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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)**

**MAJOR AND CONNECTED TRANSACTION**  
**ACQUISITION OF 75% EQUITY INTEREST IN CHANGLIN**

**THE ACQUISITION**

The Board is pleased to announce that on 24 December 2021 (after trading hours), the Vendor and the Purchaser entered into the Acquisition Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 75% of the equity interest in the Target Company, for the consideration of RMB1,100,000,000. The Target Company is expected to own the mining rights of the Target Mine upon completion of the Restructuring. Following the completion of Acquisition, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial results of the Group.

The consideration was determined with reference to the valuation of 100% equity interest of the Target Company of RMB1,490,000,000 as appraised by the Independent Valuer. The Directors (excluding the independent non-executive Directors who reserve their views pending receipt of advice from the Independent Financial Adviser) consider that the consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Immediately prior to completion of the Acquisition, the Target Company is owned as to 75% by the Vendor and 25% by Mr. Shu Honglin. The Vendor is wholly-owned by ZGE Fuliang, of which Mr. Zhang Li, the Chairman of the Board and an executive Director, is the sole ultimate beneficial owner. The Purchaser is an indirect wholly-owned subsidiary of the Company. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Acquisition is proposed to be made by the Group within a 12-month period after the consummation of the Former Acquisition, and the Vendor is wholly-owned by ZGE Fuliang, being a vendor in the Former Acquisition, the Former Acquisition and the Acquisition are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Former Acquisition and the Acquisition, on an aggregate basis, is more than 25%, the Former Acquisition and the Acquisition constitute (i) connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) major transactions of the Company, and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of approving, if thought fit, the Acquisition Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder by the Independent Shareholders. Mr. Zhang Li and his associates will abstain from voting at the EGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Acquisition Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder. An 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 Agreement; (ii) further details of the Target Company and the Target Mine; (iii) the financial information of Wuhai Fuliang and the Target Company; (iv) unaudited pro forma financial information of the Group; (v) the Valuation Report of the assets which are the subject of the contemplated transactions; (vi) a Competent Person's Report on the Target Mine; (vii) further details of the Former Acquisition; (viii) letters from the Independent Board Committee and the Independent Financial Adviser (ix) a notice to convene the EGM; and (x) such other information as required under the Listing Rules, shall be dispatched to the Shareholders as soon as practicable and is currently intended to be on or before 31 March 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

***As the Completion is subject to the conditions precedent and in particular, the Restructuring, the Acquisition may or may not proceed. Potential investors are reminded to exercise caution when dealing in the securities of the Company.***

## INTRODUCTION

The Board is pleased to announce that on 24 December 2021 (after trading hours), the Vendor and the Purchaser entered into the Acquisition Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 75% of the equity interest in the Target Company, for the consideration of RMB1,100,000,000. The Target Company is expected to own the mining rights of the Target Mine upon completion of the Restructuring. Following the Acquisition, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial results of the Group.

## THE ACQUISITION

### 1. Acquisition Agreement

The principal terms of the Acquisition Agreement are as follows:

**Date:** 24 December 2021

**Parties:** (1) The Purchaser  
(2) The Vendor

**Consideration:** The Purchaser shall pay the consideration of RMB1,100,000,000 to the designated bank account of the Vendor, of which (i) RMB550,000,000 will be payable within 90 days of signing of the Acquisition Agreement and (ii) RMB550,000,000 will be payable within 180 days of signing of the Acquisition Agreement, subject to the right of the Purchaser to demand repayment as set out in the paragraph headed “Conditions Precedent” below.

**Assets to be acquired:** The 75% share capital of the Target Company. Upon completion of the Restructuring, the Target Company is expected to own the mining rights of the Target Mine as indicated in the Mining Licence.

In the event that the Restructuring is not completed before the Transfer Date, as an alternative and at the request of the Purchaser, the Vendor shall assign to the Purchaser all its entitlements in connection with the Target Mine under the Project Contracts, the Mining Right Arrangements, and 75% equity interest in Target Company (the “**Assignment**”). In such case, the Purchaser shall pay to the Vendor the consideration of RMB1,100,000,000, of which (i) RMB550,000,000 will be payable within 90 days of signing of the Acquisition Agreement and (ii) RMB550,000,000 will be payable within 180 days of signing of the Acquisition Agreement, subject to the right of the Purchaser to demand repayment as set out in the paragraph headed “Conditions Precedent” below. The completion of the Assignment shall take place on or before the Long Stop Date and be subject to the same conditions precedent set out below other than condition (b).

**Conditions Precedent:** Prior to the Completion, the following conditions shall be satisfied on or before the Long Stop Date:

- (a) the Independent Shareholders approving the Acquisition Agreement and the Acquisition contemplated thereunder as required by the Listing Rules;
- (b) the completion of the Restructuring before the Transfer Date;
- (c) where applicable, the Stock Exchange approving the transactions contemplated under this Acquisition Agreement and the Company obtaining all other requisite approvals required under the Listing Rules;
- (d) the representations and warranties made by the Vendor are true, accurate, and complete, and no facts have been omitted such that the representations and warranties become materially misleading; and
- (e) nothing has caused any materially adverse effect on the Acquisition.

