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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 AND CONNECTED TRANSACTION ACQUISITION OF TARGET PROPERTIES

THE ACQUISITION

The Board is pleased to announce that on 29 April 2022 (after trading hours), the Vendors entered into the Property Purchase Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties for the Preliminary Consideration of RMB769,014,000.

The Preliminary Consideration was determined with reference to the aggregated target selling price according to the Vendors' assessment of the market value of the Target Properties of approximately RMB760,000,000 as at 29 April 2022. The Final Consideration payable by the Purchaser to the Vendors under the Property Purchase Agreement shall be 95% of the aggregate value of the Target Properties as of a mutually agreed valuation basis date and as set out in a valuation report to be issued by an independent valuer to be appointed by the Vendor and the Purchaser within 30 days of signing of the Property Purchase Agreement. The parties further agree that the Final Consideration shall not exceed the Preliminary Consideration in any circumstance.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider the terms of the Property Purchase Agreement, including the Preliminary 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.

As of the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, an executive Director and the controlling shareholder of the Company as to respectively 100% (with regards to Vendor 1, Vendor 2 and Vendor 4); 98% (with regards to Vendor 5); 90% (with regards to Vendor 6); and 85% (with regards to Vendor 3). 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 Property Purchase 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 Property Purchase 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 Property Purchase Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will be 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 Property Purchase 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 June 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.

INTRODUCTION

The Board is pleased to announce that on 29 April 2022 (after trading hours), the Vendors entered into the Property Purchase Agreement with the Purchaser, an indirectly wholly-owned subsidiary of the Company, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties for the Preliminary Consideration of RMB769,014,000.

THE ACQUISITION

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

- Date:** 29 April 2022
- Parties:** The Purchaser and the Vendors
- Asset to be acquired:** The Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties.
- Consideration and Payment:** The Purchaser shall pay the Vendors the Preliminary Consideration of RMB769,014,000, which comprises the follows:
- 1) RMB145,534,000 to Vendor 1;
 - 2) RMB149,038,000 to Vendor 2;
 - 3) RMB25,532,000 to Vendor 3;
 - 4) RMB141,992,000 to Vendor 4;
 - 5) RMB38,809,000 to Vendor 5; and
 - 6) RMB268,109,000 to Vendor 6.

The consideration shall be paid in the following two instalments: (i) RMB550,000,000 will be payable within 10 days of signing of the Property Purchase Agreement; and (ii) the remaining amount of the Final Consideration will be payable within 10 days of the later of the date of (a) signing 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 transactions contemplated under the Property Purchase Agreement, including without limitation the publication of announcement(s), circular(s), and obtaining the requisite approval by the Independent Shareholders (if applicable).

The Preliminary Consideration will be wired to a bank account jointly designated by the Vendors.

In the event that the Company fails to obtain the required approval and consent (including but not limited to approval of the Property Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders (if applicable)), the first instalment of RMB550,000,000 paid by the Purchaser shall be refunded by the Vendors in full with an interest calculated based on the one year loan prime rate (LPR) published on the website of People's Bank of China within 30 days of written notice from the Purchaser to the Vendors.

Within 180 days after the date on which registration of the conclusion of construction works 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.

**Determination of the
Final Consideration:**

The Purchaser and the Vendors agree to appoint an independent valuer within 30 days of signing of the Property Purchase Agreement to carry out the valuation of the Target Properties. The Final Consideration payable by the Purchaser to the Vendors under the Property Purchase Agreement shall be 95% of the aggregate value of the Target Properties as set out in the valuation report. The parties further agree that the Final Consideration shall not exceed the Preliminary Consideration in any circumstance.

Encumbrances:

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 Property Purchase Agreement.

