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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)**

**DISCLOSEABLE TRANSACTION**  
**THE PROPOSED ACQUISITION OF EQUITY INTEREST IN**  
**NINGXIA SUNSHINE**

**THE SUNSHINE ACQUISITION**

The Board is pleased to announce that, on 27 January 2022 (after trading hours), IM Kinetic entered into the Share Transfer Agreement with Sunshine Investment, pursuant to which IM Kinetic has conditionally agreed to purchase, and Sunshine Investment has conditionally agreed to sell, the Sunshine Sale Interest and Sunshine Loan for the consideration of respectively RMB378,000,000 and RMB7,607,250. The aggregated consideration for the Sunshine Acquisition is RMB385,607,250.

The Target Company is principally engaged in the business of construction of coal mine and sale of coal, iron alloy and steel. It operates the Target Mines in Ningxia Hui Autonomous Region, which have an aggregate annual production capacity of 2,100,000 tons. According to the Competent Person's Report, as at 1 May 2021, the Target Mines have a total mineral resource of 342.83 Mt, and have aggregate Indicated Resources and Inferred Resources of 101.31 Mt and 241.52 Mt respectively.

As at the date of this announcement, the Target Company is held as to 49% by Sunshine Investment and as to 51% by Shougang. Upon Completion, the Group will have 49% equity interest in the Target Company and the financial results of the Target Company will not be consolidated into the financial statements of the Group.

Additionally, IM Kinetic has made a Security Deposit in the amount of RMB100,000,000 to the Beijing Equity Exchange which is a pre-requisite for the submission of a bid in response to the public tender for the Shougang Sale Interest. On 21 January 2022, Beijing Equity Exchange notified IM Kinetic that it was the successful bidder for the Shougang Sale Interest and the final consideration is RMB380,000,000. As at the date of this announcement, IM Kinetic is negotiating the terms of the definitive agreement with Shougang for the acquisition of the Shougang Sale Interest. The Company will make further announcement(s) to provide details of the acquisition of Shougang Sale Interest when the relevant agreement(s) have been entered into.

#### **LISTING RULES IMPLICATIONS**

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Sunshine Acquisition is more than 5% but less than 25%, the Sunshine Acquisition is subject to the notification and the announcement requirements, but exempted from the circular and the independent Shareholders' approval requirements under the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that, on 27 January 2022 (after trading hours), IM Kinetic entered into the Share Transfer Agreement with Sunshine Investment, pursuant to which IM Kinetic has conditionally agreed to purchase, and Sunshine Investment has conditionally agreed to sell, the Sunshine Sale Interest and Sunshine Loan for the consideration of respectively RMB378,000,000 and RMB7,607,250. The aggregated consideration for the Sunshine Acquisition is RMB385,607,250.

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## THE SUNSHINE ACQUISITION

### 1. Share Transfer Agreement

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

**Date:** 27 January 2022

**Parties:** (1) IM Kinetic  
(2) Sunshine Investment

**Assets to be acquired:** IM Kinetic has conditionally agreed to purchase, and Sunshine Investment has conditionally agreed to sell, the Sunshine Sale Interest and the Sunshine Loan. The Sunshine Sale Interest represents 49% equity interest of the Target Company as at the signing and completion of the Share Transfer Agreement.

The Sunshine Loan shall represent (i) the debt in an amount of RMB7,350,000 owed by the Target Company to Sunshine Investment, (ii) the annual accrued interest of 7% of the debt owed by the Target Company to HS Sunshine pursuant to a Loan Agreement, and (iii) all obligations, liabilities and debts owing or incurred by the Target Company thereunder on or at any time prior to the completion of the Share Transfer Agreement, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion of the Share Transfer Agreement. The outstanding unaudited indebtedness owing by the Target Company to Sunshine Investment and HS Sunshine as at 27 January 2022 was RMB7,607,250.

Please refer to the paragraph headed “Information on the Target Company and the Target Mines” in this announcement for further details.

**Consideration for the  
Sunshine Sale Interest:**

The consideration for the Sunshine Sale Interest is RMB378,000,000.