Within 5 business days after satisfaction of the conditions precedent, the Vendor shall assist the Purchaser with respect to the written application of registering the equity transfer of the Target Company with the relevant government authorities.

If, by the Long Stop Date, neither were all conditions precedent satisfied, nor was the Assignment completed, the Purchaser is entitled to notify the Vendor to unilaterally terminate the Acquisition Agreement and require that the Vendor refund any payment (without interest) which the Purchaser had actually made to it under the Acquisition Agreement.

**Liability for Breach:** A party breaches the Acquisition Agreement if any of the following occurs:

- (a) a breach of any terms and conditions of this Acquisition Agreement; and
- (b) a breach of any representations and warranties, or representations and warranties made by a party are not accurate, true, complete, or omit any fact such that the representations and warranties become materially misleading.

Unless otherwise agreed in this Acquisition Agreement, the non-breaching party shall be compensated by the breaching party for the actual loss suffered by the non-breaching party caused by such breach.

**Indemnity from the Vendor:** The Vendor is responsible for the following obligations and all related expenses incurred as a result:

- (i) any outstanding obligation on the Vendor's part under the Project Contracts, Entrustment Agreements and the 75% equity interest in Target Company; or
- (ii) any obligation arising from the Acquisition or direct/indirect holding of the 75% equity interest of the Target Company.

## 2. Deed of Indemnity

The principal terms of the Deed of Indemnity are set out below:

**Date:** 24 December 2021

**Parties:**

- (1) The Purchaser
- (2) Mr. Zhang Li

**Indemnity:** Mr. Zhang Li is solely responsible for the following obligations and all related expenses incurred as a result:

- (i) any outstanding obligation on the Vendor's part under the Project Contracts, Entrustment Agreements and the 75% equity interest in Target Company; or

- (ii) any obligation arising from the Acquisition or direct/indirect holding of the 75% equity interest of the Target Company.

In addition, Mr. Zhang Li shall compensate the Purchaser of its loss and damages, and undertake costs arising from pursuing such loss or damages, caused by any breach of the Acquisition Agreement on the Vendor's part, if the Vendor failed to compensate the Purchaser of these loss, damages and costs in full.

The consideration was determined with reference to the valuation of 100% equity interest of the Target Company of RMB1,490,000,000 as appraised by the Independent Valuer. The Directors (excluding the independent non-executive Directors who reserve their views pending receipt of advice from the Independent Financial Adviser) consider that the consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **THE FORMER ACQUISITION**

As disclosed in the Former Acquisition Announcement, on 6 December 2021, ZGE Fuliang, IM Fuliang and IM Kinetic entered into an agreement, pursuant to which, ZGE Fuliang and IM Fuliang agreed to sell, and IM Kinetic agreed to purchase, 100% of the equity interest in Wuhai Fuliang for the consideration of RMB15,000,000, of which RMB14,250,000 is payable to ZGE Fuliang and RMB750,000 is payable to IM Fuliang. In addition, IM Kinetic also agreed to pay an amount of RMB170,700,000 to ZGE Fuliang within 60 days from the signing of the agreement for the Former Acquisition, which is the amount owed by Wuhai Fuliang to ZGE Fuliang. Upon completion of the Former Acquisition, Wuhai Fuliang will become an indirect wholly-owned subsidiary of the Company and the financial results of Wuhai Fuliang will be consolidated into the consolidated financial results of the Group.

## **INFORMATION ABOUT THE TARGET COMPANY AND TARGET MINE**

The Target Company is a limited liability company established in the PRC. The Target Company is principally engaged in the business of management, development and sale of real properties. As at the date of this announcement, the Target Company is owned as to 75% by the Vendor and 25% by Mr. Shu Honglin.

The Target Mine is located in the mountainous area of the southeastern part of Shuicheng County of Liupanshui City, Guizhou Province, the PRC, with a linear distance of around 40 km southeast to the Township of Shuicheng County. The Target Mine is consolidated from the Tailin Mine, Zhenxing Mine, Xiaoyuantian Mine and the exploration rights of the Baosen District after the Restructuring (defined below). The permitted production capacity of the Target Mine is 600,000 tons per annum with a mining area of 17.0437 km<sup>2</sup>. It extracts coal using the method of underground mining.

According to the unaudited management accounts of the Target Company prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC GAAP"), (i) the net profit before and after taxation and extraordinary items for the 12 months from 1 January 2019 to 31 December 2019 and 12 months from 1 January 2020 to 31 December 2020; and (ii) the consolidated total assets and net asset value of the Target Company as at 31 December 2020 were Nil.

## **Restructuring**

In 2012, the Target Company held the exploration rights regarding the Baosen District. Mr. Shu Jiangtao and Mr. Shu Honglin, as the only shareholders of the Target Company then, holding 25.97% and 74.03% of the equity interest in the Target Company respectively, and both being independent third parties, entered into the Project Contracts with the Vendor in which the Vendor agreed to purchase 90% of the equity interest in the Target Company, in order to acquire the 90% interest in the Baosen District, following the conversion of the exploration rights into mining rights by Mr. Shu Jiangtao and Mr. Shu Honglin ("**2012 Subscription**"). The Vendor became a shareholder of the Target Company after the 2012 Subscription, holding 75% of the equity interest in the Target Company.

