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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalized terms used shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set up on pages 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 59 of this circular. A property valuation report from Asia-Pacific Consulting and Appraisal Limited is set out on pages I-1 to I-34 of this circular.

A notice convening the EGM to be held at Unit B, 20th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong on Tuesday, 25 October 2022 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for dispatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time specified for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 September 2022

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM INDEPENDENT BOARD COMMITTEE	30
LETTER FROM INDEPENDENT FINANCIAL ADVISER	32
APPENDIX I — PROPERTY VALUATION REPORT	I-1
APPENDIX II — STATUTORY AND GENERAL INFORMATION	II-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

In this circular, 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;
“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;
“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 Property Purchase Agreement and the Acquisition contemplated thereunder;
“Final Consideration”	the final consideration of the Original Properties determined in accordance with the terms of the Original 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;

DEFINITIONS

“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 SFO, being the independent financial adviser to advise the Independent Board Committee, in relation to the Property Purchase Agreement and the Acquisition 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 Acquisition contemplated 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;
“Latest Practicable Date”	26 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Vendor 1”	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;
“New Vendor 2”	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;
“New Vendor 3”	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;

DEFINITIONS

“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;
“Original Property Purchase Agreement”	the Agreement on Sale and Purchase of Properties entered into between the Original Vendors and the Purchaser on 29 April 2022;
“Original Vendors”	the Vendors to the proposed purchase of the Original Properties as disclosed in the Previous Announcement, namely (i) the Terminating Vendors and (ii) Vendor 1, Vendor 2 and Vendor 3;
“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;
“Preliminary Consideration”	the aggregated consideration of RMB769,014,000 payable to the Original Vendors pursuant to the Original Property Purchase Agreement;
“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 Original Vendors and the Purchaser on 29 April 2022 (as subsequently modified and supplemented by the Supplemental Agreement);
“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;

DEFINITIONS

“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 owned as to 100% of its equity interest by Mr. Zhang Liang, Johnson;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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;
“Supplemental Agreement”	a supplemental agreement to the Original Property Purchase Agreement entered into between the Vendors, the Terminating Vendors and the Purchaser on 12 July 2022;
“Supplemental Announcement”	the announcement by the Company dated 12 July 2022 with respect to the Supplemental Agreement;
“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 circular;
“Terminating 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;
“Terminating 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;

DEFINITIONS

“Terminating 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;
“Terminating Vendors”	the vendors of the Original Properties whose rights and obligations shall be terminated pursuant to the Supplemental Agreement, namely, (i) Terminating Vendor 1; (ii) Terminating Vendor 2; and (iii) Terminating Vendor 3;
“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;
“Vendors”	the vendors of the Target Properties, namely, Vendor 1, Vendor 2, Vendor 3, New Vendor 1, New Vendor 2 and New Vendor 3;
“%”	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).*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ju Wenzhong (*Chairman*)
Mr. Ji Kunpeng
Mr. Li Bo

Non-executive Director:

Ms. Zhang Lin

Independent Non-executive Directors:

Ms. Liu Peilian
Mr. Chen Liangnuan
Ms. Xue Hui

Registered Office:

Windward 3,
Regatta Office Park,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Headquarters and Principal

Place of Business in the PRC:
Dafanpu Coal Mine,
Majiata Village,
Xuejiawan Town,
Zhunge'er Banner,
Ordos City, Inner Mongolia, China

*Principal Place of Business
in Hong Kong:*

Unit B, 20th Floor,
Two Chinachem Plaza,
68 Connaught Road Central,
Hong Kong

30 September 2022

To the Shareholders,

Dear Sir/Madam,

**DISCLOSABLE AND CONNECTED TRANSACTION
ACQUISITION OF TARGET PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 2 May 2022, where the Original Vendors entered into a property purchase agreement with the Purchaser on 29 April 2022, 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; and (ii) the announcement of the Company on 12 July 2022, where 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. The Supplemental Agreement modified and supplemented the abovementioned property purchase agreement. The Acquisition is expected to be completed by the end of 2022, subject to the approval by the Independent Shareholders and the release of mortgage for the Target Properties.

The purpose of this circular is to provide further information in relation to the Property Purchase Agreement and the Acquisition.

THE ACQUISITION

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

Date:	29 April 2022
Parties:	The Purchaser and the Original Vendors
Asset to be acquired:	The Original Vendors agreed to sell, and the Purchaser agreed to purchase, the Original Properties.

LETTER FROM THE BOARD

**Consideration and
Payment:**

The Purchaser shall pay the Original Vendors the Preliminary Consideration of RMB769,014,000, which comprises the follows:

- 1) RMB145,534,000 to Terminating Vendor 1;
- 2) RMB149,038,000 to Terminating Vendor 2;
- 3) RMB25,532,000 to Terminating Vendor 3;
- 4) RMB141,992,000 to Vendor 1;
- 5) RMB268,109,000 to Vendor 2; and
- 6) RMB38,809,000 to Vendor 3.

The consideration shall be paid in the following two instalments: (i) RMB550,000,000 will be payable within 10 days of signing of the Original 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 Original Properties or (b) the Company completing all procedures required by the Listing Rules for the transactions contemplated under the Original 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 Original Vendors.

LETTER FROM THE BOARD

In the event that the Company fails to obtain the required approval and consent (including but not limited to approval of the Original 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 Original 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 Original Vendors.

Within 180 days after the date on which registration of the conclusion of construction works in relation to the Original Properties is completed, the Original Vendors shall complete the procedures required to transfer the Original 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 Original Vendors agree to appoint an independent valuer within 30 days of signing of the Original Property Purchase Agreement to carry out the valuation of the Original Properties. The Final Consideration payable by the Purchaser to the Original Vendors under the Original Property Purchase Agreement shall be 95% of the aggregate value of the Original 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 Original Vendors confirm and undertake that, if any of the Original Properties have been mortgaged to third parties, the relevant mortgagee(s) have given their consent(s) for the sale of the Original Properties to the Purchaser pursuant to the Original Property Purchase Agreement.

LETTER FROM THE BOARD

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

Liability for Breach:

- 1) If the Purchaser fails to make any payment on time under the Original Property Purchase Agreement, it shall pay the Original 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 Original Vendors will be entitled to terminate the Original Property Purchase Agreement. In such case, the Original Vendors shall refund to the Purchaser any payment which has already been made by the Purchaser, and the Purchaser shall pay the Original Vendors liquidated damages calculated based on the following formula:

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

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

LETTER FROM THE BOARD

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

Completion of the transactions contemplated under the Original Property Purchase Agreement is subject to the Company completing all procedures required by the Listing Rules for these transactions, which condition cannot be waived by either the Company or the Original Vendors.

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:** As disclosed in the Supplemental Announcement, in lieu of the Original Properties, 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.

LETTER FROM THE BOARD

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 New Vendor 1;
- 5) RMB53,240,000 to New Vendor 2; and
- 6) RMB139,480,000 to New Vendor 3.

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 Supplemental 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).

LETTER FROM THE BOARD

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 (i) registration of the conclusion of construction works, and (ii) release of the mortgages (if applicable) in relation to the Target Properties, is completed, whichever is later, the Vendors shall complete the procedures required to transfer the Target Properties to the Purchaser at the relevant real properties registration bureau. If any construction works cannot be concluded, or if any mortgage cannot be released, the Purchaser will be entitled to (i) a refund of any amount paid to the Vendors, and (ii) liquidated damages, in accordance with the provisions specified in the paragraph entitled "Liability for Breach" on page 14 and page 15.

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

Termination of the rights and obligations between the Purchaser and the Terminating Vendors:

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

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

LETTER FROM THE BOARD

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 = the overdue amount which the
Purchaser fails to pay under the
Supplemental Agreement ×
0.005% × 30

- 2) If the Vendors breached 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:

LETTER FROM THE BOARD

Liquidated damages = the amount of payment that the Purchaser has made under the Supplemental Agreement × 0.005% × (number of days during which the Vendors have held such payments made by the Purchaser)

Completion of the transactions contemplated under the Supplemental Agreement is subject to the Company completing all procedures required by the Listing Rules for these transactions, which condition cannot be waived by either the Company or the Vendors.

BASIS OF DETERMINATION OF CONSIDERATION UNDER THE ORIGINAL PROPERTY PURCHASE AGREEMENT

The Preliminary Consideration was determined with reference to the aggregated target selling price according to the Original Vendors' assessment of the market value of the Original Properties of approximately RMB760,000,000 as at 29 April 2022. The Final Consideration payable by the Purchaser to the Original Vendors under the Original Property Purchase Agreement shall be 95% of the aggregate value of the Original 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 Original Vendors and the Purchaser within 30 days of signing of the Original Property Purchase Agreement. The parties further agree that the Final Consideration shall not exceed the Preliminary Consideration in any circumstance.

As informed by the Original Vendors, the original acquisition cost of the Original Properties amounts to approximately RMB530,000,000 in aggregate.

LETTER FROM THE BOARD

BASIS OF DETERMINATION OF CONSIDERATION UNDER THE SUPPLEMENTAL AGREEMENT

With respect to the valuation methodology and key assumptions adopted by the Independent Valuer, the Board has taken the following measures to make the assessment and satisfy itself in these respects:

With respect of valuation methodology

The Board noted that the Independent Valuer adopted the comparison approach for valuing the Target Properties. The Board understands that the comparison approach would be the most appropriate valuation method for the Target Properties as it is commonly adopted in valuing this type of strata-title property units for sales, and there is a relatively mature and developed market which could provide reliable indication of value for the Target Properties.