The Vendors confirm and undertake that, from the date of the signing of the Property Purchase 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 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 Property Purchase 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 = the overdue amount which the Purchaser fails to pay under the Property Purchase Agreement \times 0.005% \times 30

- 2) If the Vendors breached the Property Purchase 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 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 = the amount of payment that the Purchaser has made under the Property Purchase 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 Preliminary Consideration was determined with reference to the aggregated target selling price according to the Vendors' assessment of the market value of the Target Properties of approximately RMB760,000,000 as at 29 April 2022. The Final Consideration payable by the Purchaser to the Vendors under the Property Purchase Agreement shall be 95% of the aggregate value of the Target Properties as of a mutually agreed valuation basis date and as set out in a valuation report to be issued by an independent valuer to be appointed by the Vendor and the Purchaser within 30 days of signing of the Property Purchase Agreement. The parties further agree that the Final Consideration shall not exceed the Preliminary Consideration in any circumstance.

As informed by the Vendors, the original acquisition cost of the Target Properties amounts to approximately RMB530,000,000 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, Huizhou, Tianjin and Qingdao. The further details of the Target Properties are set out as follows:

1. 89 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), with an aggregate building area of approximately 12,180 square meters;
2. 1 unit located in Dong Bao District* (東寶區), Jingmen, with a building area of approximately 2,957 square meters;
3. 1 unit located in Bao Di District* (寶坻區), Tianjin, with a building area of approximately 3,025 square meters;
4. 1 unit located in Zhong Kai High-Tech Zone* (仲愷高新區), Huizhou, with a building area of approximately 4,424 square meters;
5. 1 unit located in Xi Hai An New District* (西海岸新區), Qingdao, with a building area of approximately 5,318 square meters; and
6. 2 units located in Ji Mo District* (即墨區), Qingdao, with an aggregate building area of approximately 20,312 square meters.

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 Vendors are companies incorporated in the PRC with limited liability. Vendor 1, Vendor 3, Vendor 4, Vendor 5 and Vendor 6 principally engage in real estate development and property management, whereas Vendor 2 principally engages in advertising, and the import, export and sales of paper products and printed materials. As of the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, an executive Director and the controlling shareholder of the Company as to 100% (with regards to Vendor 1, Vendor 2 and Vendor 4); 98% (with regards to Vendor 5); 90% (with regards to Vendor 6); and 85% (with regards to Vendor 3), respectively.

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, and also enable the Company to take advantage of the further development of the central business districts of the relevant cities.

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 Property Purchase 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 Liang, Johnson, an executive Director, Mr. Zhang Li, an executive Director and chairman of the Board, and Ms. Zhang Lin, a non-executive Director, both being associates of Mr. Zhang Liang, Johnson, have all abstained from voting on the Board meeting approving the Property Purchase 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.

As of the date of this announcement, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, an executive Director and the controlling shareholder of the Company as to 100% (with regards to Vendor 1, Vendor 2 and Vendor 4); 98% (with regards to Vendor 5); 90% (with regards to Vendor 6); and 85% (with regards to Vendor 3), respectively. 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 Property Purchase 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 Property Purchase 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 Property Purchase Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will be 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 Property Purchase 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 June 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:

“Acquisition”	the proposed acquisition of the Target Properties by the Purchaser from the Vendors pursuant to the terms of the Property Purchase 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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Final Consideration”	the final consideration of the Target Properties determined in accordance with the terms of the Property Purchase Agreement;
“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”	the independent financial adviser to be appointed to advise the Independent Board Committee in relation to the Property Purchase Agreement and the transactions contemplated thereunder;
“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 Property Purchase Agreement and the transactions contemplated thereunder, and (ii) Mr. Zhang Li, being an associate of Mr. Zhang Liang, Johnson;
“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;

“Preliminary Consideration”	the aggregated consideration of RMB769,014,000 payable to the Vendors pursuant to the Property Purchase Agreement;
“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;
“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”	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;
“US\$”	United States dollar, the lawful currency of United States;
“Vendor 1”	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;
“Vendor 2”	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;

- “Vendor 3” 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;
- “Vendor 4” 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 5” 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 6” 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;
- “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 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, 2 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. Zhang Liang, Johnson; 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.