquisition Consideration; and (ii) US\$28,656,168.96 being the Subscription Price.

The Acquisition Consideration and the Subscription Price are both determined by reference to the valuation of 100% equity interest of the Target Company of RMB610.0 million as at 30 November 2022 as appraised by the Independent Valuer by way of discounted cash flow method of the income approach, and the proportional interest of the Group in the Target Company upon completion of the Acquisition and the Subscription.

Since the discounted cash flow method of the income approach was adopted in the preparation of the Valuation Report, such valuation constitutes profit forecasts under Rule 14.61 of the Listing Rule and the Company will make a further announcement in due course.

As informed by the Vendor, the original cost of the Target Company was approximately US\$74,457,549.61, which included the costs and expenses incurred for the incorporation of, and investment into, the Target Group Companies.

### **INFORMATION ON THE TARGET COMPANY AND THE SUBSIDIARY**

The Target Company is an investment holding company incorporated in the British Virgin Islands, which is wholly owned by the Vendor.

The Subsidiary is a company incorporated in the Kingdom of Cambodia with limited liability, which is wholly owned by the Target Company. The Subsidiary is principally engaged in manufacturing and wholesale of tobacco products, mainly cigarettes and hand-made cigars in Cambodia and Southeast Asia.

According to the unaudited consolidated management accounts of the Target Company, (i) the net loss before and after taxation and extraordinary items for the 12 months ended 31 December 2020 were US\$4,830,201.72 and US\$4,830,201.72 respectively; and (ii) the net loss before and after taxation and extraordinary items for the 12 months ended 31 December 2021 were US\$4,740,428.63 and US\$4,740,428.63 respectively. The consolidated total assets of the Target Company as of 30 November 2022 were approximately US\$40,582,163.41.

### **INFORMATION OF THE GROUP AND THE PARTIES INVOLVED IN THE TRANSACTION**

The Purchaser is the Company. Its principal business is extraction and sales of coal products.

The Vendor is Mr. Zhang Li, a former Director in the past 12 months and a substantial shareholder of the Company.

The Target Company is a company incorporated in the British Virgin Islands with limited liability, the ultimate beneficial owner of which is Mr. Zhang Li. Its principal asset is equity interest in the Subsidiary, which is principally engaged in the manufacturing and wholesale of tobacco products, including cigarettes and hand-made cigars in Cambodia and Southeast Asia.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

As disclosed in the interim report of the Group for the six months ended 30 June 2022, the Group currently has sufficient cash and cash equivalents which amount to approximately RMB1,438.7 million in total. Given the Company has been looking to utilize its surplus cash with a view to generate return for its shareholders, the Company may benefit from the future operation and management of the Target Group Companies by acquiring and subscribing for equity interest in the Target Company, taking into account the prospects of the Target Company.

The terms and conditions of the Acquisition and Subscription Agreement are negotiated on an arm's length basis between the Vendor and the Purchaser. The Board (excluding the independent non-executive Directors who reserve their views pending receipt of advice from the Independent Financial Adviser) is of the view that the terms of the Acquisition and Subscription Agreement are fair and reasonable, and the Acquisition and the Subscription are in the interest of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the Acquisition and Subscription are proposed to be carried out by the Group within a 12-month period after the consummation of the Loan Agreement, and the Company and the Target Company are respectively the lender and the borrower under the Loan Agreement, the Loan Agreement and the Acquisition and Subscription are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As the applicable percentage ratios in respect of the Loan Agreement, Acquisition and Subscription, on an aggregate basis, are more than 5% and less than 25%, the Loan Agreement and the Acquisition and Subscription constitute a series of discloseable transactions for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being a former Director in the past 12 months and a substantial shareholder of the Company. Accordingly, the transaction contemplated under the Acquisition and Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A the Listing Rules and is subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Acquisition and Subscription Agreement and the transaction contemplated thereunder. Mr. Zhang Li and his associates will abstain from voting at the EGM. An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Acquisition and Subscription Agreement and the transaction contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) further details of the Acquisition and Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and Subscription; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently intended to be on or before 28 February 2023, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

*As completion of the Acquisition and Subscription Agreement is subject to Independent Shareholders' approval, the Acquisition and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.*