The Board further noted that the comparable properties selected by the Independent Valuer for the purpose of the valuation (i) are located in close proximity to the Target Properties and (ii) have similar characteristics with the Target Properties. Appropriate adjustments were then made by the Independent Valuer, taking into account the differences in location, size, usage, transaction date, accessibility and other characters between the comparable properties and Target properties, to arrive at the assumed unit price of the Target Properties.

The Board has also considered and discussed with the Independent Valuer about the applicability of alternative valuation methodologies and understand that these alternatives (i.e. the income approach and cost approach) are not suitable for the purpose of valuing the Target Properties due to the following reasons:

- (A) *The income approach:* The income approach would be adopted if the Target Properties are subject to tenancies as at the valuation date, and the future rental income could then be capitalised. Since the majority of the Target Properties were not subject to tenancies and were vacant as at the valuation date, and those that were subject to tenancies might be leased only until such time when the Company has finalized its detailed plan pinpointing which of the Target Properties are suitable to be used as sales office, the Independent Valuer could not adopt the income approach given that they could not ascertain the amount of rental income that could be derived from the Target Properties in the future;

LETTER FROM THE BOARD

(B) *The cost approach:* The cost approach provides an indication of value by calculating the current replacement cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. This approach is more commonly adopted for valuing entire building blocks with unique nature where comparable properties cannot be identified. As the Target Properties do not belong to a whole building block with unique nature, and (as mentioned above) there is a relatively mature and developed market providing reliable indication of value for the Target Property, the market approach was adopted over the cost approach.

With respect of key assumptions

As disclosed in the Property Valuation Report, the valuation has been conducted on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could operate to affect the value of the property interests. Further, it is assumed that no allowance has been made for any charges, mortgages or amounts owing on the Target Properties nor any expenses or taxation, which may be incurred in effecting a sale.

The valuation is also based on the assumption that the Target Properties have been developed and completed in accordance with the latest development proposal as at the valuation date and the properties can be freely transferred or disposed of as completed commodity units without payment of any further land premium, construction cost, penalty or transfer fees.

The Board discussed with the Independent Valuer regarding the assumptions adopted in the Property Valuation Report and did not identify any apparent or obvious inconsistency between these assumptions and the circumstances surrounding the Target Properties.

On this basis, the Board is of the view that the valuation methodology (including the comparable transactions) and key assumptions adopted are fair and reasonable.

With respect of the consideration under the Supplemental Agreement, the Board has assessed the consideration with reference to, among others, the property valuation conducted by the Independent Valuer.

As disclosed in the Property Valuation Report, the preliminary valuation of the Target Properties is RMB871,983,000 as at 30 June 2022 (the “**Valuation**”) while the consideration under the Supplemental Agreement is RMB809,480,000 (inclusive of value-added tax), which represents a discount of approximately 7.2% to the Valuation for the benefit of the Company.

LETTER FROM THE BOARD

On this basis, the Board is of the view that the consideration under the Supplemental Agreement is fair and reasonable and in the interest of the Company and its shareholders as a whole taking into account the property valuation.

With respect to the competency and independence of the Independent Valuer, the Board has taken the following measures to make the assessment and satisfy itself in these respects:

With respect of competency

The Board has:

- (A) carried out research based on publicly available information to make sure that the Independent Valuer is a well-established professional appraisal and consultancy firm experienced in providing asset appraisal and business appraisal, and noticed that the Valuer is registered as a firm regulated by the Royal Institution of Chartered Surveyors (the “RICS”); and
- (B) obtained relevant qualifications and credentials of the team members involved in the valuation of the Target Properties and understood that they have been appointed as the property valuer by over 20 Hong Kong listed companies in the past. Besides, David Cheng, who will sign the Property Valuation Report, is a member of the Royal Institution of Chartered Surveyors and China Institute of Land Appraisers and has accumulated over 21 years of property valuation experience in Asia-Pacific region.

With respect of independence

The Board has:

- (A) conducted public searches to check that there is no relationship among the Independent Valuer, the Group, the Vendors and their respective connected persons from the management, operational and financial perspectives; and
- (B) discussed with the Independent Valuer and obtained their confirmation that they are independent from the Group, the Vendors and their respective connected persons.

As such, the Board has no reason to doubt the competency and independence of the Independent Valuer.

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

LETTER FROM THE BOARD

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:

No.	Property	Construction area (square meters)	Status of construction/ Existing Use	Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
1.	2 commercial units in Blocks 3 and 6 of Qingdao Blue Valley, south of Nan Er Road, east of Binhai Avenue, north of Shatan Yi Road, west of Shanda Dong Road, Jimo District, Qingdao City, Shandong Province, The PRC 青島海棠藍谷	20,312	under development	construction is currently in suspension, which is expected to resume in October 2022 and to be completed by the end of April 2024.	N/A	the property has been mortgaged to Shandong Longxin Small Loan Co., Ltd (山東龍信小額貸款有限公司) since 23 June 2020, which will be released prior to completion of the Acquisition.	For own use (e.g. sales office)
2.	1 commercial unit in Blocks S1, S2 and S3 of Zunyi Junlan International, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義君蘭國際	7,688	under development	construction is expected to be completed by June 2023	N/A	N/A	For own use (e.g. sales office)
3.	1 commercial unit in Block 30 of Zunyi Qiangwei International, South of East Union Line 2, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義薔薇國際	9,007	vacant	N/A	N/A	N/A	For own use (e.g. sales office)

LETTER FROM THE BOARD

No.	Property	Construction area (square meters)	Status of construction/ Existing Use	Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
4.	A shopping mall in Myrtle View, North of Quanshui Avenue, Dongbao District, Jingmen City, Hubei Province, The PRC 荊門紫薇雅著	4,787	rented for commercial purpose	N/A	approximately 4,787.12 sq.m. was leased to a tenant with the expiry date on 11 January 2031 at a current annual rent of approximately RMB920,158	the property has been mortgaged to China Huarong Asset Management Co., Ltd. Chongqing Branch (中國華融資產管理股份有限公司重慶分公司) since 22 August 2019, which will be released prior to completion of the Acquisition.	For rent and/or own use (e.g. sales office)
5.	1 commercial unit in Blocks G2, G3 and G4 of Rose Manor Phase I, northeast side of the intersection of Zhonghui Road and Tangluo Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園—丁香雅苑	3,600	partially rented for commercial purpose	N/A	approximately 125.24 sq.m. was leased to a tenant with the expiry date on 19 March 2024 at a current annual rent of approximately RMB40,000	the property has been mortgaged to Suzhou Asset Management Co., Ltd. (蘇州資產管理有限公司) since 18 May 2022, which will be released prior to completion of the Acquisition.	For rent and/or own use (e.g. sales office)
6.	1 commercial unit in Blocks S2 and S6 of Rose Manor Phase II, northeast side of the intersection of Zhonghui Road and Shuguang Nan Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園—丁香名園	472	vacant	N/A	N/A	the property has been mortgaged to Nanjing Real Estate Development Co., Ltd. (南京實地房地產開發有限公司) and Suzhou Asset Management Co., Ltd. (蘇州資產管理有限公司) since 2 March 2021 and 18 May 2022, respectively, which will be released prior to completion of the Acquisition.	For sale

LETTER FROM THE BOARD

No.	Property	Construction area (square meters)	Status of construction/ Existing Use	Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
7.	25 commercial units in Zhongshan Jinghu City, No. 113 Bo'ai 7th Road, Torch Development Zone, Zhongshan City, Guangdong Province, The PRC 中山環湖城百合家園	12,657	partially rented for commercial purpose	N/A	approximately 10,910.51 sq.m. was leased to various tenants with the expiry dates ranging from 14 November 2029 to 31 March 2030 at a total current annual rent of approximately RMB2,048,865	the property has been mortgaged to Industrial and Commercial Bank of China Guangzhou South China Sub-branch (中國工商銀行股份有限公司廣州華南支行) since 14 November 2016, which will be released prior to completion of the Acquisition.	For rent and/or own use (e.g. sales office)
8.	88 commercial units in Orchid Shore, 104C Xiaojun Village, Junshan Street, Economic and Technological Development Zone, Wuhan City, Hubei Province, The PRC 武漢君蘭汀岸	11,706	partially rented for commercial purpose	N/A	approximately 154.86 sq.m. was leased to 2 tenants with the expiry dates ranging from 24 April 2027 to 14 May 2027 at a total current annual rent of approximately RMB179,055	the property has been mortgaged to China Construction Bank Qingdao Chengyang Sub-branch (中國建設銀行股份有限公司青島城陽支行) since 21 October 2021, which will be released prior to completion of the Acquisition.	For rent and/or own use (e.g. sales office)

The construction of property No. 1 disclosed in the table above has been suspended by Vendor 2 in early 2022 due to adjustment of property design in line with the Company's specific requirements, which is expected to resume in October 2022.

For property No. 1, the construction cost is estimated to be approximately RMB168,570,000, of which approximately RMB61,248,000 had been incurred by 30 June 2022. For property No. 2, the construction cost is estimated to be approximately RMB53,796,000, of which approximately RMB33,478,000 had been incurred by 30 June 2022. The Company confirms that properties under development are to be delivered on an "as-is" basis as at the date of registration of the property transfer, and the Vendors will continue to be responsible for completing any outstanding construction work and bear the relevant costs. As such, the Company will not need to incur any capital commitment in respect of the Target Properties after completion of the Acquisition, but will monitor the progress of such completion and is in the process of expanding its property management team to do so, at a potential additional cost ranging from RMB500,000 to RMB600,000 per year.

