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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)

CONNECTED TRANSACTION
LOAN AGREEMENT WITH STAR IDEA

THE LOAN AGREEMENT

The Board announces that on 4 November 2022, after trading hours, the Company as the Lender, and Star Idea, as the Borrower, entered into the Loan Agreement, pursuant to which the Company agreed to provide the Loan to Star Idea in the principal amount up to RMB200 million (but payable in HKD of equivalent value) for a term of 2 years commencing from the Interest Calculation Date.

LISTING RULES IMPLICATIONS

As of the date of this announcement, the Borrower is ultimately 100% owned by Mr. Zhang Li, a former Director in the past 12 months and a substantial shareholder of the Company. As such, the Borrower is an associate of Mr. Zhang Li thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan is more than 0.1% but less than 5%, the provision of the Loan is subject to the annual reporting and the announcement requirements, but exempted from the circular and the independent Shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Board announces that on 4 November 2022, after trading hours, the Company as the Lender and Star Idea as the Borrower entered into the Loan Agreement, pursuant to which the Company agreed to provide the Loan to Star Idea in the principal amount up to RMB200 million (but payable in HKD of equivalent value) for a term of 2 years commencing from the Interest Calculation Date.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below.

- Date:** 4 November 2022
- Parties:** (i) the Company, as the Lender;
(ii) Star Idea, as the Borrower.
- Subject matter:** Pursuant to the Loan Agreement, the Lender agreed to provide the Loan to the Borrower.
- Principal amount of the Loan:** Up to RMB200 million (payable in HKD of equivalent value), which shall be paid in instalments in such amount as requested by the Borrower and agreed by the Lender each time, to the bank account designated by the Borrower.
- Terms of the Loan:** 2 years commencing from the Interest Calculation Date.
- Interest:** The Loan shall bear interest from and including the Interest Calculation Date at an annual interest rate calculated by adding 1.5% on top of the one year loan prime rate (LPR) in PRC in effect during the terms of the Loan.
- Purpose:** The Loan shall be used for the business operations of Power Cigar, the Borrower's wholly-owned subsidiary, and salary payment for its employees.
- Payment of interest and Repayment of Principal** The principal amount of the Loan and the interest accrued thereunder shall be repayable in full upon expiration of the term of the Loan.
- During the term of the Loan, the Borrower may make prepayment of any portion of the principal amount and/or interest accrued under the Loan provided that the Borrower shall give the Lender ten (10) business days' advance notice. In such case, the interest accrued on the relevant principal amount so prepaid shall be calculated based on the actual duration under which the principal amount was lent to the Borrower.
- Liability for Breach:** If the Borrower fails to repay any principal amount or outstanding interest pursuant to the terms of the Loan Agreement, the Borrower shall be liable to pay the Lender default interest at the rate of 150% of the interest rate specified under the Loan Agreement, until all such outstanding amount(s) have been repaid by the Borrower.

The Borrower would be deemed to be in breach of the Loan Agreement and would be liable for liquidated damages payable to the Lender, which are calculated as 20% of the total amount borrowed from the Lender, if any of the following circumstances occurs:

- 1) The Borrower and/or Power Cigar use(s) the Loan for purposes other than those stipulated in the Loan Agreement, or fails to make any repayment on time and such failure lasts for more than 5 days;
- 2) The Borrower and/or Power Cigar provide(s) any false information, conceals any material fact, or breaches any representation or warranty which it has made to the Lender;
- 3) The Borrower and/or Power Cigar fail(s) to (i) inform the Lender in writing and (ii) take adequate safeguard measures to ensure its ability to make repayments to the Lender, in the event that the Borrower materially breaches any of its contracts with third parties, faces any material debt liability or financial difficulty, or is involved in any material dispute and/or any other circumstances that may impair the Borrower's ability to make repayments under the Loan Agreement;
- 4) The Borrower and/or Power Cigar dissipate(s) or dispose(s) of its assets, or its reputation, credit status or financial standing has significantly worsened;
- 5) The Borrower and/or Power Cigar cannot be contacted through the contact information provided by it to the Lender; and
- 6) Any other circumstances that may adversely impact the Lender's rights under the Loan Agreement.

If the Borrower fails to repay any outstanding amount and such failure lasts for more than 5 days, the Lender may declare all outstanding amounts under the Loan Agreement due and payable with immediate effect, including the outstanding principal amount, accrued interest, liquidated damages and other fees and expenses incurred pursuant to the Loan Agreement.

The Loan will be provided by the Lender using the Group's internal source of funding.

THE PLEDGE AGREEMENT

In consideration of the provision of the Loan to the Borrower under the Loan Agreement, the Pledge Agreement was entered into in favour of the Lender, pursuant to which Mr. Zhang Li pledged his 100% equity interest in Star Idea as security for the performance of Star Idea's obligations under the Loan Agreement.

INFORMATION OF PARTIES INVOLVED

The Group principally engages in the extraction and sales of coal products. The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange.

The Borrower is a company incorporated in the BVI with limited liability. Its wholly-owned subsidiary, Power Cigar, principally engages in the production and sale of tobaccos. As of the date of this announcement, the Borrower is ultimately 100% owned by Mr. Zhang Li, a former Director in the past 12 months and a substantial shareholder of the Company. As such, the Borrower is an associate of Mr. Zhang Li thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The Directors consider that the Loan (i) represents a good opportunity for the Group to generate an additional income stream in the form of interest income pursuant to the terms of the Loan Agreement and (ii) would allow the Group to utilize its surplus cash more efficiently to generate an additional return, and thus maximize the Group's return on its available cash reserves.

The terms and conditions of the Loan Agreement (including the interest rate) are negotiated on an arm's length basis between the Lender and Borrower with reference to the prevailing commercial lending rate. The Directors (including the independent non-executive Directors) consider that the Loan Agreement is entered into on normal commercial terms, fair and reasonable, and in the interest of the Shareholders as a whole.

Ms. Zhang Lin, a non-executive Director, being an associate to Mr. Zhang Li who has material interest under the Loan Agreement, had abstained from voting at the Board meeting approving the Loan Agreement and the transactions thereunder.

LISTING RULES IMPLICATIONS

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As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan is more than 0.1% but less than 5%, the provision of the Loan is subject to the annual reporting and the announcement requirements, but exempted from the circular and the independent Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Borrower”	Star Idea;
“BVI”	British Virgin Islands;
“Company” or the “Lender”	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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Interest Calculation Date”	the date on which the Loan is remitted to the bank account of the Borrower by the Lender;
“Loan”	an amount up to RMB200 million (but payable in HKD of equivalent value) to be lent by the Lender to the Borrower pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between the Lender and the Borrower on 4 November 2022;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Pledge Agreement”	the equity pledge agreement dated 4 November 2022 entered into between the Company and Mr. Zhang Li;

“Power Cigar”	Power Cigar Tobacco Co., Ltd (力量雪茄煙草有限公司), a company incorporated in the Kingdom of Cambodia with limited liability and a wholly owned subsidiary of Star Idea;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) with a nominal value of US\$0.001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of share(s) of US\$0.001 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Star Idea”	Star Idea Enterprises Limited (星耀企業有限公司), a company incorporated in the BVI with limited liability;
“US\$”	United States dollar, the lawful currency of United States;
“%”	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, 4 November 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) and 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 Liangnuan and Ms. Xue Hui.