During the period from 2014 to 2015, in order to complete the administrative procedures required for the conversion of the exploration rights regarding the Baosen District into mining rights in accordance with the relevant PRC laws and regulations, the Target Company entrusted Guizhou Daxinan with handling such administrative procedures by entering into Entrustment Agreements with Guizhou Daxinan, pursuant to which the Vendor and Mr. Shu Honglin (on behalf of the Target Company as its shareholders) agreed to transfer the exploration rights regarding the Baosen District from the Target Company to Guizhou Daxinan in order to complete the administrative procedures.

In 2017, the Vendor entered into Tailin Zhenxing Xiaoyuantian Agreements with Guizhou Daxinan which provided that Guizhou Daxinan would cooperate with the Vendor and acquire the Tailin Mine, Zhenxing Mine and Xiaoyuantian Mine in the name of Guizhou Daxinan, and carry out the Restructuring. Pursuant to Tailin Zhenxing Xiaoyuantian Agreements, the parties agreed to, among other things, the follows:

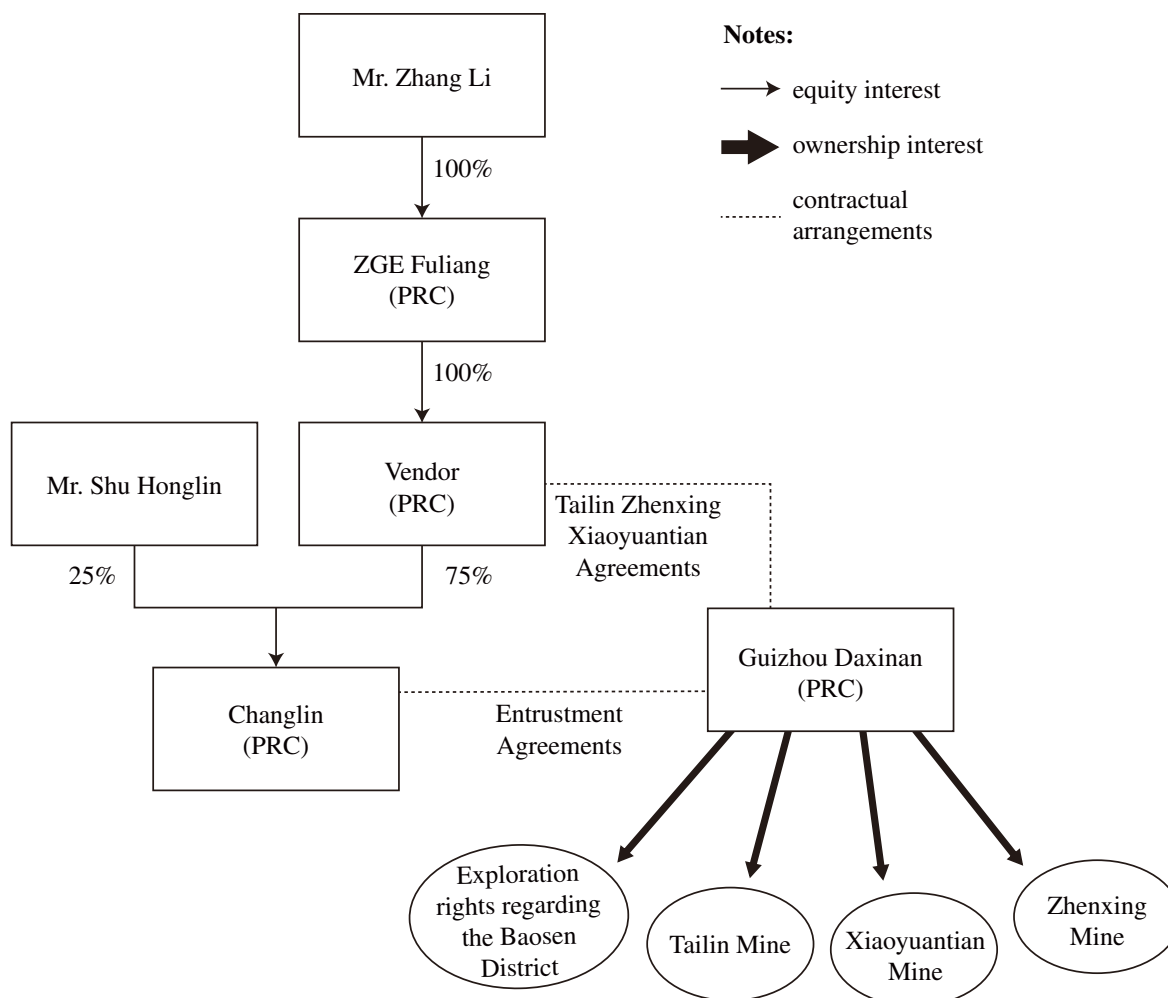
- (a) Guizhou Daxinan, on behalf of the Vendor, is to purchase the legal title of the Tailin Mine, Zhenxing Mine and Xiaoyuantian Mine;
- (b) the Vendor is to pay Guizhou Daxinan any consideration required for acquiring the Tailin Mine, Zhenxing Mine and Xiaoyuantian Mine; and
- (c) the Vendor is to own all beneficial title of the Tailin Mine, Zhenxing Mine and Xiaoyuantian Mine at all times upon completion of the purchase.