LETTER FROM THE BOARD

As disclosed in the Property Valuation Report, the market value of (i) property No.1 and (ii) property No.2 and property No.3 (combined) as at 30 June 2022, was respectively RMB227,334,000 and RMB150,274,000 based on the assumption that the construction of these properties has been completed, while their consideration under the Supplemental Agreement was respectively RMB210,960,000 and RMB139,480,000 (inclusive of value-added tax), each representing a discount of approximately 7.2% to their valuation in the Property Valuation Report in favour of the Company.

Properties No.4, No.5, No.7 and No.8 are currently partially leased by respectively Vendor 3, New Vendor 2, New Vendor 1 and Vendor 1 to third party tenants for commercial purpose. The Company intends that Properties No.4, No.5, No.7 and No.8 are being acquired mainly to provide the Company with premises for its sales offices, although taking in account factors including (i) the general unpredictability in terms of the supply and demand in the relevant regional coal markets and therefore the number of sales offices required in those regions (ii) the necessity of retaining a certain degree of flexibility in usage of these properties so as to enable the generation of cash and profit in a variety of ways and (iii) with a view to maximize the cash and profits generated from the portfolio of the Target Properties, the Company may continue to lease the aforementioned properties to third party tenants in order to generate rental income for the Company until such time that the Company has finalized its detailed plan pinpointing which of the Target Properties are most suitable to be used as sales offices based on, among other things, its market analysis. On this basis, the Company intends to continually assess the coal market conditions and monitor the use of these properties on an on-going basis and currently does not plan to early terminate the existing leases on these properties for own use. In addition, the Company is currently in the process of expanding its own property management team by recruiting personnel with relevant experience in the real estate sector, so as to further enhance its capability to manage the properties and to track the property market for best terms in relation to property transactions.

In terms of Property No. 6, the Company is currently in discussions with third parties for its disposal. This is a standalone and vacant property with an area of merely 472 square meters to be sold to the Company as part of the property portfolio designated by the Vendors under the Acquisition. Although the Company intends to purchase the property portfolio mainly for its own use, given that there are third parties who have expressed interests in purchasing Property No. 6, the Company is open to a potential disposal of the property taking into account (i) its suitable potential usage and (ii) the possible disposal price. With regards to Property No. 6, the Company plans to proceed to further negotiation with the prospective purchasers and to complete the transaction by or around November 2022, subject to the completion of the Acquisition.

LETTER FROM THE BOARD

The acquisition cost of property No.6 under the Acquisition amounts to approximately RMB7.5 million, with the corresponding unit price being approximately RMB16,000 per square meter (the “**Original Unit Price**”). Taking into account (i) the current market price of three comparable properties provided by the Independent Valuer (see Appendix I of this circular for details) and (ii) other factors such as the prospective purchasers’ negotiation style, the unit sales price of property No.6 achievable from its sale to the prospective purchaser(s) is expected to reach RMB17,000 to RMB18,000 per square meter, subject to market conditions at the time of the sale, representing an increase of 6%-12% comparing with the Original Unit Price. On this basis, the consideration for the sale of property No.6 would range from RMB8,024,000 to RMB8,496,000.

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 but does not include property development or investment.

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 circular, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a former director of the Company in the past 12 months and the substantial shareholder of the Company, as to 100% (with regards to Vendor 1, New Vendor 1 and New Vendor 2); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to New Vendor 3).

Apart from Mr. Zhang Liang, Johnson, the Vendors have other indirect individual shareholders holding minority shares, the details of whom are set out below:

<u>Vendor</u>	<u>Identity of minority shareholders</u>	<u>Shareholding percentage</u>
Vendor 2	Shandong Yihualu Information Technology Co., Ltd. (山東易華錄信息技術有限公司) (“ Yihualu ”)	10% ⁽¹⁾
Vendor 3	Mr. Wan Zhentao (萬振濤) Mr. Chen Shuangxi (陳雙喜)	1% 1%

LETTER FROM THE BOARD

Vendor	Identity of minority shareholders	Shareholding percentage
New Vendor 3	Tianjin Jiyao Enterprise Management Consulting Partnership (Limited Partnership) (天津吉曜企業管理諮詢合夥企業(有限合夥)) (“ Tianjin Jiyao ”)	5% ⁽²⁾

Notes:

- (1) According to public searches, Yihualu is directly owned by (i) Beijing Yihualu Information Technology Co., Ltd. (北京易華錄信息技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300212), (ii) Shanghai Delu Industrial Group Co., Ltd. (上海德陸實業集團有限公司) (“**Shanghai Delu**”), (iii) Qingdao Changyang Investment Development Co., Ltd. (青島昌陽投資開發有限公司) (“**Qingdao Changyang**”), (iv) Mr. Wang Haibo (王海博), (v) Ms. Zhu Mei (朱梅) and (vi) Shanghai Lifan Technology Partnership (Limited Partnership) (上海瀝梵科技合夥企業(有限合夥)) as to approximately 29.9%, 29.6%, 21.1%, 13.9%, 3.5%, and 2%, respectively. Shanghai Delu is directly owned by Mr. Lu Xibiao (陸習標) and Ms. Ma Xiaojing (馬曉靜) as to 80% and 20%, respectively. Qingdao Changyang is wholly owned by Laixi State-owned Assets Investment Service Center (萊西市國有資產投資服務中心).
- (2) According to public searches, Tianjin Jiyao is directly owned by Ms. Liu Yongmei (劉詠梅) and Guangzhou Jiyao Investment Consulting Co., Ltd. (廣州吉曜投資顧問有限公司) (“**Guangzhou Jiyao**”) as to 99% and 1%, respectively. Guangzhou Jiyao is directly owed by Mr. Zhang Yaoling (張耀嶺) and Mr. Wang Hongzhi (王洪志) as to 80% and 20%, 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, which could make suitable sales offices for the Company, 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. 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 Group and broaden its geographical reach in mainland China. 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.

LETTER FROM THE BOARD

The Target Properties were selected mainly based on the criteria of proximity, i.e. whether or not these properties are located in regions with sizeable domestic demand for the relevant coal products, or regions where the coal mines of the Company are located. In particular, the detailed reasons for the acquisition of each of these properties are set out below:

- Property No. 1 is located in Qingdao, Shandong Province, which is the main area for the consumption of coking coal, surrounded by various iron and steel plants. Upon the completion of the construction of 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) (the “**Weiyi Mine**”) and Yongan Coal Mine of Ningxia Sunshine Mining Co., Ltd. (寧夏陽光礦業有限公司永安煤礦) (the “**Yongan Mine**”), which focus on the production of coking coal, the Company will expand the product lines to include coking coal. The Company believes that the acquisition of Property No. 1 will facilitate the sales of coking coals, produced from Weiyi Mine and Yongan Mine, in Shandong Province.
- Property No. 2 and No. 3 are located in Zunyi, Guizhou Province. The Company is in the process of acquiring the mining rights of Guizhou Daxinan Mining Co., Ltd. Shuicheng County Tailin Coal Mine (貴州大西南礦業有限公司水城縣猴場鄉泰麟煤礦) through acquisition of equity interests in Wuhai Fuliang Real Estate Development Co., Ltd. (烏海富量房地產開發有限公司) and Liupanshui Changlin Real Estate Development Co., Ltd (六盤水昌霖房地產開發有限公司) (the “**Guizhou Coking Coal Project**”). Given the proximity in location between Property No. 2 and No. 3 and the Guizhou Coking Coal Project, the Company believes that the acquisition of these properties will facilitate the domestic sale of the coal projects from the Guizhou Coking Coal Project and better serve the domestic customers in Guizhou Province and other surrounding provinces, including Sichuan, Hunan and Hubei in the future.
- Property No. 4 and No. 8 are located in Jingmen and Wuhan, Hubei Province and Property No. 5 and No. 6 are located in Wuxi, Jiangsu Province. Hubei is one the largest coal consumption centers in Central China and has strategically important ports in the middle and lower reaches of the Yangtze River. Wuxi, on the other hand, is home to the Wuxi Port, an important port that connects into the Beijing-Hangzhou Canal. The acquisition of properties in Jingmen, Wuhan and Wuxi constitutes an important part of the Company’s plan to expand the domestic downstream coal sales network in these regions.
- Property No. 7 is located in Zhongshan, Guangdong Province. Zhongshan traditionally relied to a large extent on coal imported from Australia. Because China has prohibited the import of coal from Australia since 2019, customers in the coastal areas of southern China who rely on the coal imported from Australia have to purchase coal domestically.

LETTER FROM THE BOARD

In this context, the acquisition of properties in Zhongshan, which are intended for own use (i.e. sales office), will further expand the sales network in the coastal areas of southern China to serve the domestic customers.

Additionally, as disclosed in the interim results announcement of the Group for the six months ended 30 June 2022, the Group currently has sufficient cash and cash equivalents which amount to approximately RMB1,438.7 million in total. Given the Company has been looking to utilize its surplus cash with a view to generate return for its shareholders, a future rental or disposal of the Target Properties (or part of them) could potentially provide such return on the Company's investment in these properties.

In terms of the potential impact of the Acquisition on the cash position and current asset of the Group, please refer to the paragraph headed "FINANCIAL EFFECTS OF THE ACQUISITION" in this circular for details.

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. Ms. Zhang Lin, a non-executive Director, being associate of Mr. Zhang Liang, Johnson, has a material interest in the transaction and has abstained from voting on the Board meeting approving the Property Purchase Agreement.