The consideration shall be satisfied by IM Kinetic to Sunshine Investment in the following manner:

- (1) RMB189 million (equivalent to 50% of the consideration) shall be payable by IM Kinetic to Sunshine Investment after 7 business days from the effective date of the Share Transfer Agreement;
- (2) RMB189 million (equivalent to 50% of the consideration) shall be payable by IM Kinetic to Sunshine Investment within 5 business days from the date of the completion of the Share Transfer Agreement; and
- (3) IM Kinetic shall pay the consideration for the Sunshine Acquisition into the escrow account administered by Shanghai Zhangjiang Notary Public Office\* (上海市張江公證處) set up by IM Kinetic and Sunshine Investment. Within 5 business days of (i) IM Kinetic having registered the transfer of the Sale Shares with the relevant authority and the Target Company having obtained an updated business licence reflecting the transfer; and (ii) the Company having obtained all applicable approvals required by the Stock Exchange in respect of the Sunshine Acquisition, IM Kinetic and Sunshine Investment shall release the consideration for the Sunshine Sale Interest (and the interest accrued) deposited at the escrow account to Sunshine Investment.

**Condition Precedent for the  
Sunshine Acquisition:**

Completion of the Share Transfer Agreement is conditional upon various conditions having been fulfilled, including, among others:

- (1) Target Company's shareholders approving the acquisition of Sunshine Sale Interest;
- (2) Target Company's shareholders renouncing their preemptive rights over the Sale Shares in writing;

- (3) Sunshine Investment approving the sale of Sunshine Sale Interest including but not limited to approvals by its board and shareholders;
- (4) The representations and warranties provided by Sunshine Investment under the Share Transfer Agreement remaining true, accurate and not misleading as at completion of the Share Transfer Agreement;
- (5) As at the date of completion of the Share Transfer Agreement and save for the disclosed matters, there has been no event that has a material adverse effect on the Target Company's business, finance, operation, management, profitability or foreseeable future development;
- (6) As at the date of completion of the Share Transfer Agreement, Sunshine Investment has not breached the Share Transfer Agreement, or such breach has been corrected in a timely manner to the satisfaction of IM Kinetic; and
- (7) As at the date of completion of the Share Transfer Agreement, Sunshine Investment, HS Sunshine, NX Sunshine Energy and the Target Company confirmed that Sunshine Investment holds 49% of the Target Company's equity interest and Sunshine Investment, HS Sunshine and NX Sunshine Energy shall not seek repayment of a RMB97 million mining rights payment.

**Post-completion:**

The Share Transfer Agreement also includes various post-completion obligations including, among others:

- (1) If the Target Company or IM Kinetic suffers losses due to Sunshine Investment's intentional concealment, material fault or gross negligence, Sunshine Investment shall compensate the Target Company or IM Kinetic for such losses;

- (2) Upon completion of the Share Transfer Agreement, IM Kinetic and the Target Company shall be liable for all outstanding debts and expenses disclosed by Sunshine Investment and/or the Target Company. Sunshine Investment and/or Shougang are responsible for any undisclosed fees and debt obligations pursuant to the Target Company's articles of association and applicable company laws; and
- (3) Upon completion of the Share Transfer Agreement, IM Kinetic shall undertake the rights and obligations under all contracts that have been signed by the Target Company but not yet completed, provided that such contracts are disclosed prior to completion of the Share Transfer Agreement.

**Liability for Breach:**

- 1) If any party terminates the Share Transfer Agreement without cause, such party shall pay to the other party liquidated damages equal to 5% of the consideration for the Sunshine Sale Interest.
- 2) If IM Kinetic fails to pay the consideration timely under the Share Transfer Agreement, it shall pay Sunshine Investment liquidated damages for its breach of contract. The liquidated damages are calculated at five ten-thousandths of the overdue payment accrued on a daily basis during the overdue period. If the overdue period exceeds 20 business days, Sunshine Investment has the right to terminate the Share Transfer Agreement and request IM Kinetic to pay further liquidated damages equal to 5% of the consideration for the Sunshine Sale Interest. If such liquidated damages are insufficient to compensate Sunshine Investment's losses, Sunshine Investment may seek further remedies against IM Kinetic.