As advised by the Vendor, the acquisition cost incurred by the Vendor in relation to the acquisition of the exploration rights of the Baosen District, Tailin Mine, Zhenxing Mine and Xiaoyuantian Mine was RMB297,000,000, which excluded the cost of the consolidation of Tailin Mine, Zhenxing Mine, Xiaoyuantian Mine and Baosen District and further investment therein, related construction projects, cost of beneficial interests, and all fees, taxes and expenses paid.

In 2018, Guizhou Daxinan completed the consolidation of Tailin Mine, Zhenxing Mine, the Xiaoyuantian Mine and Baosen District. i.e. retained Tailin Mine, closed Zhenxing Mine and Xiaoyuantian Mine and deregistered the exploration rights of the Baosen District, to form the Target Mine and the Mining Licence of the Target Mine. Pursuant to the Mining Right Entrustment Arrangements, the Tailin Zhenxing Xiaoyuantian Agreements and the relevant PRC laws and regulations, Guizhou Daxinan is to effect the change of holder of the mining rights in relation to the Target Mine to an entity designated by the Vendor, being the Target Company (the “**Restructuring**”).

### Organization structure of the Target Company prior to the Restructuring

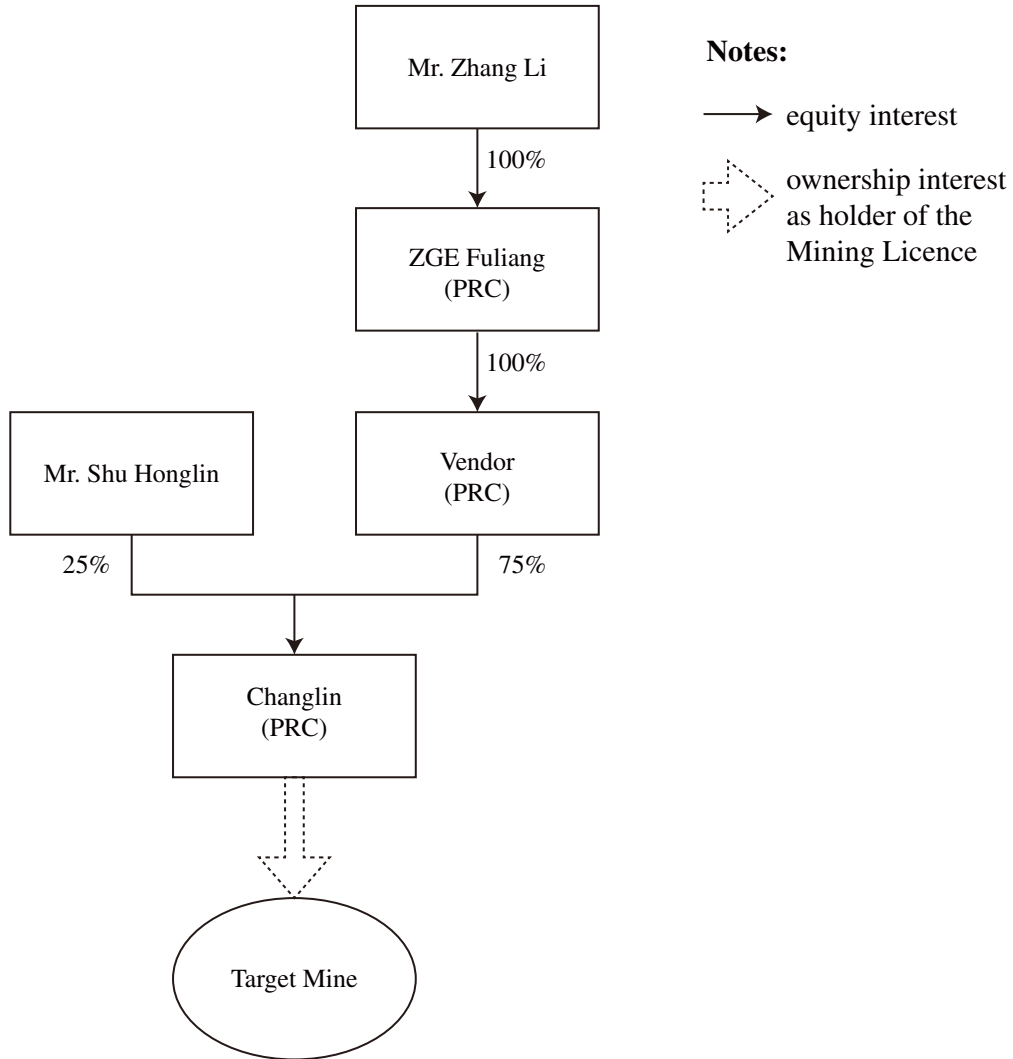
The following diagram sets out a simplified structure chart about the Target Company and the Target Mine prior to the Restructuring:





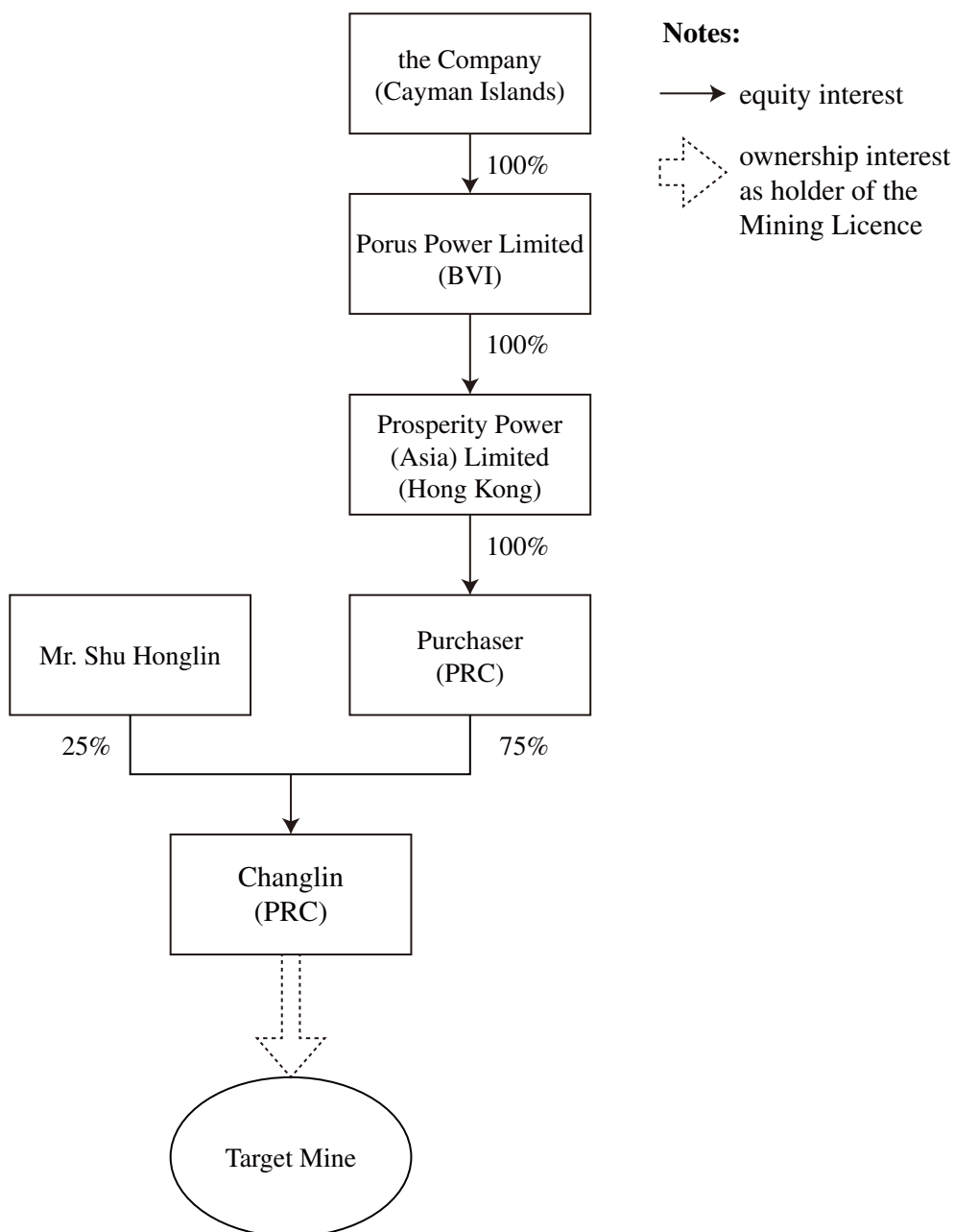
## Organization structure of the Target Company immediately upon completion of the Restructuring

The following diagram sets out a simplified structure chart about the Target Company and the Target Mine immediately upon completion of the Restructuring:



## Organization structure of the Target Company upon Completion

The following diagram sets out a simplified structure chart about the Target Company and the Target Mine upon Completion:



It is envisaged that the Restructuring will be completed prior to completion of the Acquisition, such that the Target Company will own the Target Mine before completion of the Acquisition. Pursuant to the Acquisition Agreement, in the event that the Restructuring is not duly effected prior to completion of the Acquisition, as an alternative and at the request of the Purchaser, the Vendor will assign to the Purchaser the rights and entitlements in connection with the Target Mine under the Project Contracts, the Mining Right Arrangements, and the 75% equity interest in Target Company, as disclosed in the section headed “The Acquisition — 1. Acquisition Agreement” above. A further announcement will be made in this event.

## **Disputes relating to the Target Mine**

In 2016, since Mr. Shu Jiangtao and Mr. Shu Honglin failed to acquire the mining rights in relation to the Target Mine as agreed in the Project Contracts, the Vendor initiated a civil proceeding against Mr. Shu Jiangtao, Mr. Shu Honglin and Target Company at the Guizhou Higher People's Court\* requesting, amongst others, Guizhou Higher People's Court\* to grant the rescission of the Project Contracts on the grounds of material breaches of the obligation on the part of Mr. Shu Jiangtao and Mr. Shu Honglin to acquire the mining rights in relation to the Target Mine pursuant to the Project Contracts, and that Mr. Shu Jiangtao and Mr. Shu Honglin shall bear the liabilities for such breaches.

