

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 FURTHER ANNOUNCEMENT IN RELATION TO THE PROPOSED ACQUISITION OF SHARES IN STAR IDEA

INTRODUCTION

Reference is made to the announcements of Kinetic Development Group Limited (the “**Company**”) dated 30 December 2022 and 29 March 2023 (the “**Announcements**”) in relation to the Company’s acquisition of shares in Star Idea. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

DISCLOSURE PURSUANT TO RULE 14.62 OF THE LISTING RULES

As disclosed in the Announcements, the Consideration is 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.

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. This announcement (the “**Further Announcement**”) is made pursuant to Rule 14.62 of the Listing Rules.

ASSUMPTIONS OF VALUATION

Pursuant to Rule 14.62(1) of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Valuation Report was based are as follows:

- The information provided and the representations made by the management with regard to the Target Group's financial, business affairs, business plan and financial projection are accurate and reliable;
- The Subsidiary represents the major assets held by the Target Group and the financial statements of the Subsidiary provided by the management have been adopted;
- The Target Group will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business operations;
- The Target Group has obtained or will obtain all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;
- The financial projection in respect of the Target Group has been prepared on a reasonable basis after due and careful consideration by the Management and will be materialized as schedule;
- The Target Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- The senior management of the Target Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Group;
- The senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

- There will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;
- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group’s business;
- The occurrence of any natural disaster such as fire, flood and hurricane will not affect the operation of the Target Group;
- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as of the date of valuation; and
- Apart from the figures shown in the financial statements available to us, the Target Group has no material asset and liability as of the date of valuation.

The Board has confirmed that they have made the forecast after due and careful enquiry. The reporting accountants of the Company, Yongtuo Fuson CPA Limited (the “**Yongtuo Fuson**”), has reported on the calculation of the discounted future cash flows used in the valuation. The report from Yongtuo Fuson on the discounted cash flows used in the valuation has been set out in Appendix II. The discounted future cash flows do not involve the adoption of accounting policies.

A letter from each of the Board and Yongtuo Fuson has been submitted to the Stock Exchange and are included in Appendices I and II respectively to this Further Announcement for the purposes of Rule 14.62 of the Listing Rules.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion in this Further Announcement:

Name	Qualification
Vision Appraisal and Consulting Limited (the “ Vision Appraisal ”)	Independent professional valuer
Yongtuo Fuson	Certified Public Accountants and Registered PIE Auditor

As at the date of this Further Announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Vision Appraisal and Yongtuo Fuson is an independent third party. Neither Vision Appraisal nor Yongtuo Fuson has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this Further Announcement, neither Vision Appraisal nor Yongtuo Fuson had any direct or indirect interests in any assets which have been, since 31 December 2022 (the date to which the latest published annual financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Vision Appraisal and Yongtuo Fuson has given and has not withdrawn its consent to the publication of this Further Announcement including its report or letter and all references to its name in the form and context in which it respectively appears in this Further Announcement.

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

Hong Kong, 30 June 2023

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 Lianguan and Ms. Xue Hui.

APPENDIX I — LETTER FROM THE BOARD

30 June 2023

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sirs,

Discloseable and Connected Transaction — Proposed Acquisition of shares in Star Idea

We refer to the announcements of Kinetic Development Group Limited (the “**Company**”) dated 30 December 2022 and 29 March 2023 (the “**Announcements**”) relating to the captioned transaction. Capitalized terms used in this letter shall have the same meanings as those defined in the Announcements unless stated otherwise.

We refer to the Valuation Report dated 30 June 2023 issued by Vision Appraisal and Consulting Limited (the “**Independent Valuer**”) regarding the valuation of 100% equity interest of the Target Company of RMB610.0 million as at 30 November 2022 (the “**Valuation**”) based on the discounted cash flows, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from Yongtuo Fuson dated 30 June 2023 regarding whether the discounted future cash flows used in the Valuation, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation Report, which the Board has relied on, in all material respects. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Kinetic Development Group Limited
Ju Wenzhong
Chairman and Executive Director

APPENDIX II — LETTER FROM YONGTUO FUSON

The following is the text of a report received from the Company's reporting accountants, Yongtuo Fuson, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN STAR IDEA ENTERPRISES LIMITED

TO THE BOARD OF DIRECTORS OF KINETIC DEVELOPMENT GROUP LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Vision Appraisal and Consulting Limited, of entire equity interest in Star Idea Enterprises Limited (“**Target Company**”) as at 30 November 2022 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in the announcement dated 30 June 2023 to be issued by Kinetic Development Group Limited (the “**Company**”) in connection with the disclosable and connected transaction in relation to the proposed acquisition of 73% equity interest in Target Company (the “**Announcement**”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcements (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rules 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yongtuo Fuson CPA Limited
Certified Public Accountants

Fok Tat Choi
Practicing Certificate Number: P06895
Hong Kong, 30 June 2023