The Company, as a company listed on the Stock Exchange, will consider different investment opportunities from time to time. As at the Latest Practicable date, other than the following transactions which the Company has announced but not yet completed, including (i) the proposed acquisition of 75% equity interest in Liupanshui Changlin Real Estate Development Co., Ltd (六盤水昌霖房地產開發有限公司), as set out in the Company's announcement dated 24 December 2021; and (ii) the Acquisition, the Company has not entered into any agreement, arrangement, undertaking or negotiation, in relation to any future acquisition of new businesses. The Company currently does not expect to conduct any transaction within the next 6–12 months which, if materialised (if at all), will constitute a major transaction of the Company (or above) under the Listing Rules. The Company also confirms that it has no current intention to dispose of any of its existing businesses.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Properties will be recognized as non-current assets of the Group at their costs at the time of acquisition, being the aggregate of the consideration of RMB809,480,000 and the directly attributable expenditure incurred by the

LETTER FROM THE BOARD

Company for the Acquisition. Specifically, the Target Properties which are to be held solely for (i) own use or (ii) rental or for sale would be classified respectively as “property, plant and equipment” and “investment property”. The Target Properties, of which a portion is to be held for own use and another portion is to be held for rental or for sale, will be apportioned between these portions and classified accordingly, if these portions could be sold separately or leased out separately under a finance lease. As the Company will fund the consideration for the Acquisition with cash, the cash balance of the Group will decrease which will in turn reduce the net current assets of the Group, although it is expected that there will not be material adverse effect on either net assets or working capital sufficiency of the Group upon completion of the Acquisition. It is expected that the Acquisition will not have any material impact on the financial performance of the Group immediately following completion of the Acquisition either.

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 circular, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a former director of the Company in the past 12 months and the controlling shareholder of the Company, as to respectively 100% (with regards to Vendor 1, New Vendor 1 and New Vendor 2); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to New 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 Acquisition 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 Acquisition 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 Acquisition contemplated thereunder. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Unit B, 20th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong on Tuesday, 25 October 2022 at 10:30 a.m., to consider and if thought fit, to approve, among other things, the Property Purchase Agreement and the Acquisition contemplated thereunder. A form of proxy for use at the EGM is enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions to be proposed at the EGM. To the best knowledge, information and belief of the Directors having made all reasonable enquires, save for Mr. Zhang Li, Mr. Zhang Liang, Johnson and their respective associates, no other Shareholders were required to abstain from voting on the resolutions at the EGM as at the Latest Practicable Date.

The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. The register of members of the Company will be closed from Thursday, 20 October 2022 to Tuesday, 25 October 2022 (both days inclusive), during which time no share transfers will be effected. In order to qualify for attending the EGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 19 October 2022.

The holders of the Shares whose names appear on the register of members of the Company on Tuesday, 25 October 2022 are entitled to attend and vote in respect of the resolutions to be proposed at the EGM.

You are urged to complete and return the form of proxy and reply slip whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the Property Purchase Agreement and the Acquisition contemplated thereunder. Rainbow Capital (HK) Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages 30 to 31 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 32 to 59 of this circular.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Property Purchase Agreement and the Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

Hong Kong, 30 September 2022

As at the date of this circular, 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.

** 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).*

LETTER FROM INDEPENDENT BOARD COMMITTEE



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)

30 September 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTION ACQUISITION OF TARGET PROPERTIES

We refer to the circular of the Company dated 30 September 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in this letter shall have the same meanings as in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the Property Purchase Agreement and the Acquisition contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Property Purchase Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 32 to 59 of the Circular, we are of the opinion that the terms of the Property Purchase Agreement are fair and reasonable, on normal commercial terms and the Property Purchase Agreement is entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the entering into of the Property Purchase Agreement and the Acquisition contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee

Ms. Liu Peilian
*Independent Non-executive
Director*

Mr. Chen Liangnuan
*Independent Non-executive
Director*

Ms. Xue Hui
*Independent Non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of incorporation in this circular.



RAINBOW CAPITAL (HK) LIMITED
宏 博 資 本 有 限 公 司

30 September 2022

To the Independent Board Committee and the Independent Shareholders

Kinetic Development Group Limited

Dafanpu Coal Mine
Majiata Village, Xuejiawan Town
Zhunge'er Banner, Ordos City
Inner Mongolia, China

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTION ACQUISITION OF TARGET PROPERTIES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 30 September 2022 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 29 April 2022 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into the Original Property Purchase Agreement with the Original Vendors, pursuant to which the Original Vendors agreed to sell, and the Purchaser agreed to purchase, the Original Properties for the consideration of RMB769,014,000.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 12 July 2022 (after trading hours), the Purchaser entered into the Supplemental Agreement with the Vendors and the Terminating Vendors, pursuant to which 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 (the “**Consideration**”). The rights and obligations as between the Purchaser and the Terminating Vendors under the Original Property Purchase Agreement shall be terminated with effect from the date of signing of the Supplemental Agreement.

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 Latest Practicable Date, the Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, a former director of the Company in the last 12 months and the controlling shareholder of the Company, as to respectively 100% (with regards to Vendor 1, New Vendor 1 and New Vendor 2); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to New Vendor 3). As such, the Vendors are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also 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 seek approval from the Independent Shareholders in respect of the Acquisition by way of a poll at the EGM. In view of the interest above, Mr. Zhang Liang, Johnson, Mr. Zhang Li and their respective associates will be required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Ms. Liu Peilian, Mr. Chen Liangnuan and Ms. Xue Hui, has been formed to advise the Independent Shareholders on whether (i) the Acquisition is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Property Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Vendors and the Terminating Vendors that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, the Vendors or the Terminating Vendors. Accordingly, we are qualified to give independent advice in respect of the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information and information provided by the Company, including, among others, (a) the announcements of the Company dated 2 May 2022 and 12 July 2022 in relation to the Acquisition; (b) annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); (c) the valuation report of the Target Properties dated 30 September 2022 prepared by the Independent Valuer appointed by the Company using the market value approach (the “**Valuation Report**”); (d) the legal opinion of the Target Properties prepared by the Company’s PRC legal adviser; and (e) the Original Property Purchase Agreement and the Supplemental Agreement. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the Vendors or their respective substantial shareholders, subsidiaries or associates.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the fairness and reasonableness of the Acquisition, we have taken into account the principal factors and reasons set out below:

1. Background information on the Group

The Group is principally engaged in the extraction and sales of coal products. As a leading integrated coal enterprise in China, the Group's business activities operate through the whole coal industry chain, covering coal production, washing, loading, transportation and trading.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Interim Report, respectively:

(i) Financial performance

	For the six months ended		For the year ended	
	30 June		31 December	
	2022	2021	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	3,009,958	2,285,840	5,580,702	2,961,404
Cost of sales	(914,623)	(990,608)	(1,976,544)	(1,679,187)
Gross profit	2,095,335	1,295,232	3,604,158	1,282,217
Other incomes and losses, net	9,212	62,972	145,036	69,306
Losses on fair value changes of financial assets	(33,751)	—	(134,648)	—
Selling expenses	(12,319)	(4,541)	(8,441)	(8,049)
Administrative expenses	(123,057)	(80,147)	(190,910)	(125,383)
Profit from operations	1,935,420	1,273,516	3,415,195	1,218,091
Share of profits of associates	10,401	14,344	19,060	23,187
Finance costs	(10,945)	(3,829)	(11,959)	(13,122)
Profit before taxation	1,934,876	1,284,031	3,422,296	1,228,156
Income tax expense	(572,724)	(361,699)	(954,737)	(413,360)
Profit attributable to the Shareholders	1,365,349	922,332	2,468,626	814,796

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Six months ended 30 June 2022 (“6M2022”) compared to six months ended 30 June 2021 (“6M2021”)

Revenue of the Group increased by approximately 31.7% from approximately RMB2,285.8 million for 6M2021 to approximately RMB3,010.0 million for 6M2022. Such increase was mainly due to the increase in the Group’s selling price of the coal as driven by the tight supply of coal in the market. For 6M2022, the average selling price of the Group’s 5,000 kilocalories coal products increased by approximately 39.2% as compared with 6M2021.

Gross profit of the Group increased by approximately 61.8% from approximately RMB1,295.2 million for 6M2021 to approximately RMB2,095.3 million for 6M2022. Such increase was mainly due to (a) the increase in revenue as stated above; and (b) the increase in gross profit margin from approximately 56.7% for 6M2021 to approximately 69.6% for 6M2022 as a result of the combined effect of the increase in the average selling price of the Group’s coal products and the decrease in transportation costs.

The Group recorded profit attributable to the Shareholders of approximately RMB1,365.3 million for 6M2022, which represented an increase of approximately 48.0% from approximately RMB922.3 million for 6M2021. Such substantial increase was primarily attributable to the increase in gross profit as stated above. Such increase was partially offset by (a) the decrease in net amount of other incomes and losses by approximately RMB53.8 million as a result of the decrease in the Group’s government grants by approximately RMB38.0 million and the loss on disposal of property, plant and equipment of approximately RMB11.0 million; (b) the losses on fair value changes of financial assets of approximately RMB33.8 million; (c) the increase in administrative expenses by approximately RMB42.9 million; and (d) the increase in income tax expense by approximately RMB211.0 million.

Year ended 31 December 2021 (“FY2021”) compared to year ended 31 December 2020 (“FY2020”)

Revenue of the Group increased significantly by approximately 88.4% from approximately RMB2,961.4 million for FY2020 to approximately RMB5,580.7 million for FY2021. Such increase was mainly due to the increase in both the Group’s average selling price as the overall coal price rose sharply and hit a historical peak during the year and sales volume of the coal products due to the robust demand for electricity consumption as driven by the economic recovery. For FY2021, the average selling price of the Group’s 5,000 kilocalories coal products increased by approximately 59.7% and the Group’s sales volume of coal increased by approximately 15.8% as compared with FY2020.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Gross profit of the Group increased by approximately 181.1% from approximately RMB1,282.2 million for FY2020 to approximately RMB3,604.2 million for FY2021. Such increase was mainly due to (a) the increase in revenue as stated above; and (b) the increase in gross profit margin from approximately 43.3% for FY2020 to approximately 64.6% for FY2021 as a result of the combined effect of the increase in sales price and sales volume, and the Group continued effort to implement refined management, formulated and improved various systems in various operation links with a view to controlling various production and management costs.