In 2019, the Supreme People's Court of the PRC, based on an application of the Vendor for withdrawal of the above-mentioned claim and the application of Mr. Shu Jiangtao and Mr. Shu Honglin for withdrawal of the corresponding appeal, revoked the judgment of the Guizhou Higher People's Court\* in relation to the above-mentioned claim in 2016 and the Project Contracts continues to be legally effective. On 7 September 2020, the Department of Natural Resources of Guizhou Province granted the Mining Licence for the Target Mine.

On 16 January 2021, Mr. Shu Jiangtao initiated a fresh civil proceeding against the Vendor at the Liupanshui Zhongshan District People's Court\*, seeking the return of Mr. Shu Jiangtao's 26% equity interest in the Target Company, an order for the rescission of the 2012 Equity Transfer Agreement, and alleging that the Vendor had failed to pay the consideration under the 2012 Equity Transfer Agreement. On 16 January 2021, Mr. Shu Honglin initiated a fresh civil proceeding against the Vendor at the Liupanshui Zhongshan District People's Court\*, seeking the return of Mr. Shu Honglin's 49% equity interest in the Target Company, an order to rescind the 2012 Equity Transfer Agreement, and claiming that the Vendor had failed to pay the consideration under the 2012 Equity Transfer Agreement.

On 1 August 2021, the Vendor initiated a civil proceeding against Mr. Shu Jiangtao and Mr. Shu Honglin at the Liupanshui Intermediate People's Court\* pursuant to the Project Contracts, requesting Mr. Shu Jiangtao and Mr. Shu Honglin to pay the Vendor default payment for their breaches under the Project Contracts, an order for Mr. Shu Jiangtao and Mr. Shu Honglin to pay the Vendor the relevant amounts advanced by the Vendor, and the Court to confirm the amount of the transaction consideration.

On 24 October 2021, Mr. Shu Jiangtao and Mr. Shu Honglin initiated a counterclaim in respect of the Vendor's aforementioned claim at the Liupanshui Intermediate People's Court\*, requesting the Vendor to pay them default payment for overdue payment of the transaction consideration. The hearing of this case was held in Liupanshui Intermediate People's Court on 1 December 2021.

Currently, this case is pending the judgment by the Liupanshui Intermediate People's Court\* for the first trial. Pursuant to the PRC lawyer's legal opinion, Mr. Shu Jiangtao and Mr. Shu Honglin have likely breached the Project Contracts, the court is likely to award some advanced amounts in favour of the Vendor, and the chance of the court supporting the counterclaim of Mr. Shu Jiangtao and Mr. Shu Honglin is low. Taking into account the dispute and to further safeguard the Shareholders' interests, pursuant to the Deed of Indemnity and the Acquisition Agreement, Mr. Zhang Li and the Vendor have provided indemnity in favour of the Purchaser for any loss or damages suffered by the Purchaser in connection with the Target Mine, the details of which are disclosed in the section headed "The Acquisition" above.

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

The Purchaser is an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the extraction and sales of coal products.

The Vendor is a limited liability company established in the PRC on 27 September 2011. The Vendor principally engages in the business of investment management of mining assets, sales of mining products and manufacturing and sales of mining machineries. The Vendor is wholly-owned by ZGE Fuliang, of which Mr. Zhang Li, the Chairman of the Board and an executive Director, is the sole ultimate beneficial owner. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

The Directors are of the view that the Acquisition will allow the Group to develop, construct and extract coal resources from the Target Mine and further strengthen its sales layouts in south-western China. The Directors consider the Acquisition as an opportunity to capitalize upon the positive market condition for coal production and sales in the PRC.

Considering that the development and construction phase of the Target Mine may take up to 2 years, in order to ensure the timely development of the Target Mine and with a view to put the Target Mine in operation without delay, the Directors consider it beneficial to the Group if the Acquisition proceeds expeditiously so as to take the maximum advantage of the currently favourable market conditions for coal. The Directors consider that the Acquisition is in line with the long-term development strategy of the Group.

Further, notwithstanding the ongoing disputes relating to the Target Mine, the Board considers that adequate assurance has been given to the Group considering that (i) the PRC legal opinion has assessed the merits of the litigation to the Group's favour; (ii) Mr. Zhang Li and the Vendor have given indemnity to the Purchaser with respect to the obligations and expenses arising out of or in connection to the disputes; and (iii) in the event that the judgment of dispute is unfavorable to the Group, the Group is entitled to unilaterally terminate the Acquisition Agreement and require that the Vendor refund any payment which the Purchaser had actually made to it under the Acquisition Agreement. As such, the Directors are of the view that the historical and current disputes would unlikely have material adverse impact on the rights of the Company and its Shareholders as a whole.

