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Kinetic Development Group Limited
力量發展集團有限公司

(Formerly known as Kinetic Mines and Energy Limited 力量礦業能源有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

CONNECTED TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN WUHAI FULIANG

THE ACQUISITION

The Board is pleased to announce that on 6 December 2021 (after trading hours), the Vendors and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company, which owns the Target Property, for the Equity Transfer Consideration of RMB15,000,000, of which RMB14,250,000 is payable to Vendor 1 and RMB750,000 is payable to Vendor 2. In addition to the Equity Transfer Consideration, the Purchaser also agreed to pay to the Vendor the Loan Amount of RMB170,700,000, which is the amount owed by the Target Company to Vendor 1, within 60 days from the signing of the Equity Transfer Agreement. Upon completion of the Acquisition, the Target Company will become an indirect 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.

Since the Target Company is the sole legal and beneficial owner of the Target Property, the Consideration was determined with reference to the valuation of the Target Property of approximately RMB211,000,000 as at 31 October 2021 as appraised by the Independent Valuer using the market comparison approach. The Loan Amount is the dollar-for-dollar value of the amount owed by the Target Company to Vendor 1. The Directors (including the independent non-executive Directors) 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

As at the date of this announcement, Vendor 1 is wholly owned by Mr. Zhang Li, an executive Director and the chairman of the Board. Vendor 2 is owned as to (i) 99.5% by Vendor 1, and (ii) 0.5% by Mr. Zhang Xiaolin, a brother of Mr. Zhang Li. As Mr. Zhang Li is a connected person of the Company, and each of Mr. Zhang Xiaolin and the Vendors is an associate of Mr. Zhang Li, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition 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.

Mr. Zhang Li has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the Company's articles of association and the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 6 December 2021 (after trading hours), the Vendors and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which, the Vendors agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company, which owns the Target Property, for the Equity Transfer Consideration of RMB15,000,000, of which RMB14,250,000 is payable to Vendor 1 and RMB750,000 is payable to Vendor 2. In addition to the Equity Transfer Consideration, the Purchaser also agreed to pay the Loan Amount of RMB170,700,000 to Vendor 1 within 60 days from the signing of the Equity Transfer Agreement. This is the amount owned by the Target Company to Vendor 1.

THE ACQUISITION

The principal terms of the Equity Transfer Agreement are set out below:

- Date:** 6 December 2021
- Parties:**
- (1) The Purchaser
 - (2) Vendor 1
 - (3) Vendor 2
 - (4) Target Company

Asset to be acquired: The Vendors agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company, which owns the Target Property.

Consideration: The Purchaser shall pay the Vendors the Equity Transfer Consideration of RMB15,000,000 using its internal source of funding, of which RMB14,250,000 shall be paid to Vendor 1, and 750,000 shall be paid to Vendor 2, within 60 days after signing of the Equity Transfer Agreement.

In addition, within 60 days from signing of the Equity Transfer Agreement, the Purchaser shall pay the Loan Amount of RMB170,700,000 to Vendor 1.

Payment of Loan Amount: The Purchaser agreed to pay the Loan Amount of RMB170,700,000 to Vendor 1, within 60 days from the signing of the Equity Transfer Agreement, to the bank account designated by Vendor 1.

After the Purchaser repays the Loan Amount on behalf of Target Company to Vendor 1, the Purchaser will become the creditor of Target Company.

Termination: Unless otherwise agreed, the Equity Transfer Agreement shall be terminated:

- (1) if mutually agreed by the parties;
- (2) if parties' purpose of entering into this Equity Transfer Agreement is frustrated due to force majeure; and
- (3) by the innocent party if the other party breaches any contractual obligation or undertaking, or if any representation or warranty made by such other party turns out to be untrue or misleading, which situation has not been rectified within 10 business days of the innocent party requesting such rectification.

The Equity Transfer Agreement may be amended or supplemented upon parties' agreement.

Representations and Warranties:

Each party represents and warrants to the other party as follows:

- (1) Each party has the necessary authority to execute, deliver and perform the Equity Transfer Agreement and any other documents contemplated thereunder. The Equity Transfer Agreement constitutes a legally binding and enforceable agreement for all parties after it comes into effect;
- (2) The Vendors have valid ownership of the equity interest of the Target Company, and such ownership is not subject to any seizure, freezing order, pledge or other security or third party rights;
- (3) Vendor 1 has valid legal claims over the Target Company for RMB170,700,000, which claims are not subject to any seizure, freezing order, or other security or third party rights;
- (4) The Target Property is not restricted by any seizure, mortgage, or other security or third party rights;
- (5) Any representation or warranty made by the parties are true and accurate, and does not mislead or conceal any material facts or matters; and
- (6) In accordance with the laws and regulations, all parties shall apply to competent governmental departments to complete the formalities for registration of the share transfer.

BASIS OF DETERMINATION OF CONSIDERATION

The Consideration is RMB185,700,000, of which RMB15,000,000 represents the Equity Transfer Consideration and RMB170,700,000 represents the Loan Amount. Since the Target Company is the sole legal and beneficial owner of the Target Property, the Consideration was determined with reference to the valuation of the Target Property of approximately RMB211,000,000 as at 31 October 2021 as appraised by the Independent Valuer using the market comparison approach. The Loan Amount is the dollar-for-dollar value of the amount owed by the Target Company to Vendor 1.

As informed by the Vendors, the original acquisition cost of the Target Property was approximately RMB140,000,000, which was with reference to the valuation of the Dikuang Building pursuant to the settlement plan dated 16 January 2017 which was related to a debt owed by a third party to the Vendors. The Vendors have since incurred a further cost of RMB30,700,000 to complete the construction of the Dikuang Building.