The Group recorded profit attributable to the Shareholders of approximately RMB2,468.6 million for FY2021, which represented a significant increase of approximately 203.0% from approximately RMB814.8 million for FY2020, primarily attributable to (a) the increase in gross profit as stated above; and (b) the increase in net amount of other incomes and losses by approximately RMB75.7 million, mainly due to the increase in government grants. Such increase was partially offset by (a) the losses on fair value changes of financial assets of approximately RMB134.6 million; (b) the increase in administrative expenses by approximately RMB65.5 million as a result of the increased staff cost; and (c) the increase in income tax expense by approximately RMB541.4 million.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(ii) Financial position

	As at 30 June	As at 31 December	
	2022	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets, including	6,751,505	2,823,202	1,964,612
Property, plant and equipment	1,438,211	1,247,473	1,219,320
Intangible assets	3,222,959	537,815	568,634
Other non-current assets	1,814,695	896,555	68,145
Current assets, including	2,722,137	3,219,009	1,708,038
Financial assets at fair value through profit or loss	207,897	269,382	465,787
Trade and other receivables	200,265	236,351	108,681
Pledged and restricted deposits	683,150	155,595	57,003
Cash at bank	1,438,693	2,387,239	877,745
Total assets	<u>9,473,642</u>	<u>6,042,211</u>	<u>3,672,650</u>
Current liabilities, including	2,467,428	1,391,272	854,650
Trade and other payables	994,753	329,560	263,953
Contract liabilities	303,133	118,557	139,224
Bank loans	498,574	275,695	210,410
Income tax payable	655,887	667,460	241,063
Non-current liabilities, including	1,549,332	78,897	58,280
Bank loans	733,000	—	—
Long-term payables	683,815	26,391	25,001
Deferred tax liabilities	43,255	44,800	28,380
Net current assets	<u>254,709</u>	<u>1,827,737</u>	<u>853,388</u>
Total liabilities	<u>4,016,760</u>	<u>1,470,169</u>	<u>912,930</u>
Equity attributable to the Shareholders	5,463,865	4,575,828	2,759,720

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Total non-current assets of the Group increased significantly by approximately 243.7% from approximately RMB1,964.6 million as at 31 December 2020 to approximately RMB6,751.5 million as at 30 June 2022, which mainly included (a) property, plant and equipment of approximately RMB1,438.2 million, primarily consisting of the Group's building, machinery and equipment and mining structures; (b) intangible assets of approximately RMB3,223.0 million, mainly as a result of the Group's acquisition of Ningxia Sunshine Mining Co., Ltd. ("**Ningxia Sunshine**"), a subsidiary which is principally engaged in coal mine construction, extraction and sale of coal products at an aggregate consideration of approximately RMB1,642.0 million which was completed in June 2022; and (c) other non-current assets of approximately RMB1,814.7 million, mainly representing the prepayment made by the Group to related parties for proposed acquisitions.

Total current assets of the Group increased by approximately 59.4% from approximately RMB1,708.0 million as at 31 December 2020 to approximately RMB2,722.1 million as at 30 June 2022, which mainly included (a) financial assets at fair value through profit or loss of approximately RMB207.9 million, representing trust wealth management investments subscribed by the Group; (b) trade and other receivables of approximately RMB200.3 million; (c) pledged and restricted deposits of approximately RMB683.2 million, among which approximately RMB600.0 million was deposited as guarantee fund for the Group's bank loans and approximately RMB83.2 million was deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations; and (d) cash at bank of approximately RMB1,438.7 million. The Group recorded an increase in cash at bank by approximately 63.9% from approximately RMB877.7 million as at 31 December 2020 to approximately RMB1,438.7 million as at 30 June 2022, which was primarily attributable to the increase in profit of the Group and partially offset by the consideration paid for acquisition of Ningxia Sunshine and properties during the period.

Total current liabilities of the Group increased by approximately 188.7% from approximately RMB854.7 million as at 31 December 2020 to approximately RMB2,467.4 million as at 30 June 2022, which mainly included (a) trade and other payables of approximately RMB994.8 million; (b) bank loans of approximately RMB498.6 million; and (c) income tax payable of approximately RMB655.9 million.

Total non-current liabilities of the Group increased significantly by approximately 2,558.4% from approximately RMB58.3 million as at 31 December 2020 to approximately RMB1,549.3 million as at 30 June 2022, which mainly included (a) long-term bank loans of approximately RMB733.0 million; and (b) long-term payables of approximately RMB683.8 million which was assumed from Ningxia Sunshine.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at 30 June 2022, the Group had net current assets of approximately RMB254.7 million and equity attributable to the Shareholders of approximately RMB5,463.9 million. Taking into account the Group's relatively large balance of cash at bank and net current assets position as at 30 June 2022, the Group was in a healthy financial position.

(iii) Overall comment

As a leading integrated coal enterprise in China, the Group's business of extracting and selling of coal products has been growing during the years/periods under review, as evidenced by the increase in total revenue and net profits of the Group. Such growth trend was particularly significant in FY2021 when coal prices hit record high and demand for coal was robust, both of which contributed to the significant increase in revenue of the Group.

The financial position of the Group is sound. As at 30 June 2022, the Group has net current assets of approximately RMB254.7 million with a net cash position (being cash at bank and pledged and restricted deposits minus bank loans) of approximately RMB890.3 million.

2. Information on the Target Properties

As stated in the Letter from the Board, 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. Further details of the Target Properties are set out as follows:

No.	Property	Construction area (square meters)	Status of construction/ Existing Use	Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
1.	2 commercial units in Blocks 3 and 6 of Qingdao Blue Valley, south of Nan Er Road, east of Binhai Avenue, north of Shatan Yi Road, west of Shanda Dong Road, Jimo District, Qingdao City, Shandong Province, The PRC 青島海萊藍谷	20,312	under development	construction is currently in suspension, which is expected to resume in October 2022 and to be completed by the end of April 2024	N/A	the property has been mortgaged to Shandong Longxin Small Loan Co., Ltd (山東龍信小額貸款有限公司) since 23 June 2020, which will be released prior to completion of the Acquisition	For own use (e.g. sales office)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

No.	Property	Construction		Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
		area (square meters)	Status of construction/ Existing Use				
2.	1 commercial unit in Blocks S1, S2 and S3 of Zunyi Junlan International, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義君蘭國際	7,688	under development	construction is expected to be completed by June 2023	N/A	N/A	For own use (e.g. sales office)
3.	1 commercial unit in Block 30 of Zunyi Qiangwei International, South of East Union Line 2, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義薔薇國際	9,007	vacant	N/A	N/A	N/A	For own use (e.g. sales office)
4.	A shopping mall in Myrtle View, North of Quanshui Avenue, Dongbao District, Jingmen City, Hubei Province, The PRC 荊門紫薇雅著	4,787	rented for commercial purpose	N/A	approximately 4,787.12 sq.m. was leased to a tenant with the expiry date on 11 January 2031 at a current annual rent of approximately RMB920,158	the property has been mortgaged to China Huarong Asset Management Co., Ltd. Chongqing Branch (中國華融資產管理股份有限公司重慶分公司) since 22 August 2019, which will be released prior to completion of the Acquisition	For rent and/or own use (e.g. sales office)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

No.	Property	Construction		Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
		area (square meters)	Status of construction/ Existing Use				
5.	1 commercial unit in Blocks G2, G3 and G4 of Rose Manor Phase I, northeast side of the intersection of Zhonghui Road and Tangluo Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園—丁香雅苑	3,600	partially rented for commercial purpose	N/A	approximately 125.24 sq.m. was leased to a tenant with the expiry date on 19 March 2024 at a current annual rent of approximately RMB40,000	the property has been mortgaged to Suzhou Asset Management Co., Ltd. (蘇州資產管理有限公司) since 18 May 2022, which will be released prior to completion of the Acquisition	For rent and/or own use (e.g. sales office)
6.	1 commercial unit in Blocks S2 and S6 of Rose Manor Phase II, northeast side of the intersection of Zhonghui Road and Shuguang Nan Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園—丁香名園	472	vacant	N/A	N/A	the property has been mortgaged to Nanjing Real Estate Development Co., Ltd. (南京實地房地產開發有限公司) and Suzhou Asset Management Co., Ltd. (蘇州資產管理有限公司) since 2 March 2021 and 18 May 2022, respectively, which will be released prior to completion of the Acquisition	For sale

LETTER FROM INDEPENDENT FINANCIAL ADVISER

No.	Property	Construction		Development plan with milestones	Key terms of the existing tenancies	Mortgage	Intended use
		area (square meters)	Status of construction/ Existing Use				
7.	25 commercial units in Zhongshan Jinghu City, No. 113 Bo'ai 7th Road, Torch Development Zone, Zhongshan City, Guangdong Province, The PRC 中山環湖城百合家園	12,657	partially rented for commercial purpose	N/A	approximately 10,910.51 sq.m. was leased to various tenants with the expiry dates ranging from 14 November 2029 to 31 March 2030 at a total current annual rent of approximately RMB2,048,865	the property has been mortgaged to Industrial and Commercial Bank of China Guangzhou South China Sub-branch (中國工商銀行股份有限公司廣州華南支行) since 14 November 2016, which will be released prior to completion of the Acquisition	For rent and/or own use (e.g. sales office)
8.	88 commercial units in Orchid Shore, 104C Xiaojun Village, Junshan Street, Economic and Technological Development Zone, Wuhan City, Hubei Province, The PRC 武漢君蘭汀岸	11,706	partially rented for commercial purpose	N/A	approximately 154.86 sq.m. was leased to 2 tenants with the expiry dates ranging from 24 April 2027 to 14 May 2027 at a total current annual rent of approximately RMB179,055	the property has been mortgaged to China Construction Bank Qingdao Chengyang Sub-branch (中國建設銀行股份有限公司青島城陽支行) since 21 October 2021, which will be released prior to completion of the Acquisition	For rent and/or own use (e.g. sales office)

The construction of Property No.1 disclosed in the table above has been suspended by Vendor 2 in early 2022 due to adjustment of property design in line with the Company's specific requirements, which is expected to resume in October 2022.