In view of the above, despite the disputes and taking into account (i) the prospect of the coal mining and coal sales industries in the PRC; (ii) the synergies of coal mining and coal sales operations; and (iii) the continuous, long-term and steady growth of the energy sector in the PRC, 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 Agreement are fair and reasonable, and the Acquisition is in the interest of the Company and Shareholders as a whole.

Reference is also made to Former Acquisition Announcement in relation to the acquisition of 100% equity interest in Wuhai Fuliang. It was disclosed in the Former Acquisition Announcement that the Board considered that the Former Acquisition will provide ease-of-access and strengthen the Group's long-term development, operational presence and strategic growth in Northern China.

## **LISTING RULES IMPLICATIONS**

Immediately prior to Completion, the Target Company is owned as to 75% by the Vendor and 25% by Mr. Shu Honglin. The Vendor is wholly-owned by ZGE Fuliang, of which Mr. Zhang Li, the Chairman of the Board and an executive Director, is the sole ultimate beneficial owner. The Purchaser is an indirect wholly-owned subsidiary of the Company. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Acquisition is proposed to be made by the Group within a 12-month period after the consummation of the Former Acquisition, and the Vendor is wholly-owned by ZGE Fuliang, a vendor in the Former Acquisition, the Former Acquisition and the Acquisition are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Former Acquisition and the Acquisition, on an aggregate basis, is more than 25%, the Former Acquisition and the Acquisition constitute (i) connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) major transactions of the Company, and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of approving, if thought fit, the Acquisition Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder by the Independent Shareholders. Mr. Zhang Li and his associates will abstain from voting at the EGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Acquisition Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder. An 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 Agreement; (ii) further details of the Target Company and the Target Mine; (iii) the financial information of the Target Company and Wuhai Fuliang; (iv) unaudited pro forma financial information of the Group; (v) the Valuation Report of the assets that are the subject of the contemplated transactions; (vi) a Competent Person's Report on the Target Mine; (vii) further details of the Former Acquisition; (viii) letters from the Independent Board Committee and the Independent Financial Adviser (ix) a notice to convene the EGM and (x) such other information as required under the Listing Rules, shall be dispatched to the Shareholders as soon as practicable and is currently intended to be on or before 31 March 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

***As the Completion is subject to the conditions precedent and in particular, the Restructuring, the Acquisition may or may not proceed. Potential investors are reminded 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:

“2012 Equity Transfer Agreement”	the equity transfer agreement between Mr. Shu Jiangtao and the Vendor on 5 July 2012;
“2012 Subscription”	the Vendor’s subscription of the 90% equity interest in Target Company following the conversion of the exploration rights into mining rights in accordance with the relevant PRC laws and regulations, as defined in the section headed “Restructuring” in this announcement;
“Acquisition”	the proposed acquisition of the 75% equity interest of the Target Company from the Vendor;
“Acquisition Agreement”	the acquisition agreement entered into between the Vendor and the Purchaser on 24 December 2021;
“Assignment”	the transfer of all Vendor’s entitlements under the Project Contracts, the Mining Right Arrangements and 75% equity interest in Target Company, as defined in the “Acquisition” section of this announcement;
“Baosen District”	Guizhou Liupanshui Baosen Exploration District* (貴州省六盤水市寶森勘查區);
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Chairman”	chairman of the Board;
“Company”	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 main board of the Stock Exchange;
“Competent Person”	a person that satisfies the requirements under Rules 18.21 and 18.22 of the Listing Rules;
“Competent Person’s Report”	the public report prepared by a Competent Person, in compliance with rules 18.18 to 18.33 of the Listing Rules and the applicable reporting standard;
“Completion”	the completion of the Acquisition, which is the date of registering the transfer of the 75% equity interest of the Target Company at the relevant governmental authority;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deed of Indemnity”	the deed of indemnity entered into on 24 December 2021, between Mr. Zhang Li and Purchaser;
“Directors”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve the Acquisition Agreement and the transactions contemplated thereunder;
“Entrustment Agreements”	the entrustment agreement* (委託管理協議) entered into between Target Company and Guizhou Daxinan on 27 June 2014 and the supplemental memorandum* (委託管理協議備忘錄(一)) between the same parties on 13 January 2015;
“Equity Transfer Agreement”	The equity transfer agreement entered into between ZGE Fuliang, IM Fuliang and IM Kinetic on 6 December 2021 with respect to Former Acquisition;
“Former Acquisition”	the acquisition of 100% equity interest in Wuhai Fuliang Real Estate Development Co., Ltd.* as disclosed in the Former Acquisition Announcement;
“Former Acquisition Announcement”	the announcement of the Company dated 6 December 2021 in relation to the acquisition of 100% equity interest in Wuhai Fuliang;
“Group”	the Company and its subsidiaries;
“Guizhou Daxinan”	Guizhou Daxinan Mining Co., Ltd* (貴州大西南礦業有限公司), a limited liability company established in the PRC on 26 November 2009;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IM Fuliang”	Inner Mongolia Fuliang Mining Co., Limited* (內蒙古富量礦業有限公司), a limited liability company established in the PRC and owned by Mr. Zhang Xiaolin as to 0.5% and ZGE Fuliang as to 99.5%, a vendor in Former Acquisition;