INFORMATION ON THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is a limited liability company established in the PRC. The Target Company is owned as to 95% by Vendor 1, and 5% by Vendor 2. It principally engages in development, leasing and sale of real property. The Target Company is the sole legal and beneficial owner of the Target Property, which includes the Target Land and the Dikuang Building, and their respective property rights.

The Target Land is located at Hexie Road East, Junzheng Street North, Haibowan District, Wuhai, Inner Mongolia Autonomous Region, PRC* (烏海市海勃灣區和諧路東、君正街北). The Target Land shall be used for commercial purpose only. The Target Land has a total area of 6,527 square meters. The state-owned construction land use right* (國有建設用地使用權) over the Target Land was granted through a Certificate of Real Estate Ownership* (不動產權證書) (No. 0017203) by Wuhai Real Estate Registration Bureau* (烏海市不動產登記局) on 11 November 2019, and such right is valid from 13 January 2010 to 13 January 2050.

The Dikuang Building is located at Hexie Road East, Junzheng Street North, Binhe District, Wuhai, Inner Mongolia Autonomous Region, PRC* (濱河區和諧路東、君正街北). The construction of Dikuang Building was approved by the Wuhai Housing and City Planning Bureau* (烏海市住房和城鄉建設局) under the Construction Permit for Construction Projects* (建築工程施工許可證) (No. 150301201904280101) on 28 April 2019. The Dikuang Building has a total scale of construction of 39,074 square meters and a total building area of 39,101.51 square meters. The Dikuang Building consists a 23-story office building and a 3-story annex building above the ground, and one level for ancillary facilities below ground. The construction of Dikuang Building has been completed in 2019. As of the date of this announcement, the Dikuang Building is in the process of applying for the Property Rights Certificate* (房產證).

According to the unaudited management accounts of the Target Company prepared in accordance with generally accepted accounting principles in the PRC, (i) the net profit before and after taxation and extraordinary items for the 12 months from 1 January 2019 to 31 December 2019 were RMB-34,540.16 and RMB-34,540.16 respectively; and (ii) the net profit before and after taxation and extraordinary items for the 12 months from 1 January 2020 to 31 December 2020 were RMB-3,635.31 and RMB-3,635.31 respectively. The consolidated total assets of the Target Company on 31 December 2020 were approximately RMB15,522,271.16.

INFORMATION OF 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.

Vendor 1 is a limited liability company established in the PRC on 10 February 2004. Vendor 1 principally engages in investment and management of mining assets and equipment, sale of mining products, development and management of real estate and consulting services related to real estate. Vendor 1 is wholly owned by Mr. Zhang Li, the executive director and chairman of our Company.

Vendor 2 is a limited liability company established in the PRC on 19 December 2012. Vendor 2 principally engages in procurement and sale of mining products. Vendor 2 is owned as to (i) 99.5% by Vendor 1, which is wholly owned by Mr. Zhang Li, and (ii) 0.5% by Mr. Zhang Xiaolin, brother of Mr. Zhang Li.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property is located in the prime business district of Wuhai, Inner Mongolia Autonomous Region, PRC. Leveraging the Target Property's strategic location in northern China, the Acquisition allows the Company to better capture the regional market opportunities and facilitate further development of business operations in this region, which in turn drives profitability and broadens the Group's geographical reach in PRC. The Board is of the view that the Acquisition would provide ease-of-access and strengthen the Group's long-term development, operational presence and strategic growth in northern China.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement, including 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

As at the date of this announcement, Vendor 1 is wholly owned by Mr. Zhang Li, an executive Director and the chairman of the Board. Vendor 2 is owned as to (i) 99.5% by Vendor 1, and (ii) 0.5% by Mr. Zhang Xiaolin, a brother of Mr. Zhang Li. As Mr. Zhang Li is a connected person of the Company, and each of Mr. Zhang Xiaolin and the Vendors is an associate of Mr. Zhang Li, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition 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.

Mr. Zhang Li has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the Company's articles of association and the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Target Company by the Purchaser from the Vendors pursuant to the terms of the Equity Transfer Agreement;
“Board”	the board of Directors;
“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 Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the aggregate consideration payable to the Vendors pursuant to the Equity Transfer Agreement, inclusive of the Equity Transfer Consideration and the Loan Amount;
“Dikuang Building”	the dikuang building* (地礦大廈), located at Hexie Road East, Junzheng Street North, Binhe District, Wuhai, Inner Mongolia Autonomous Region, PRC* (濱河區和諧路東、君正街北);
“Directors”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement entered into between Vendor 1, Vendor 2, the Purchaser and the Target Company on 6 December 2021;
“Equity Transfer Consideration”	The consideration of RMB15,000,000 for the Purchaser’s acquisition of 100% of the equity interest in the Target Company from the Vendors;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer engaged by the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan Amount”	the loan amount payable to Vendor 1 by the Purchaser, namely, RMB170,700,000 to Vendor 1 within 60 days, pursuant to the Equity Transfer Agreement;
“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”	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;
“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;
“Target Company” or “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;
“Target Land”	the state-owned construction land use right* (國有建設用地使用權) over the land located at Hexie Road East, Junzheng Street North, Haibowan District, Wuhai, Inner Mongolia Autonomous Region, PRC (烏海市海勃灣區和諧路東、君正街北);
“Target Property”	The asset owned by the Target Company, namely, the Target Land and the Dikuang Building;
“US\$”	United States dollar, the lawful currency of United States;
“Vendor 1”	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;
“Vendor 2”	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 Vendor 1 as to 99.5%;

“Vendors” Vendor 1 and Vendor 2;

“%” 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, 6 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.