- 3) IM Kinetic may request Sunshine Investment to compensate IM Kinetic with liquidated damages equal to 5% of the consideration for the Sunshine Sale Interest, terminate the Share Transfer Agreement and request the refund of all payment actually made to Sunshine Investment, including the payment made to the escrow account (inclusive of interest), if the following occurs:
  - a) Sunshine Investment fails to transfer the Sunshine Sale Interest to IM Kinetic.
  - b) There is any (i) non-disclosure or omission of any material facts in relation to the Target Company's assets or liabilities or (ii) statements, representations or warranties made by Sunshine Investment are false, inaccurate or misleading, such that it may cause a material adverse effect on the Target Company or affect the consideration for the Sunshine Sale Interest. If IM Kinetic chooses not to terminate the Share Transfer Agreement, it may request Sunshine Investment to compensate its losses on a pro rata basis based upon its shareholding in the Target Company.

If such liquidated damages are insufficient to compensate IM Kinetic's losses, IM Kinetic may seek further remedies against Sunshine Investment.

The consideration for the Sunshine Acquisition was arrived at after arm's length negotiations between IM Kinetic and Sunshine Investment, which the Board considers are on normal commercial terms, with reference to, among other things, the preliminary valuation of the Target Company of not less than RMB1,000,000,000 on the basis of 100% equity interest as at 31 December 2021 determined by BAW, by way of discounted cash flow method of the income approach. The consideration of Sunshine Loan is by reference to the outstanding unaudited indebtedness owing by the Target Company to Sunshine Investment and HS Sunshine as at 27 January 2022. The Company intends to finance the Sunshine Acquisition by internal resources of the Company.

## INFORMATION ON THE TARGET COMPANY AND THE TARGET MINES

The Target Company is a limited liability company established in the PRC on 29 December 2006. The Target Company is principally engaged in the business of construction of coal mine and sale of coal, iron alloy and steel. It operates the Target Mines in Ningxia Hui Autonomous Region, which have an aggregate annual production capacity of 2,100,000 tons. According to the Competent Person's Report, as at 1 May 2021, the Target Mines have a total mineral resource of 342.83 Mt, and have aggregate Indicated Resources and Inferred Resources of 101.31 Mt and 241.52 Mt respectively.

According to the management accounts of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards, (i) the net loss before and after taxation and extraordinary items for the 12 months from 1 January 2019 to 31 December 2019 was RMB47,629,000; and (ii) the net loss before and after taxation and extraordinary items for the 12 months from 1 January 2020 to 31 December 2020 was RMB47,895,000. The total assets and net liability value of the Target Company as at 31 December 2020 were approximately RMB924,419,000 and RMB1,270,737,000 respectively.

The Weiyi Mine, owned and operated by the Target Company, includes the mining license (license number: C1000002012061130126020) issued by the Ministry of Land and Resources of PRC on 26 June 2012. The address registered with the mining license is Floor 10–11, Industrial and Commercial Bank of China, No. 126, Yumin East Road, Wuzhong City, Ningxia. Weiyi Mine extracts coal using the method of underground mining. According to the Competent Person's Report, the Weiyi Mine's production scale is 900,000 tons per year, with a mining area of 26.6589 km<sup>2</sup> and valid mining rights from 20 April 2012 to 20 April 2032.

The Yongan Mine, owned and operated by the Target Company, includes the mining license (license number: C1000002012061130126021) issued by the Ministry of Land and Resources of PRC on 26 June 2012. The address registered with the mining license is No. 10–11 floors of Industrial and Commercial Bank of China, 126 Yumin East Road, Wuzhong City, Ningxia. Yongan Mine extracts coal using the method of underground mining. According to the Competent Person's Report, the Yongan Mine's production scale is 1.2 million tons per year, with a mining area of 21.6826 km<sup>2</sup> and valid mining rights from 22 March 2012 to 22 March 2032. The Target Mines are located approximately 120 km south-east of Yinchuan, the capital city of Ningxia Hui Autonomous Region, in the PRC.