For Property No. 1, the construction cost is estimated to be approximately RMB168,570,000, of which approximately RMB61,248,000 had been incurred by 30 June 2022. For Property No. 2, the construction cost is estimated to be approximately RMB53,796,000, of which approximately RMB33,478,000 had been incurred by 30 June 2022. With reference to the Letter to the Board, the Company confirms that properties under development are to be delivered on an "as-is" basis as at

LETTER FROM INDEPENDENT FINANCIAL ADVISER

the registration of the property transfer, and the Vendors will continue to be responsible for completing any outstanding construction work and bear the relevant costs. As such, the Company will not need to incur any capital commitment in respect of the Target Properties after completion of the Acquisition, but will monitor the progress of such completion and is in the process of expanding its property management team to do so, at a potential additional cost ranging from approximately RMB500,000 to RMB600,000 per year.

Although Properties No. 1 and 2 are still under development and will be delivered on an “as-is” basis as at the registration of property transfer, taking into account that (i) the Vendors will be responsible for completing any outstanding construction work and bear the relevant costs and the Company will not need to incur any capital commitment in respect of the Target Properties after completion of the Acquisition; (ii) as mentioned in the section headed “4. Industry overview” below, Chinese property market may be sluggish in the current period but will be cautiously optimistic in the long run. As such, the Acquisition would enable the Company to purchase the Target Properties at a relatively low price; and (iii) the consideration of Property No. 1 and Properties No. 2 and 3 (combined) represents a discount of approximately 7.2% to their respective market value under the Valuation (as defined below) as at 30 June 2022, we consider that it is fair and reasonable for the Company to pursue the Acquisition at the current market condition, including those properties which are still under development.

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 also confirm and undertake that, from the date of the signing of the Supplemental Agreement, they 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.

3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, the Target Properties are located in the central business districts of cities across southern and northern China where the Group intends to continue strengthening its sales network. As advised by the management of the Group, the Acquisition allows the Group to (i) further expand its sales network geographically in southern and northern China as the Target Properties could make suitable sales offices for the Company, which would in turn strengthen the Group’s overall operational presence and ability to cover a more comprehensive customer base in China; and (ii) enable the Company to take advantage of the further development of the central business districts of the relevant cities.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Additionally, the Target Properties are more geographically diversified than the Original Properties so that such variation of the scope of properties subject to the Acquisition will facilitate the further expansion of the Group and broaden its geographical reach in mainland China. The Target Properties were selected mainly based on the criteria of proximity, i.e. whether or not these properties are located in regions with sizeable domestic demand for the relevant coal products, or regions where the coal mines of the Company are located. For detailed reasons for the acquisition of each of the Target Properties, please refer to the section headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” in the Letter from the Board.

As a leading integrated coal enterprise in China, the Group’s business of extraction and sales of coal products has been growing in recent years. With reference to the 2021 Annual Report, the mismatch between the supply and demand in the domestic coal market has resulted in a significant increase in coal prices in general, which has contributed to a significant increase in the overall profit of coal enterprises, including the Group, whose revenue and net profit have increased by approximately 88.4% and 203.0% in FY2021, respectively and by approximately 31.7% and 48.0% in 6M2022, respectively. With the continuous recovery of the domestic economy in China, the demand for downstream power generation is expected to maintain a high growth rate. In 2022, the Group will continue to optimise the diversified sales model and flexibly adjust the sales pace and strategy. As advised by the management of the Group, the establishment of local sales offices would effectively enhance the local presence and downstream influence of the Group. Since the Target Properties are geographically diversified and located in regions with sizeable domestic demand for the relevant coal products, or regions where the coal mines of the Company are located, the establishment of local offices with the Target Properties would enable the Group to enhance business relationships with existing local customers as well as to increase the success rate in recruiting potential customers. As such, we concur with the Directors that the Acquisition will enable the Group to grasp on the expected high growth in the industry and promote the business development of the Group, and thereby facilitate the further expansion of the Group and broaden its geographical reach in mainland China, which is also in line with the Group’s business strategy.

In addition to be used to expand the Company’s sales network, some of the Target Properties are intended for sale and/or for rental. As disclosed in the Letter from the Board, although Properties No. 4, No. 5, No. 7 and No. 8 are being acquired mainly to provide the Company with premises for its sales offices, the Company may continue to lease the aforementioned properties to third party tenants in order to generate rental income for the Company until such time that the Company has finalised its detailed plan pinpointing which of the Target Properties are most suitable to be used as sales offices based on, among other things, its market analysis, after taking into account, (i) the general unpredictability in terms of the supply and demand in the relevant regional coal markets and therefore the number of sales offices required in those regions; and (ii) the necessity of retaining a certain degree of flexibility in usage of these properties so as to enable the generation of cash and profit in a variety of ways, with a view to maximising the cash and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

profits generated from the portfolio of the Target Properties. On this basis, the Company intends to continually assess the coal market conditions and monitor the use of these properties on an on-going basis and currently does not plan to early terminate the existing leases of these properties for own use. In addition, the Company is currently in the process of expanding its own property management team by recruiting personnel with relevant experience in the real estate sector, so as to further enhance its capability to manage the properties and to track the property market for best terms in relation to property transactions.

For Property No. 6, the Company is currently in discussions with third parties for its disposal. This is a standalone and vacant property with a construction area of only 472 square meters to be sold to the Company as part of the property portfolio designated by the Vendors under the Acquisition. Although the Company intends to purchase the property portfolio mainly for its own use, given that there are third parties who have expressed interests in purchasing Property No. 6, the Company is open to a potential disposal of the property taking into account (i) its suitable potential usage; and (ii) the possible disposal price. The Company plans to proceed to further negotiation with the prospective purchasers of Property No. 6 and to complete the transaction by or around November 2022, subject to the completion of the Acquisition. Although Property No. 6 is intended for sale rather than for the Group's own use as a sales office, considering that (i) the Group has acquired other seven properties located in regions with sizeable domestic demand for the relevant coal products, or regions where the coal mines of the Company are located which shall be sufficient to meet the Group's demand for strengthening its sales network; and (ii) as the Company would acquire Property No. 6 at a discount (i.e. approximately 7.2%) to its market value under the Valuation (as defined below) as at 30 June 2022, subject to market conditions at the time of sale, the sale price of Property No. 6 is expected to be higher than the acquisition cost paid by the Company which could provide potential additional return to the Shareholders, we are of the view that it is fair and reasonable for the Company to purchase Property No. 6 for sale.

As at 30 June 2022, the Group had cash at bank of approximately RMB1,438.7 million and net cash position (being cash at bank and pledged and restricted deposits minus bank loans) of approximately RMB890.3 million. Given the Company has been looking to utilise its surplus cash with a view to generating return for the Shareholders, the Acquisition represents a suitable investment opportunity for the Group's abundant cash on hand and the future rental and/or disposal of the Target Properties could potentially bring returns to the Shareholders through additional rental income and/or future capital appreciation of the Target Properties.

Taking into account that (i) as advised by the management of the Group, the Acquisition represents an opportunity for the Group to further expand its sales network and benefit from further development of the central business districts of the relevant cities; (ii) the Target Properties are located in regions with sizeable domestic demand for the relevant coal products, or regions where the coal mines of the Company are located and the Acquisition is expected to promote the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

business development of the Group through the establishment of local offices; (iii) some of the Target Properties are intended for rental before the Company has formulated a detailed plan pinpointing which of the Target Properties are most suitable to be used as sales offices based on its market analysis and Property No. 6 is intended for sale as the Company was approached by third parties who have expressed interests in purchasing Property No.6 at an appropriate price to the Company. The future rental and/or disposal of some of the Target Properties could potentially bring returns to the Shareholders through additional rental income and/or future capital appreciation of the Target Properties; (iv) the Group's solid financial position and that the Acquisition represents a suitable investment opportunity for the Group's abundant cash on hand; and (v) the outlook and trends of the property market in the PRC as mentioned in the section headed "4. Industry overview" below, we concur with the Directors that although the Acquisition is not conducted in the ordinary and usual course of the business of the Group, it is in the interest of the Company and the Shareholders as a whole.

4. Industry overview

Set out below are the historical data on (i) national investment in property development (全國房地產開發投資); (ii) sales value of commodity properties (商品房銷售額); and (iii) average selling price of commodity properties in the PRC, from 2017 to 2021:

	2017	2018	2019	2020	2021	2017–2021 CAGR
National investment in property development (in RMB billion)	10,979.9	12,016.5	13,219.4	14,144.3	14,760.2	7.7%
Sales value of commodity properties (in RMB billion)	13,370.1	14,961.4	15,972.5	17,361.3	18,193.0	8.0%
Average selling price of commodity properties (in RMB per sq.m.)	7,892.3	8,725.7	9,310.3	9,859.5	10,139.1	6.5%

Source: National Bureau of Statistics of China

As shown in the table above, the total national investment in property development in the PRC exhibited an upward trend from approximately RMB10,979.9 billion in 2017 to approximately RMB14,760.2 billion in 2021, representing a compound annual growth rate ("CAGR") of approximately 7.7% during the period. This indicated a moderate growth in supply of properties on the market. At the same time, total sales value of commodity properties in the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRC grew at a CAGR of approximately 8.0% from approximately RMB13,370.1 billion in 2017 to approximately RMB18,193.0 billion in 2021. Average selling price of commodity properties in the PRC also increased at a CAGR of approximately 6.5% from approximately RMB7,892.3 per sq.m. in 2017 to approximately RMB10,139.1 per sq.m. in 2021. These indicated the growing demand for commodity properties in the PRC which was in line with the growing supply.

