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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSABLE AND CONNECTED TRANSACTION

ACQUISITION OF TARGET PROPERTIES

Reference is made to the announcement of the Company dated 2 May 2022, where the Original Vendors entered into the Property Purchase Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company, pursuant to which the Original Vendors agreed to sell, and the Purchaser agreed to purchase, the Original Properties for the consideration RMB769,014,000.

The Board announces that, on 12 July 2022, the Purchaser has entered into a Supplemental Agreement with the Vendors and the Terminating Vendors, where, among others, the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties, which represents an adjustment to the scope of the Original Properties, for the Consideration of RMB809,480,000. In addition, pursuant to the Supplemental Agreement, the rights and obligations of the Terminating Vendors and the Purchaser under the Property Purchase Agreement are terminated with effect from the date of the Supplemental Agreement, which effectively replaces the Property Purchase Agreement. The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, the preliminary valuation of the Target Properties of RMB871,983,000 as at 30 April 2022 according to the valuation report prepared by the Independent Valuer appointed by the Company using the market value approach.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that the terms of the Supplemental 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. Additionally, the Target Properties are more geographically diversified than the Original Properties, and the Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that such variation of the scope of properties subject to the Acquisition will facilitate the further expansion of the sales network of the Group and broaden its geographical reach in mainland China.

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.

As at the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a substantial shareholder of the Company and a former Director of the Company in the last 12 months, as to respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6). As such, the Vendors are associates of Mr. Zhang Liang, Johnson thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Supplemental Agreement and the transaction contemplated therein. Mr. Zhang Liang, Johnson, Mr. Zhang Li and their respective associates will abstain from voting at the EGM. An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder. The 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 Supplemental Agreement and the Target Properties; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently intended to be on or before 30 September 2022, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As completion of the Acquisition is subject to Independent Shareholder's approval, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 2 May 2022, where the Original Vendors entered into the Property Purchase Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company, pursuant to which the Original Vendors agreed to sell, and the Purchaser agreed to purchase, the Original Properties for the consideration RMB769,014,000.

The Board announces that, on 12 July 2022, the Purchaser has entered into a Supplemental Agreement with the Vendors and the Terminating Vendors, where, among others, the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties, which represents an adjustment to the scope of the Original Properties, for the Consideration of RMB809,480,000. In addition, pursuant to the Supplemental Agreement, the rights and obligations as between the Terminating Vendors and the Purchaser under the Property Purchase Agreement are terminated with effect from the date of the Supplemental Agreement, which effectively replaces the Property Purchase Agreement. The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, the preliminary valuation of the Target Properties of RMB871,983,000 as at 30 April 2022 according to the valuation report prepared by the Independent Valuer appointed by the Company using the market value approach.

THE ACQUISITION

The principal terms of the Supplemental Agreement are set out below:

Date: 12 July 2022

Parties: The Purchaser, the Terminating Vendors and the Vendors

Assets to be acquired: The Vendors, the Purchaser and the Terminating Vendors agreed that:

- (1) the properties located at Tianjin, Huizhou and Qingdao (as defined at points 3 to 5 in the “Information on the Target Properties” section of the Previous Announcement) are no longer offered for sale to the Purchaser;
- (2) the properties located at Wuhan and Jingmen sold by Vendor 1 and Vendor 3 (as defined at points 1 and 2 in the “Information on the Target Properties” section of the Previous Announcement) have been adjusted; and
- (3) the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties in lieu of the Original Properties.

For more details of the Target Properties, see the section headed “Information on the Target Properties” below.

Consideration and Payment:

The Purchaser shall pay the Vendors the Consideration of RMB809,480,000 (inclusive of value-added tax), which comprises the follows:

- 1) RMB130,000,000 to Vendor 1;
- 2) RMB210,960,000 to Vendor 2;
- 3) RMB62,500,000 to Vendor 3;
- 4) RMB213,300,000 to Vendor 4;
- 5) RMB53,240,000 to Vendor 5; and
- 6) RMB139,480,000 to Vendor 6.

The Purchaser has made a payment in the amount of RMB550,000,000 to the bank account jointly designated by the Vendors pursuant to the Property Purchase Agreement. The Vendors acknowledge that all payments made to the bank account were made for the purchase of the Target Properties rather than the Original Properties. Within 90 business days of such payment, the Vendors shall enter into the standard sales and purchase agreement(s) in the form mandated by the relevant municipal government with the Purchaser, and shall pay the remaining amount of the Consideration within 10 business days after the later of the date of (a) signing of the standard sales and purchase agreement(s) in the form mandated by the relevant municipal government in relation to all Target Properties or (b) the Company completing all procedures required by the Listing Rules for the Acquisition, including without limitation the publication of announcement(s), circular(s), and obtaining the requisite approval by the Independent Shareholders (if applicable).