“IM Kinetic”	Inner Mongolia Zhunge’er Kinetic Coal Limited* (內蒙古准格爾旗力量煤業有限公司), a PRC company incorporated on 22 December 2006 and the Company’s indirect wholly-owned subsidiary;
“Independent Board Committee”	the independent board committee of the Company formed to consider the Acquisition Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	shareholders other than the Company and its associates;
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules;
“Independent Valuer”	BAW Mineral Partners Limited, the independent professional valuer engaged by the Company;
“km”	kilometers;
“Listing Rule”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 30 June 2022, or any other date expressly agreed by the Purchaser and the Vendor in writing pursuant to the Acquisition Agreement;
“Mining Licence”	the mining licence (licence number: C520000201111120120278) issued by Department of Natural Resources of Guizhou Province of the PRC with a validity period from December 2017 to August 2040;
“Mining Right Arrangements”	the Entrustment Agreements and the Tailin Zhenxing Xiaoyuantian Agreements;
“PRC”	the People’s Republic of China;



“Project Contracts”	Guizhou Liupanshui Baosen Exploration District mining contract* (貴州省六盤水市寶森勘查區煤炭項目合同書) entered into between the Vendor, Target Company, Mr. Shu Honglin and Mr. Shu Jiangtao on 16 May 2012, the ancillary memorandum* (備忘錄), the second ancillary memorandum* (備忘錄(二)) and the third ancillary memorandum* (備忘錄(三)) entered into by the same parties on 25 July 2012, 27 June 2014 and 6 February 2015, respectively;
“Purchaser”	Guizhou Kinetic Mines Co., Ltd.* (貴州力量礦業有限公司), a limited liability company established in the PRC on 21 December 2020;
“Restructuring”	the change of the person entitled to the mining rights of the Target Mine from Guizhou Daxinan to the Target Company on the Mining Licence pursuant to the relevant PRC laws and regulations;
“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;
“Tailin Mine”	Guizhou Luzhong Mining Co., Ltd Shuicheng County Tailin Coal Mine* (貴州魯中礦業有限公司水城縣猴場鄉泰麟煤礦);

“Tailin Zhenxing Xiaoyuantian Agreements”	(i) the purchase agreement* (水城縣猴場鄉泰麟煤礦、織金縣城關鎮振興煤礦資產轉讓協議) for the Tailin Mine and Zhenxing Mine between Guizhou Daxinan and an independent third party on 16 November 2017, with two supplemental agreements* (《貴州魯中礦業有限責任公司水城縣猴場鄉泰麟煤礦、織金縣城關鎮振興煤礦(兼併重組)採礦權轉讓合同補充協議》《貴州魯中礦業有限責任公司水城縣猴場鄉泰麟煤礦、織金縣城關鎮振興煤礦(兼併重組)採礦權轉讓合同》補充協議二》) between Guizhou Daxinan, the independent third party and the Vendor on 16 November 2017 and 19 October 2018, respectively, (ii) the purchase agreement* (小圓田煤礦資產轉讓協議) for the Xiaoyuantian Mine between Guizhou Daxinan and an independent third party on 15 December 2017 and (iii) the entrustment purchase agreement* (委託收購煤礦並辦理兼併重組事宜協議) entered into between the Vendor and Guizhou Daxinan on 19 October 2018;
“Target Company” or “Changlin”	Liupanshui Changlin Real Estate Development Co., Ltd* (六盤水昌霖房地產開發有限公司), a limited liability company established in the PRC on 27 June 2002;
“Target Mine”	Guizhou Daxinan Mining Co., Ltd. Shuicheng County Tailin Coal Mine* (貴州大西南礦業有限公司水城縣猴場鄉泰麟煤礦), located in southwestern part of Guizhou Province, PRC, inclusive of the Mining Licence, the mineral assets and exploration rights consolidated from the Tailin Mine, Zhenxing Mine, the Xiaoyuantian Mine and Baosen District;
“Transfer Date”	the date before which the Target Company shall become entitled to mining rights of the Target Mine as stipulated in the Acquisition Agreement, being 28 February 2022;
“US\$”	United States dollar, the lawful currency of United States;
“Vendor”	Guizhou Kinetic Energy Co., Ltd.* (貴州力量能源有限公司), a limited liability company established in the PRC on 27 September 2011;

“Wuhai Fuliang”	Wuhai Fuliang Real Estate Development Co., Ltd.* (烏海富量房地產開發有限公司), a limited liability company established in the PRC on 22 December 2017;
“Xiaoyuantian Mine”	Zhijin County Xiaoyuantian Coal Mine* (織金縣官寨鄉小圓田煤礦);
“ZGE Fuliang”	Zhunge’er Fuliang Coal Co., Limited* (准格爾旗富量礦業有限公司), a limited liability company established in the PRC and wholly-owned by Mr. Zhang Li;
“Zhenxing Mine”	Guizhou Luzhong Mining Co., Ltd Zhijin County Zhenxing Coal Mine* (貴州魯中礦業有限公司織金縣城關鎮振興煤礦);
“%”	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**  
**Zhang Li**  
*Chairman and Executive Director*

Hong Kong, 24 December 2021

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