According to the National Bureau of Statistics of China, for the eight months ended 31 August 2022, total national investment in property development and sales value of commodity properties in the PRC amounted to approximately RMB9,080.9 billion and RMB8,587.0 billion, representing a decrease of approximately 7.4% and 30.3%, respectively, as compared to the corresponding period in 2021. This was primarily attributable to the recurrent outbreak of COVID-19 in various cities in the PRC, the introduction and effecting of various regulations and policies including the “Three Red Lines” policy, land auction and regulatory funding policies and recent debt default of certain large property developers. However, the Directors consider that as economic activities gradually resume after the pandemic situation is kept under control, China’s economic fundamentals will remain stable. In addition, the Chinese government has also directed to facilitate the positive cycle and healthy development of the property industry and launched policies to provide support, such as encouraging banks to revive bank lending and alleviating the home-purchase restrictions.

In summary, although the growth in the Chinese property market may be sluggish in the current period, taking into account that (i) the recurrent outbreak of COVID-19 in the PRC has gradually eased; and (ii) the Chinese government’s dedication to facilitate the healthy development of the property market, we concur with the Directors that the outlook for the property market in the PRC will be cautiously optimistic in the long run.

5. Principal terms of the Supplemental Agreement

Set out below is a summary of the principal terms of the Supplemental Agreement. Independent Shareholders are advised to read further details of the Original Property Purchase Agreement and Supplemental Agreement as set out in the Letter from the Board.

Date : 12 July 2022

Parties : (i) the Purchaser;
(ii) the Terminating Vendors; and
(iii) the Vendors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Asset to be acquired : The Target Properties

The Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties in lieu of the Original Properties.

For details of the Target Properties, please refer to the section headed “2. Information on the Target Properties” above.

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

- (i) RMB130,000,000 to Vendor 1;
- (ii) RMB210,960,000 to Vendor 2;
- (iii) RMB62,500,000 to Vendor 3;
- (iv) RMB213,300,000 to New Vendor 1;
- (v) RMB53,240,000 to New Vendor 2; and
- (vi) RMB139,480,000 to New Vendor 3.

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 June 2022 (the “**Valuation**”) according to the Valuation Report.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 Supplemental 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 (i) 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 (ii) 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).

Within 180 days after the date on which (i) registration of the conclusion of construction works, and (ii) release of the mortgage (if applicable) in relation to the Target Properties, is completed, whichever is later, the Vendors shall complete the procedures required to transfer the Target Properties to the Purchaser at the relevant real properties registration bureau. If any construction works cannot be concluded, or if any mortgage cannot be released, the Purchaser will be entitled to (i) a refund of any amount paid to the Vendors, and (ii) liquidated damages, in accordance with the provisions specified in the paragraph entitled "Liability for Breach" in the Letter from the Board.

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

Completion : Completion of the transactions contemplated under the Supplemental Agreement is subject to the Company completing all procedures required by the Listing Rules for these transactions, which condition cannot be waived by either the Company or the Vendors.

The Acquisition is expected to be completed by the end of 2022, subject to the approval by the Independent Shareholders and the release of mortgage for the Target Properties.

According to the terms of the Supplemental Agreement, in the event that (i) the Purchaser fails to make any payment on time under the Supplemental Agreement, the Purchaser shall pay the Vendors the liquidated damages calculated at 0.005% of the outstanding payment accrued on a daily basis during the overdue period; or (ii) the Vendors breach the Supplemental Agreement, which breach renders the Purchaser unable to become the legal owner of the Target Properties, the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Purchaser is entitled to terminate the Supplemental Agreement and receive the liquidated damages equal to 0.005% of the amount actually paid by the Purchaser under the Supplemental Agreement accrued on a daily basis during the period the Vendors have held such payments made by the Purchaser.

In addition, 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.

Taking into account (i) the reasons for and benefits of the Acquisition detailed in the above; (ii) the Consideration is determined with reference to, among others, the Valuation conducted by the Independent Valuer; and (iii) the Company is safeguarded by the terms of the Supplemental Agreement should the Vendors fail to perform their obligations, we consider that the terms of the Supplemental Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Valuation of the Target Properties and evaluation of the Consideration

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, the Valuation of the Target Properties of RMB871,983,000 as at 30 June 2022, according to the Valuation Report prepared by the Independent Valuer appointed by the Company using the market value approach. The full text of the Valuation Report and certificate dated 30 September 2022 is set out in Appendix I to the Circular, and Independent Shareholders are recommended to read them in full.

We have conducted an interview with the Independent Valuer to enquire to their qualification and experience in valuing similar properties in the PRC and their independence. From the mandate letter and other relevant information provided by the Independent Valuer, we noted that the Independent Valuer is a qualified asset appraisal firm to perform valuation works in the PRC, and the responsible person of the Independent Valuer, is a chartered surveyor who possesses sufficient qualifications and experience in valuing similar assets in the PRC. We have also enquired with the Independent Valuer as to their independence from the Group, the Vendors and the Terminating Vendors, and were given to understand that the Independent Valuer is independent of the Group, the Vendors and the Terminating Vendors. The Independent Valuer confirmed that they were not aware of any relationship or interest between themselves and the Group, the Vendors, and the Terminating Vendors or any other parties that would reasonably be considered to affect their independence to act as the independent valuer for the Company. The Independent Valuer also confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Independent Valuer, no arrangements exist whereby they will receive any

LETTER FROM INDEPENDENT FINANCIAL ADVISER

fees or benefits from the Group, the Vendors or the Terminating Vendors. We have also reviewed the terms of engagement of the Independent Valuer, in particular to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report. We have also performed work as required under note (1)(d) to Rule 13.80 of the Listing Rule in relation to the Independent Valuer and its work as regards the Valuation. Based on the above, we are satisfied with the terms of engagement of the Independent Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Independent Valuer is appropriate.

The Independent Valuer confirmed that it has performed a site visit to the Target Properties. We have discussed with the management of the Group to understand the latest status as well as the latest development plan of the Target Properties.

As stated in the Valuation Report, the Valuation is conducted in compliance with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council. We have reviewed and discussed with the Independent Valuer regarding the methodology, basis and assumptions adopted in arriving at the value of the Target Properties. Although certain properties of the Target Properties, i.e. Properties No. 1, 2 and 3, are under development as at 30 June 2022 (i.e. the valuation date of the Valuation Report), as advised by the management of the Company, properties under development are to be delivered on an “as-is” basis as at the date of registration of the property transfer, and the Vendors will continue to be responsible for completing any outstanding construction work and bear the relevant costs. As such, the Independent Valuer has valued the Target Properties on assumption that the Target Companies have been developed and completed in accordance with the latest development proposal as at the valuation date and the property can be freely transferred or disposed of as completed commodity units without payment of any further land premium, construction cost, penalty or transfer fees. When arriving at the Valuation, the Independent Valuer has adopted the market approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. As advised by the Independent Valuer, comparable sales transactions are selected based on similar location and characteristics of the properties. Based on the information provided by the Independent Valuer, three most comparable properties have been selected for comparison purpose for each of the Target Properties (i.e. a total of 24 comparable properties had been adopted). The comparable properties of the Target Properties being selected and considered are set out as below:

LETTER FROM INDEPENDENT FINANCIAL ADVISER

**Comparable properties of the office part
of the Target Property No. 1**

	Comparable A	Comparable B	Comparable C
Location	About 160 meters southwest of Qingdao Blue Center, Jimo District	West of Blue Silicon Valley Station, Metro Line 11, Aoshanwei Street, Jimo District	West of Blue Silicon Valley Station, Metro Line 11, Aoshanwei Street, Jimo District
Gross floor area (sq.m.)	1,080	4,900	60–125
Usage	Office	Office	Office
Date of transaction	13 May 2022	13 May 2022	13 May 2022
Transaction unit price (RMB/sq.m.)	10,200	10,200	10,000
Adjusted unit price (RMB/sq.m.)	10,200	10,200	10,000

**Comparable properties of the flat
apartment part of the Target Property
No. 1**

	Comparable A	Comparable B	Comparable C
Location	West of Binhai Highway, Jimo District	Shatan San Road, Aoshanwei Street, Jimo District	S293 (Binhai Road), Jimo District
Gross floor area (sq.m.)	65	60	62.21
Usage	Apartment	Apartment	Apartment
Date of transaction	13 May 2022	13 May 2022	14 May 2022
Transaction unit price (RMB/sq.m.)	13,077	11,167	11,574
Adjusted unit price (RMB/sq.m.)	11,676	10,436	11,023

LETTER FROM INDEPENDENT FINANCIAL ADVISER

**Comparable properties of the loft
apartment part of the Target Property**

No. 1	Comparable A	Comparable B	Comparable C
Location	West of Binhai Highway, Jimo District	Shatan San Road, Aoshanwei Street, Jimo District	S293 (Binhai Road), Jimo District
Gross floor area (sq.m.)	65	60	62.21
Usage	Apartment	Apartment	Apartment
Date of transaction	13 May 2022	13 May 2022	14 May 2022
Transaction unit price (RMB/sq.m.)	13,077	11,167	11,574
Adjusted unit price (RMB/sq.m.)	12,454	11,167	10,334