The Vendors shall refund to the Purchaser all payments received by them within 30 days of a written notice by the Purchaser if the Company cannot obtain all necessary approvals required by the Listing Rules, as well as an interest calculated based on the one-year loan prime rate published by the People's Bank of China on the day of receiving such written notice.

Within 180 days after the date on which registration of the conclusion of construction works or release of the mortgages in relation to the Target Properties is completed, the Vendors shall complete the procedures required to transfer the Target Properties to the Purchaser at the relevant real properties registration bureau.

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

**Termination of
the Property
Purchase Agreement:**

The rights and obligations as between the Purchaser and the Terminating Vendors under the Property Purchase Agreement shall be terminated with effect from the date of signing of this Supplemental Agreement. Neither the Purchaser nor the Terminating Vendors have any disputes with respect to the Property Purchase Agreement, nor are they liable for any compensation thereunder.

The amount paid by the Purchaser pursuant to the Property Purchase Agreement shall be applied towards the Consideration payable by the Purchaser for the purchase of the Target Properties under the Supplemental Agreement.

Encumbrances:

The Vendors confirm and undertake that, if any of the Target Properties have been mortgaged to third parties, the relevant mortgagee(s) have given their consent(s) for the sale of the Target Properties to the Purchaser pursuant to the Supplemental Agreement.

The Vendors confirm and undertake that, from the date of the signing of the Supplemental 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 Supplemental Agreement, it shall pay the Vendors 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 Vendors will be entitled to terminate the Supplemental Agreement. In such case, the Vendors shall refund to the Purchaser any payment which has already been made by the Purchaser, and the Purchaser shall pay the Vendors liquidated damages calculated based on the following formula:

Liquidated damages = overdue amount payable by the Purchaser under the Supplemental Agreement \times 0.005% \times 30

2) If the Vendors breach the Supplemental Agreement, which breach renders the Purchaser unable to become the legal owner of the Target Properties, the Purchaser is entitled to terminate the Supplemental Agreement and request the Vendors to refund any paid amount to the Purchaser. In such case, the Vendors shall pay the Purchaser liquidated damages that are calculated based on the following formula:

Liquidated damages = amount actually paid by the Purchaser under the Supplemental Agreement \times 0.005% \times (number of days during which the Vendors have held such payments made by the Purchaser)

BASIS OF DETERMINATION OF CONSIDERATION

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, the preliminary valuation of the Target Properties of RMB871,983,000 as at 30 April 2022 according to the valuation report prepared by the Independent Valuer appointed by the Company using the market value approach.

As informed by the Vendors, the original acquisition cost of the Target Properties amounts to approximately RMB507,012,754 in aggregate.

INFORMATION ON THE TARGET PROPERTIES

The Target Properties comprise a portfolio of properties for commercial use located across Northern and Southern China, located in Wuhan, Jingmen, Qingdao, Zhongshan, Wuxi and Zunyi.

The further details of the Target Properties are set out as follows:

1. 88 units in Buildings No. 34, No. 35 and No. 36 located in land No. 104C of Wuhan Economic and Technological Development Zone* (武漢高新技術開發區), Wuhan, Hubei Province, with an aggregate building area of approximately 11,706 square meters currently held by Vendor 1;
2. 2 units located in Ji Mo District* (即墨區), Qingdao, Shandong Province with an aggregate building area of approximately 20,312 square meters currently held by Vendor 2;
3. 1 unit located in Dongbao District* (東寶區), Jingmen, Hubei Province, with a building area of approximately 4,787 square meters currently held by Vendor 3;
4. 25 units located in Huoju Development Zone* (火炬開發區), Zhongshan, Guangdong Province, with a building area of approximately 12,657 square meters currently held by Vendor 4;
5. 2 units located in Huishan District* (惠山區), Wuxi, Jiangsu Province, with a building area of approximately 4,072 square meters currently held by Vendor 5; and
6. 2 commercial units located in Honghuagang District* (紅花崗區), Zunyi* (遵義), Guizhou Province, with a building area of approximately 16,695 square meters currently held by Vendor 6.

INFORMATION ON THE PARTIES INVOLVED IN THIS 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 products, metals and metal mines, machinery and equipment and hardware products, import of coal, warehousing, and leasing and management of its own properties.

The Vendors are companies incorporated in the PRC with limited liability and principally engage in real estate development and property management. As of the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a former Director of the Company in the last 12 months and the substantial shareholder of the Company, as to respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Properties are located in the central business districts of cities across southern and northern China. Given that the Group intends to continue strengthening its sales network in both southern and northern China, and considering the locations of the Target Properties in cities across southern and northern 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 mainland China, and to benefit from the future development of the central business districts of the relevant cities. The Board is of the view that the Acquisition would allow the Company to further develop its sales network geographically in southern and northern China, which would in turn strengthen the Group's overall operational presence and ability to cover a more comprehensive customer base in China.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that the terms of the Supplemental 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. Additionally, the Target Properties are more geographically diversified than the Original Properties, and the Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that such variation of the scope of properties subject to the Acquisition will facilitate the further expansion of the sales network of the Group and broaden its geographical reach in mainland China.