The mining licenses for the Target Mines are adjacent and cover an area of 21.6826 km<sup>2</sup> and 26.6589 km<sup>2</sup>, respectively. Sunshine Investment initiated construction in 2009 with the main drifts completed to 1,623 m (three drifts) in Yongan Mine and 1,729 m in Weiyi Mine. All construction activities ceased in 2010 due to the local government suspending all the coal mine construction activity in this region.

As at the date of this announcement, the Target Company is held as to 49% by Sunshine Investment and as to 51% by Shougang. Upon Completion, the Group will have 49% equity interest in the Target Company and the financial results of the Target Company will not be consolidated into the financial statements of the Group.



## **INFORMATION ON THE PARTIES INVOLVED**

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

Sunshine Investment principally engages in the real estate investment, leasing of own properties, asset management, business management and investment consultancy. Sunshine Investment is a limited liability company established in the PRC and is held as to 99% by Shanghai Manhou Asset Management Co., Ltd.\* (上海滿厚資產管理有限公司) and as to 1% by Shanghai Sunshine Investment (Group) Co., Ltd.\* (上海陽光投資(集團)有限公司). Shanghai Manhou Asset Management Co., Ltd.\* is wholly owned by Shanghai Beijin Enterprise Management Co., Ltd.\* (上海備錦企業管理有限公司) which is held as to 99% by Mr. Yu Yong and as to 1% by Mr. Shen Guihua. Shanghai Sunshine Investment (Group) Co., Ltd.\* is wholly owned by Mr. Hou Yufeng.

Shougang is a solely state-owned company established in the PRC. It is wholly-owned by the State-owned Capital Operation and Management Center of Beijing, which is wholly-owned by the State-owned Assets Supervision and Administration Commission of Beijing. Shougang principally engages in (i) construction, geological examination, transportation, foreign trade, telecommunications, finance and insurance, scientific research and comprehensive technical services, domestic commerce, public catering, material supply and marketing, warehousing, real estate, residential services, consulting services, leasing, agriculture, forestry, animal husbandry and fishery; (ii) authorized operation and management of state-owned assets; (iii) design, production and publication of television or print advertisements through self-owned television stations and self-owned publications; (iv) sewage treatment, recycling and seawater desalination; (v) literary and artistic creation and performance, such as sports project management, stadium management, and Internet information services; and (vi) municipal solid waste treatment.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Sunshine Investment and Shougang and their respective beneficial owners are third parties independent of the Company and its connected persons.

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

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

The Target Mines are in possession of the relevant mining licenses for the period of 20 years from 2012 to 2032 issued by the Ministry of Land and Resources of PRC. The Target Mines have a general mining area of 21.6826 km<sup>2</sup> and 26.6589 km<sup>2</sup>, respectively. The estimate total mineral resource of the Target Mines (subject to the opinion of technical advisers) is not less than 342.83 Mt. The aggregate annual production capacity of the Target Mines is 2,100,000 tons per year.

Subject to further due diligence to be conducted by IM Kinetic on the Target Mines, the Directors are of the view that the Sunshine Acquisition, if materialized, will further enhance the Group's principal coal business and promote the Group's coal sales layouts in Northern China. The Sunshine Acquisition will support the further development of the Group's strategy in diversifying its coal sales offering to its customers upon Completion such that the Group could be involved in the development, construction and extraction of coal resources from the Target Mines.

