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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)

DISCLOSABLE TRANSACTION ACQUISITION OF FULI SHOUFU

THE ACQUISITION

The Board is pleased to announce that on 30 May 2022 (after trading hours), the Vendor entered into the Property Purchase Framework Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Target Properties for the Consideration of RMB1,000,939,241 (inclusive of value-added tax).

The Consideration was determined with reference to the valuation of the Target Properties at approximately RMB1,145,000,000 as at 31 March 2022 as appraised by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The Directors (including the independent non-executive Directors) consider that the terms of the Property Purchase Framework Agreement, including the Consideration, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 30 May 2022 (after trading hours), the Vendor entered into the Property Purchase Framework Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Target Properties, which are located at B18 block of the new city center of Dayingshan, Haikou, Hainan province, for the Consideration of RMB1,000,939,241 (inclusive of value-added tax).

THE ACQUISITION

The principal terms of the Property Purchase Framework Agreement are set out below:

Date: 30 May 2022

Parties: The Purchaser and the Vendor

Asset to be acquired: The Vendor agreed to sell, and the Purchaser agreed to purchase, the Target Properties.

The Target Properties shall be transferred to the Purchaser on or before 30 June 2023 (the “**Transfer Date**”).

Consideration and Payment: The Purchaser shall pay the Consideration to the Vendor prior to the date on which the Target Properties are transferred to the Purchaser, such date to be stipulated in the Haikou Sales Agreement.

The Purchaser shall settle the Consideration by cash using the internal resource of the Group.

Encumbrances: The land use rights and project under construction* (在建工程) in relation to the Target Properties have been mortgaged to third parties. The Vendor will apply to the relevant mortgagee(s) for their consent(s) to the sale of the Target Properties to the Purchaser prior to completion of the Property Purchase Framework Agreement.

The Vendor confirms and undertakes that, from the date of the signing of the Property Purchase Framework Agreement, it shall not enter into any contractual arrangement with respect to the Target Properties with any other parties, including but not limited to lease or sale/disposal of the Target Properties, and shall not further mortgage, or remortgage, the Target Properties in whole or in part.

Liability for Breach:

- 1) If the Purchaser fails to make any payment on time under the Property Purchase Framework Agreement, it shall pay the Vendor liquidated damages calculated at 0.005% of the outstanding payment accrued on a daily basis during the overdue period. If such failure to pay persists for more than 30 days, the Vendor will be entitled to terminate the Property Purchase Framework Agreement. In such case, the Vendor shall refund to the Purchaser any Consideration which has already been paid by the Purchaser, and the Purchaser shall pay the Vendor liquidated damages calculated based on the following formula:

Liquidated damages = the overdue amount which the Purchaser fails to pay under the Property Purchase Framework Agreement \times 0.005% \times 30

- 2) If the Vendor fails to transfer the Target Properties to the Purchaser by the Transfer Date, it shall pay the Purchaser liquidated damages calculated at 0.005% of the payment already made by the Purchaser accrued on a daily basis during the period of delay calculating from the Transfer Date. If the Vendor fails to transfer the Target Properties for more than 30 days after the Transfer Date, the Purchaser will be entitled to terminate the Property Purchase Framework Agreement. In such case, the Vendor shall refund any Consideration which has already been paid by the Purchaser, and shall pay the Purchaser liquidated damages that are calculated based on the following formula:

Liquidated damages = the amount of payment that the Purchaser has made under the Property Purchase Framework Agreement \times 0.005% \times 30

- 3) If the Vendor breaches the Property Purchase Framework Agreement and/or the Haikou Sales Agreement, which breach renders the Purchaser unable to become the legal owner of the Target Properties, the Purchaser is entitled to terminate the Property Purchase Framework Agreement and request the Vendor to refund any paid Consideration to the Purchaser. In such case, the Vendor shall pay the Purchaser liquidated damages that are calculated based on the following formula:

Liquidated damages = the amount of payment that the Purchaser has made under the Property Purchase Framework Agreement \times 0.005% \times (number of days during which the Vendor has held such payments made by the Purchaser)

- 4) If the Purchaser breaches the Property Purchase Framework Agreement and/or the Haikou Sales Agreement in circumstances other than that set out in point (1) above, the Vendor is entitled to terminate the Property Purchase Framework Agreement but is obliged to refund any paid Consideration to the Purchaser in this circumstance. In such case, the Purchaser shall pay the Vendor liquidated damages that are calculated based on the following formula:

Liquidated damages = Consideration × 0.005% × (number of days calculated from the signing of the Property Purchase Framework Agreement to the date on which the Property Purchase Framework Agreement is so terminated)

**Information
undertaking**

The Purchaser understands that the Vendor is a wholly-owned subsidiary of R&F Properties, a company listed on the Stock Exchange, and agrees to provide R&F Properties with the relevant information required to facilitate its compliance obligations to the Stock Exchange.

BASIS OF DETERMINATION OF CONSIDERATION

The Consideration is RMB1,000,939,241 (inclusive of value-added tax), which was determined through arm's length negotiations by both parties after considering the prevailing market conditions, with reference to the valuation of the Target Properties at RMB1,145,000,000 as at 31 March 2022 as appraised by Jones Lang LaSalle Corporate Appraisal and Advisory Limited using the market approach.

