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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 TRANSACTION
FURTHER ANNOUNCEMENT IN RELATION TO THE PROPOSED
ACQUISITION OF EQUITY INTEREST IN NINGXIA SUNSHINE

INTRODUCTION

References are made to the announcements of Kinetic Development Group Limited (the “**Company**”) dated 27 January, 5 June, 24 June, 27 June, 28 July and 15 August 2022 (the “**Announcements**”) in relation to the Company’s acquisitions with regards to 100% equity interest in the Target Company. 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 of the Relevant Acquisitions was agreed after arm’s length negotiations between IM Kinetic and the Vendors and are on normal commercial terms, with reference to, among other things, the valuation of the Target Company of approximately RMB3.1 billion as at 31 May 2022 determined by an independent valuer, BAW, by way of discounted cash flow method of the income approach.

Since the discounted cash flow method of the income approach was adopted in the preparation of the Valuation Report, the valuation date of which was 31 May 2022, such valuation constitutes profit forecasts under Rule 14.61 of the Listing Rules. 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 of the Company, the management of the Target Company and/or their representative(s) with regard to the Target Company's financial and business affairs are accurate and reliable;
- The Target Company will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development;
- All relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry with minimal expenses;
- There will be sufficient supply of technical staff in the industry in which the Target Company operates or intends to operate, and the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- There will be no major changes in the current taxation laws in the localities in which the Target Company 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 were no major changes in the financial position and performance of the Target Company between 31 May 2022, the date of valuation, and 14 September 2022, the date of the Valuation Report;
- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Company's business; and
- 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 Company as of 31 May 2022, the date of valuation.

The Board has confirmed that they have made the forecast after due and careful enquiry. The auditor of the Company, KPMG, has reported on the calculation of the discounted future cash flows used in the valuation. The report from KPMG 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 KPMG 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
BAW	Independent professional valuer
KPMG	Certified public accountants

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 BAW and KPMG is an independent third party. Neither BAW nor KPMG 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 BAW nor KPMG had any direct or indirect interests in any assets which have been, since 31 December 2021 (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 BAW and KPMG has given and has not withdrawn its consent to the publication of this Further Announcement with inclusion of its report or letter and all references to its name in the form and context in which it respectively appears in this Further Announcement.

WRITTEN SHAREHOLDERS' APPROVAL

Considering that to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company was to convene an EGM to approve the above-mentioned matters, pursuant to Rule 14.44 of the Listing Rules, the Company has obtained the written Shareholders' approval from the Company's major Shareholders for the Property Rights Transfer Agreement and the transactions contemplated thereunder, namely, King Lok Holdings Limited (which is owned as to 100% by Mr. Zhang Liang, Johnson) and Mr. Zhang Li, holding 5,307,450,000 and 943,314,000 Shares, representing approximately 62.96% and 11.19% of the issued share capital of the Company respectively (representing approximately 74.15% in aggregate of the entire issued share capital of the Company giving the right to attend and vote at a general meeting) as at the date of this Further Announcement. Accordingly, no Shareholders' meeting will be held to approve the Property Rights Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules as disclosed in the Company's announcement dated 24 June 2022.

GENERAL

As disclosed in the Company's announcement dated 28 July 2022, the Company has applied to the Stock Exchange for a waiver seeking to defer the dispatch of the circular containing, among other things, (i) the particulars of the Shougang Acquisition and Property Rights Transfer Agreement; (ii) further details of the Target Company, the Shougang Sale Interest, Target Mines and Shougang Loan; (iii) the historical financial information of the Target Company; (iv) the financial information of the Group; (v) the Valuation Report of the Target Company; (vi) a Competent Person's Report on the Target Mines; and (vii) such other information as required under the Listing Rules to the Shareholders, on or before 30 September 2022 (the "**Waiver Application**"). As further disclosed in the Company's announcement dated 15 August 2022, the Stock Exchange has granted the Waiver Application on the condition that the circular shall be dispatched on or before 15 September 2022 and the Waiver Application is disclosed by way of an announcement.

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

Hong Kong, 14 September 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), 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.

APPENDIX I — LETTER FROM THE BOARD

14 September 2022

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

Dear Sirs,

Major Transaction — Proposed Acquisitions in relation to the Equity Interest in Ningxia Sunshine

We refer to the announcements of Kinetic Development Group Limited (the “**Company**”) dated 27 January, 5 June, 24 June, 27 June, 28 July and 15 August 2022 (the “**Announcements**”) in relation 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 14 September 2022 issued by BAW Mineral Partners Limited (the “**Independent Valuer**”) regarding the valuation of the entire equity interest in Target Company as at 31 May 2022 (the “**Valuation**”), which constitutes profit forecasts 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 KPMG dated 14 September 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 of the Company 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 – REPORT FROM KPMG

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



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF NINGXIA SUNSHINE MINING CO., LTD.

TO THE BOARD OF DIRECTORS OF KINETIC DEVELOPMENT GROUP LIMITED

We refer to the discounted future cash flows on which the business valuation (“**the Valuation**”) dated 14 September 2022 prepared by BAW Mineral Partners Limited in respect of the appraisal of the fair value of Ningxia Sunshine Mining Co., Ltd. (“**the Target Company**”) as at 31 May 2022 is based. The Valuation is prepared based on the discounted future cash flows and 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**”).

Directors’ Responsibilities

The directors of Kinetic Development Group Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future 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 (“**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 Control (HKSQC) 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and 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 report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the 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 plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Ningxia Sunshine Mining Co., Ltd. or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relate to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

14 September 2022