Ms. Zhang Lin, a non-executive Director, being associate of Mr. Zhang Liang, Johnson, has abstained from voting on the Board meeting approving the Supplemental Agreement in accordance with the articles of association of the Company.

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.

As at the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a substantial shareholder of the Company and former Director of the Company in the last 12 months, as to respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6). As such, the Vendors are associates of Mr. Zhang Liang, Johnson thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Supplemental Agreement and the transaction contemplated therein. Mr. Zhang Liang, Johnson, Mr. Zhang Li and their respective associates will abstain from voting at the EGM. An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder. The 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 Supplemental Agreement and the Target Properties; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently intended to be on or before 30 September 2022, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As completion of the Acquisition is subject to Independent Shareholder's approval, the Acquisition may or may not proceed. Shareholders and potential investors are advised 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:

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| “Acquisition” | the proposed acquisition of the Target Properties by the Purchaser from the Vendors pursuant to the terms of the Supplemental Agreement; |
| “associate” | has the meaning ascribed to it under the Listing Rules; |
| “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 the Target Properties determined in accordance with the terms of the Supplemental Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“EGM”	The extraordinary general meeting to be convened to approve the Supplemental Agreement and the Acquisition thereunder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive directors;
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), being the independent financial adviser to advise the Independent Board Committee, in relation to the Supplemental Agreement and the Acquisition;
“Independent Shareholder(s)”	Shareholders other than (i) Mr. Zhang Liang, Johnson, who is considered to have a material interest in, are interested in or involved in the Supplemental Agreement and the Acquisition thereunder, (ii) Mr. Zhang Li, being an associate of Mr. Zhang Liang, Johnson;
“Independent Valuer”	Asia-Pacific Consulting and Appraisal Limited, an independent property valuer appointed by the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Original Vendors”	the Vendors to the Acquisition as disclosed in the Previous Announcement, namely (i) the Terminating Vendors and (ii) Vendor 1, Vendor 2 and Vendor 3;

“Original Properties”	the target properties located in Wuhan, Jingmen, Tianjin, Huizhou and Qingdao, the details of which are set out in the “Information on the Target Properties” section in the Previous Announcement;
“PRC”	The People’s Republic of China, and for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Previous Announcement”	the announcement by the Company dated 2 May 2022 with respect to the proposed purchase of the Original Properties by the Purchaser from the Original Vendors;
“Property Purchase Agreement”	the Agreement on Sale and Purchase of Properties entered into between the Vendors and the Purchaser on 29 April 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 on 4 August 2011 and an indirectly wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seedland”	Guangzhou Seedland Real Estate Development Co., Ltd (實地地產集團有限公司), a company incorporated in the PRC with limited liability and wholly-owned by Mr. Zhang Liang, Johnson;
“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;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Agreement”	the Supplemental Agreement on Sale and Purchase of Properties entered into between the Vendors and the Purchaser on 12 July 2022;
“Target Properties”	the target properties located in Wuhan, Jingmen, Qingdao, Zhongshan, Wuxi and Zunyi, the details of which are set out in the “Information on the Target Properties” section in this announcement;

“Terminating Vendors”	the vendors to the Property Purchase Agreement whose rights and obligations shall be terminated pursuant to the Supplemental Agreement, namely, (i) Qingdao Shihaoxing Real Estate Co., Ltd.* (青島實昊星置業有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland; (ii) Huizhou Guopeng Color Printing Co., Ltd.* (惠州市國鵬彩印有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland; and (iii) Tianjin Jinhewan Real Estate Co., Ltd.* (天津金河灣置業有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“US\$”	United States dollar, the lawful currency of United States;
“Vendor 1”	Wuhan Pingan Zhongxin Real Estate Co., Ltd.* (武漢平安中信置業有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland;
“Vendor 2”	Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.* (青島實錄海洋大數據投資開發有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“Vendor 3”	Jingmen Shiqiang Real Estate Co., Ltd.* (荊門實強房地產置業有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“Vendor 4”	Zhongshan Shidi Real Estate Development Co., Ltd.* (中山實地房地產開發有限公司), a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of Seedland;
“Vendor 5”	Wuxi Shidi Real Estate Development Co., Ltd. * (無錫實地房地產開發有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland;
“Vendor 6”	Zunyi Shidi Real Estate Development Co., Ltd.* (遵義實地房地產開發有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;

“Vendors” the vendors of the Target Properties, namely, Vendor 1, Vendor 2, Vendor 3, Vendor 4, Vendor 5 and Vendor 6;

“%” per cent.

* *The English translation of the Chinese name(s) in this circular, 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
Ju Wenzhong
Chairman and Executive Director

Hong Kong, 12 July 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) and 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.