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Accounting Standards”	the accounting standards considered acceptable by the Purchaser in its sole discretion;
“Acquisition”	the proposed acquisition of the Target Company by the Purchaser from the Vendor pursuant to the terms of the Acquisition and Subscription Agreement;
“Acquisition Consideration”	US\$62,757,010.02, being the amount payable by the Purchaser to the Vendor for the Acquisition pursuant to the Acquisition and Subscription Agreement;
“Acquisition and Subscription Agreement”	the Acquisition and Subscription Agreement entered into between the Vendor, the Purchaser and the Target Company on 30 December 2022;
“Board”	the board of Directors;
“Business Days”	any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by law to be closed in Hong Kong or Cambodia;
“Closing”	the completion of the Acquisition and Subscription in accordance with the terms of the Acquisition and Subscription Agreement;
“Company”	Kinetic Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and, if thought fit, approve the Acquisition and Subscription Agreement and the transaction contemplated thereunder;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors;
“Independent Financial Adviser”	the independent financial adviser, Rainbow Capital (HK) Limited, which has been appointed to advise the Independent Board Committee in relation to the Acquisition and Subscription Agreement and the transaction contemplated thereunder;
“Independent Shareholder(s)”	Shareholders other than (i) Mr. Zhang Li, who is considered to have a material interest in, are interested in or involved in the Acquisition and Subscription Agreement and the transaction contemplated thereunder, (ii) Mr. Zhang Liang, Johnson, being an associate of Mr. Zhang Li and (iii) the respective connected person(s) and associate(s) of Mr. Zhang Li and Mr. Zhang Liang, Johnson;
“Independent Valuer”	Vision Appraisal and Consulting Limited, an independent valuer engaged by the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the agreement entered into by the Purchaser as the lender, and the Target Company, as the borrower, on 4 November 2022, under which the Purchaser has committed to provide a loan to the Target Company in the principal amount up to RMB200 million (but payable in HK\$ of equivalent amount) for a term of 2 years;
“Loan Announcement”	the announcement made by the Company on 4 November 2022 regarding the Loan Agreement which was entered into between the Company and the Target Company;
“Loan Commitment”	the aggregate amount of the loan which the Purchaser has committed to grant to the Target Company under the Loan Agreement;

“Material Contracts”	collectively, each contract to which a Target Group Company or any of its properties or assets is bound or subject to that (i) involves obligations, payments or the dealing of assets, indebtedness or security package with a value in excess of US\$100,000 per annum or has an unexpired term in excess of one year after the date hereof, (ii) licenses, transfers, assigns, sales, incurs any lien on intellectual property that is material to a Target Group Company, (iii) restricts the ability of a Target Group Company to compete or to conduct or engage in any business or in any jurisdiction, region or territory, (iv) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any equity securities, (v) involves any provisions providing for exclusivity, “change in control”, “most favored nation”, rights of first refusal or first negotiation or similar rights, or (vi) is with a related party;
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Kinetic Development Group Limited (formerly known as Kinetic Mines and Energy Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	36,500 shares in the Target Company, representing 73% of the total number of issued shares as at the date of the Acquisition and Subscription Agreement;
“Shareholder(s)”	holder(s) of share(s) of US\$0.001 each in the share capital of the Company;
“Signing Date”	30 December 2022, being the date on which the Acquisition and Subscription Agreement was signed by the parties thereto;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Company pursuant to the terms of the Acquisition and Subscription Agreement;
“Subscription Price”	US\$28,656,168.96, being the amount payable by the Purchaser to the Target Company for the Subscription pursuant to the Acquisition and Subscription Agreement by way of converting the Loan Commitment into capital contribution to the Target Company;
“Subscription Shares”	16,667 new shares in the Target Company to be issued and allotted to the Purchaser pursuant to the terms of the Acquisition and Subscription Agreement;

“Subsidiary”	Power Cigar Tobacco Co., Ltd, a company incorporated in the Kingdom of Cambodia with limited liability and a wholly owned subsidiary of Star Idea;
“Target Company” or “Star Idea”	Star Idea Enterprises Limited (星耀企業有限公司), a company incorporated in the BVI with limited liability;
“Target Group Company”	each of the Target Company and the Subsidiary; and “Target Group Companies” or “Target Group” refer to both Group Companies collectively;
“Transaction Documents”	the Acquisition and Subscription Agreement and each of the other agreements and documents otherwise required in connection with the implementation of the transactions contemplated under any of the foregoing as designated by the Purchaser from time to time;
“Total Consideration”	the aggregate consideration payable by the Purchaser pursuant to the Acquisition and Subscription Agreement, inclusive of the Acquisition Consideration and the Subscription Price;
“US\$”	United States dollar, the lawful currency of United States;
“Valuation Report”	the valuation report prepared by Vision Appraisal and Consulting Limited;
“Vendor”	Mr. Zhang Li, a former Director in the past 12 months and a substantial shareholder of the Company;
“Warrantors”	the Vendor and the Target Company, collectively, and a reference to “Warrantor” is to each and every one of them;
“%”	per cent.

\* *The English translation of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By Order of the Board  
**Kinetic Development Group Limited**  
**Ju Wenzhong**  
*Chairman and Executive Director*

Hong Kong, 30 December 2022

*As at the date of this announcement, the Board comprises seven directors, of whom three are executive directors, namely Mr. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer), Mr. Ji Kunpeng; one is a non-executive director, namely Ms. Zhang Lin and three are independent non-executive directors, namely Ms. Liu Peilian, Mr. Chen Liangnan and Ms. Xue Hui.*