Taking into account (i) the prospect of the coal mining, construction and sales industry in the PRC; (ii) the synergy effect of coal mining and coal sales operation; and (iii) the continuous, long-term and steady growth of the energy sector in the PRC, the Board is of the view that the Sunshine Acquisition is in the interest of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Sunshine Acquisition is more than 5% but less than 25%, the Sunshine Acquisition is subject to the notification and the announcement requirements, but exempted from the circular and the independent Shareholders' approval requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“BAW”	BAW Mineral Partners Limited, the independent valuer engaged by the Company;
“Beijing Equity Exchange”	The China Beijing Equity Exchange* (北京產權交易所), an entity approved by the People's Government of Beijing Municipality to transact state-owned equity in the PRC;
“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;
“Competent Person”	SRK, 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 SRK, a Competent Person, in compliance with rules 18.18 to 18.33 of the Listing Rules and the applicable reporting standard dated 1 August 2021;
“Completion”	completion of the Sunshine Acquisition;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HS Sunshine”	Hengsheng Sunshine Xindi (Beijing) Real Estate Co., Ltd* (恒盛陽光鑫地(北京)置業有限公司) (formerly known as Beijing Sunshine Xindi Zhiye Co., Limited* (北京陽光鑫地置業有限公司)), a limited liability company established in the PRC on 25 February 2003;
“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 third party(ies)”	has the meaning ascribed to it under the Listing Rules;
“Indicated Resource”	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence;
“Inferred Resource”	that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity;
“JORC Code”	Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia in September 1999 and revised in December 2012;
“km”	kilometers;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan Agreement”	the loan agreement entered into between the Target Company and HS Sunshine dated 1 May 2007, with a borrowing period from 1 May 2007 to 31 October 2007, pursuant to which the Target Company owed a principal amount and an annual accrued interest of 7% to HS Sunshine, namely, RMB7,607,250;
“Measured Resource”	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence;
“Mt”	megaton, equivalent to 1 million (10 <sup>6</sup> ) tons, or 1 billion (10 <sup>9</sup> ) kilograms;
“NX Sunshine Energy”	Ningxia Sunshine Energy Investment Development Co., Ltd* (寧夏陽光能源投資發展有限公司);
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	100% equity interest of the Target Company, namely, the aggregate of Sunshine Sale Interest and Shougang Sale Interest;
“Security Deposit”	the Security Deposit of RMB100,000,000 payable by IM Kinetic to Beijing Equity Exchange;
“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;
“Share Transfer Agreement”	the share transfer agreement dated 27 January 2022 entered into between IM Kinetic and Sunshine Investment in relation to the sale and purchase of the Sunshine Sale Interest and Sunshine Loan;
“Shougang”	Shougang Group Co., Ltd* (首鋼集團有限公司), a Chinese state-owned company established in the PRC;
“Shougang Sale Interest”	the 51% equity interest of the Target Company held by Shougang;

“SRK”	SRK Consulting China Ltd, the Competent Person engaged by the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules;
“Sunshine Acquisition”	the proposed acquisition of the 49% equity interest of the Target Company by IM Kinetic from Sunshine Investment pursuant to the Share Transfer Agreement;
“Sunshine Investment”	China Sunshine Investment Co., Limited* (中國陽光投資集團有限公司), a limited liability company established in the PRC;
“Sunshine Loan”	the debt in an amount of RMB7,350,000 owed by the Target Company to Sunshine Investment, the annual accrued interest of 7% of the debt owed by the Target Company to HS Sunshine pursuant to a Loan Agreement, and all obligations, liabilities and debts owing or incurred by the Target Company thereunder on or at any time prior to the completion of the Share Transfer Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion of the Share Transfer Agreement;
“Sunshine Sale Interest”	the 49% equity interest of the Target Company held by Sunshine Investment;
“Target Company” or “Ningxia Sunshine”	Ningxia Sunshine Mining Co., Ltd.* (寧夏陽光礦業有限公司), a limited liability company established in the PRC on 29 December 2006;
“Target Mines”	Weiye Mine and Yongan Mine, both being coal mines, with a total mineral resource of 342.83 Mt, and with their aggregate Indicated Resources and Inferred Resources being 101.31 Mt and 241.52 Mt, respectively;
“US\$”	United States dollar, the lawful currency of United States;
“Valuation Report”	the public valuation report prepared by BAW in compliance with Rule 18.34 of the Listing Rules and the JORC Code;

“Weiyi Mine”	Weiyi Mine Field of Weizhou Mining Area of Ningxia Sunshine Mining Co., Ltd.* (寧夏陽光礦業有限公司韋州礦區韋一井田), including the mining license (license number: C1000002012061130126020) issued by the Ministry of Land and Resources of PRC on 26 June 2012;
“Yongan Mine”	Yongan Coal Mine of Ningxia Sunshine Mining Co., Ltd.* (寧夏陽光礦業有限公司永安煤礦), including the mining license (license number: C1000002012061130126021) issued by the Ministry of Land and Resources of PRC on 26 June 2012;
“%”	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, 27 January 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. 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.*