INFORMATION ON THE TARGET PROPERTIES

The Target Properties are located at B18 block of the new city center of Dayingshan, Haikou, Hainan province* (海口市大英山新城市中心區B18地塊). The Vendor has obtained the Real Estate Property Certificate* (不動產權證書) (Qiong (2018) Haikou City Real Estate Property No. 0155641)* (琼(2018)海口市不動產權第0155641號) in relation to the land that the Target Properties are situated on. The area of the land on which the Target Properties are situated is 64,387.87 square meters, and the land in question is permitted to be used mainly for urban residential purpose (城鎮住宅用途), with approximately 69.784% of the area permitted for urban residential use, approximately 22.34% for commercial/financing business office use (商務金融用途), and approximately 7.786% for retail use (零售商業用途). The permitted land use period of the Target Properties are approximately 70 years for residential purpose (from 13 December 2018 to 22 November 2088) and approximately 40 years for business purpose (from 13 December 2018 to 22 November 2058).

The Target Properties comprise the following units:

- 1) 24 units at level 1 to 3 of building No. 1, which are permitted for retail use with an aggregate building area of 4,339.86 m²;
- 2) 32 units at level 4 to 6 and level 32 of building No. 1, which are permitted for business office use with an aggregate building area of 8,255.52 m²;
- 3) 16 units at level 1 to 3 of building No. 2, which are permitted for retail use with an aggregate building area of 2,076.11 m²; and
- 4) 265 units at level 4 to 11, 20 to 22 and level 56 of building No. 2, which are permitted for business office use with an aggregate building area of 17,319.29 m².

As at 31 March 2022, the unaudited book value of the Target Properties was approximately RMB616,741,043.93.

INFORMATION OF THE GROUP AND THE PARTIES INVOLVED IN THE TRANSACTION

The Group is principally engaged in the extraction and sales of coal products.

The Purchaser is a limited liability company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company. It principally engages in the wholesale and retail of coal and products, metals and metal mines, machinery and equipment and hardware products, import of coal, warehousing, and leasing and management of its own properties.

The Vendor is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of R&F Properties. It principally engages in the development and management of real estate properties, marketing and sales activities and consulting services for tourism projects. Mr. Zhang Li, an executive Director, chairman of the Board, and a substantial shareholder of the Company, has approximately 27.77% interest in R&F Properties as at the date of this announcement. Save as disclosed above, to the best of the Directors' knowledge, information and belief, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Properties are located in the central business district of Haikou, Hainan Province, PRC. Given that the Group intends to continue strengthening its sales network in both southern and northern China, and considering the location of the Target Properties which is deep in southern China, the Acquisition allows the Company to further expand its sales network and broaden its geographic reach to explore and take advantage of the potential business opportunities in southern China, and to benefit from the future development of the central business district of Haikou. The Board is of the view that the Acquisition would allow the Company to further develop its sales network geographically in southern China, which would in turn strengthen the Group's overall operational presence and ability to cover a more comprehensive customer base in China, and also enable the Company to take advantage of the further development of the central business district of Haikou.

The Directors (including the independent non-executive Directors) consider that the terms of the Property Purchase Framework Agreement, including the Consideration, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Mr. Zhang Li, an executive Director and chairman of the Board, and Ms. Zhang Lin, a non-executive Director and an associate of Mr. Zhang Li, have both abstained from voting on the Board meeting approving the Property Purchase Framework Agreement.

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction and is subject to the notification and announcement requirements under Chapter 14 of 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 Properties by the Purchaser from the Vendor pursuant to the terms of the Property Purchase Framework Agreement;
“Board”	the board of Directors of the Company;
“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;
“Consideration”	the consideration of RMB1,000,939,241 (inclusive of value-added tax) payable to the Vendor pursuant to the Property Purchase Framework Agreement;

“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Haikou Sales Agreement”	the Haikou sales and purchase agreement, a standard form property transfer agreement mandated by the Haikou municipal government;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“Property Purchase Framework Agreement”	the Framework Agreement on Sale and Purchase of Properties entered into between the Vendor and the Purchaser on 30 May 2022;
“Purchaser”	Kinetic (Qinhuangdao) Energy Co., Ltd.* (力量(秦皇島)能源有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“R&F Properties”	Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司), a limited liability company established in the PRC and listed on the main board of the Stock Exchange (Stock Code: 2777);
“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 Properties” or “Fuli Shoufu”	A selection of properties in buildings No.1 and No.2 of the R&F Shoufu Building Lot B18, which is situated at B18 block of the new city center of Dayingshan, Haikou, Hainan Province, the details of which are set out in the “Information on the Target Properties” section;
“US\$”	United States dollar, the lawful currency of United States;

“Vendor” Hainan Hangxiao Real Estate Development Co., Ltd.* (海南航孝房地產開發有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of R&F Properties;

“%” 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, 30 May 2022

As at the date of this announcement, the Board comprises seven directors, of whom three are executive Directors, namely Mr. Zhang Li (Chairman), Mr. Ju Wenzhong (Chief Executive Officer) and Mr. Li Bo; 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.