**Comparable properties of the office part
of the Target Property No. 2**

No. 2	Comparable A	Comparable B	Comparable C
Location	Xincheng Jinyueheshan, Honghuagang District	Midea City, Changzheng Town, Honghuagang District	Phase 4 of Midea City, Changzheng Town, Honghuagang District
Gross floor area (sq.m.)	36	26	55.50
Usage	Commercial	Commercial	Commercial
Date of transaction	8 April 2022	8 April 2022	23 May 2022
Transaction unit price (RMB/sq.m.)	11,700	12,300	14,400
Adjusted unit price (RMB/sq.m.)	11,700	12,300	13,714

LETTER FROM INDEPENDENT FINANCIAL ADVISER

**Comparable properties of the office part
of the Target Property No. 3**

	Comparable A	Comparable B	Comparable C
Location	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District
Gross floor area (sq.m.)	57.62	69.82	79.30
Usage	Commercial	Commercial	Commercial
Date of transaction	20 June 2022	20 June 2022	20 June 2022
Transaction unit price (RMB/sq.m.)	12,100	12,300	11,000
Adjusted unit price (RMB/sq.m.)	12,347	12,551	11,454

**Comparable properties of the office part
of the Target Property No. 4**

	Comparable A	Comparable B	Comparable C
Location	East of Xiangjing Avenue and north of Springs Avenue, Dongbao District	Sutai Village, Quankou Street Office, Dongbao District	Intersection of Jinlongquan Avenue and Yangchong Road, Dongbao District
Gross floor area (sq.m.)	60–100	60–100	60–100
Usage	Commercial	Commercial	Commercial
Date of transaction	28 June 2022	28 June 2022	28 June 2022
Transaction unit price (RMB/sq.m.)	14,874	13,500	12,250
Adjusted unit price (RMB/sq.m.)	17,272	16,049	14,563

LETTER FROM INDEPENDENT FINANCIAL ADVISER

**Comparable properties of the office part
of the Target Property No. 5 & 6**

	Comparable A	Comparable B	Comparable C
Location	Intersection of Tangping Avenue and Zhongxing Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District
Gross floor area (sq.m.)	40	52	49.30
Usage	Commercial	Commercial	Commercial
Date of transaction	25 June 2022	25 June 2022	25 June 2022
Transaction unit price (RMB/sq.m.)	20,800	18,800	20,100
Adjusted unit price (RMB/sq.m.)	19,439	18,800	18,785

**Comparable properties of the office part
of the Target Property No. 7**

	Comparable A	Comparable B	Comparable C
Location	South side of Zhongshan 6th Road, Torch Development Zone	No. 66, Zhongshan 6th Road, Torch Development Zone	Intersection of Changjiang Road and Zhongshan Sixth Road, Torch Development Zone
Gross floor area (sq.m.)	90.88	32.43	130
Usage	Commercial	Commercial	Commercial
Date of transaction	22 June 2022	22 June 2022	22 June 2022
Transaction unit price (RMB/sq.m.)	22,000	28,000	26,000
Adjusted unit price (RMB/sq.m.)	20,739	24,190	23,158

LETTER FROM INDEPENDENT FINANCIAL ADVISER

**Comparable properties of the office part
of the Target Property No. 8**

	Comparable A	Comparable B	Comparable C
Location	No. 20, Jingkai Avenue, Smart Eco-City, Economic Development Zone, Caidian District	Jingkai Avenue around Zhuankou, Zhuankou Development Zone, Caidian District	No. 1, Chuanjiangchi 1st Road, Caidian District
Gross floor area (sq.m.)	1,357.77	40-90	53-100
Usage	Commercial	Commercial	Commercial
Date of transaction	30 June 2022	30 June 2022	30 June 2022
Transaction unit price (RMB/sq.m.)	23,285	20,000	17,000
Adjusted unit price (RMB/sq.m.)	22,389	20,619	19,540

Given that (i) the comparable properties are all located within close proximity to each of the corresponding Target Properties with the same usage; (ii) the comparable properties share similar characteristics, especially locality and age with each of the corresponding Target Properties; (iii) the transaction dates of the comparable properties are close to the valuation date; and (iv) the Independent Valuer has made necessary adjustments based on factors, which include, among others, differences in location, size, accessibility and layout between the comparable properties and each of the Target Properties, we consider the comparable properties are appropriate for determining the valuation of each of the Target Properties.

We were further advised by the Independent Valuer that in deriving the valuation of each of the Target Properties, adjustments would be made in consideration of the differences in, among others, location, size, accessibility and layout, between the comparable properties and the Target Properties. The unit rate of a property would generally be higher if the property (i) situated at a superior location with superior commercial potential; (ii) has a greater ease of accessibility; (iii) has better layout; and (iv) smaller in size, and vice versa. We have discussed with the Independent Valuer on the adjustments applied and understand that such adjustment factors were commonly adopted for valuation of properties and the Independent Valuer has used their professional judgement and experience in valuing similar properties to assign different weightings to the factors when applying adjustments, which is also conducted in the same manner as required by the HKIS Valuation Standards. After adjustments were applied on the unit prices of the comparable

LETTER FROM INDEPENDENT FINANCIAL ADVISER

properties, the Independent Valuer had applied the average adjusted unit prices of the comparable properties as the unit price for ground floor of each of the Target Properties. Since the Target Properties comprised of commercial units located on different floors, the unit prices of the properties other than those located on ground floor would be further adjusted by certain discount rates. We further understood from the Independent Valuer that such adjustment of unit prices on the other floors is based on the principle that the unit price would descend as the floor level increase from the accessibility aspect, and it is a common valuation practice to apply such discount to the unit price for commercial property units. Taking into account that (i) the comparable properties are appropriately selected for valuation of the Target Properties; (ii) the adjustment factors applied on arriving the valuation, including the discount based on floor level, are commonly adopted in valuation of properties; and (iii) the adjustments were applied based on the Independent Valuer's professional judgment and experience and in accordance with the HKIS Valuation Standards, we consider the valuation of the Target Properties is fair and reasonable.

As part of our due diligence, we have also reviewed the valuation methodologies adopted for similar types of properties by certain property companies listed on the Stock Exchange and noted that the methodology adopted in the Valuation Report is usual. Taking into consideration of the nature of the Target Properties and that the Valuation is conducted in accordance with the aforesaid requirements, we consider that the methodology, basis and assumptions adopted by the Independent Valuer for determining the value of the Target Properties are appropriate and the Valuation is fair and reasonable so far as the Independent Shareholders are concerned.

In view of (i) the methodology, bases and assumptions adopted by the Independent Valuer in determining the market value of the Target Properties are appropriate; (ii) the Consideration is made with reference to the aforementioned independent Valuation which was fairly and reasonably determined by the Independent Valuer; (iii) the Consideration represents a discount of approximately 7.2% to the Valuation; and (iv) the reasons for and benefits of the Acquisition as discussed in the section headed "3. Reasons for and benefits of the Acquisition" above, we consider the Consideration to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Acquisition

Upon completion of the Acquisition, the Consideration shall be fully settled by cash payment of RMB809,480,000, which shall be funded by the Group's internal resources. As at 30 June 2022, the Group had cash at bank of approximately RMB1,438.7 million. Given the healthy financial position of the Group, the Directors are of the view that the Acquisition would not have any material adverse impact on the working capital position and liquidity of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Given that upon completion of the Acquisition, the Target Properties will be recognised as non-current assets of the Group at their costs at the time of acquisition, being the aggregate of the Consideration of RMB809,480,000 and the directly attributable expenditure incurred by the Company for the Acquisitions. Specifically, the Target Properties which are to be held solely for (i) own use; or (ii) rental or for sale would be classified, respectively, as “property, plant and equipment” and “investment property”. The Target Properties, of which a portion is to be held for own use and another portion is to be held for rental or for sale, will be apportioned between these portions and classified accordingly, if these portions could be sold separately or leased out separately under a finance lease. As the Company will fund the consideration for the Acquisition with cash, the cash balance of the Group will decrease which will in turn reduce the net current assets of the Group. It is expected that the Acquisition will not have any material impact on the net asset value of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon completion of the Acquisition.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Property Purchase Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Property Purchase Agreement, while not in the ordinary and usual course of business of the Group, is nevertheless in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Property Purchase Agreement.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 30 June 2022 of the property interests of the Group.



CONSULTING & APPRAISAL

亞太評估

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A 12/F Kiu Fu Commercial Building,
300 Lockhart Road, Wan Chai,
Hong Kong

30 September 2022

The Board of Directors
Kinetic Development Group Limited
Windward 3,
Regatta Office Park,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Dear Sirs,

Instructions, Purpose and Valuation date

Asia-Pacific Consulting and Appraisal Limited (“**APA**” or “**we**”) is instructed by Kinetic Development Group Limited (the “**Company**”) to provide valuation service on the properties which were intended to be acquired for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interests as at 30 June 2022 (the “**Valuation Date**”).

Basis of Valuation

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Methods of Valuation

We have valued the properties by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

The property nos. 1, 2 and 3 are under development as at the valuation date, as instructed by the Company, we have valued the properties on the assumption that they have been developed and completed in accordance with the latest development proposal as at the valuation date and the properties can be freely transferred or disposed of as completed commodity units without payment of any further land premium, construction cost, penalty or transfer fees.

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published

by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other title documents relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld. We have relied considerably on the advice given by the Company's PRC legal adviser — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties unless we have been otherwise instructed. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

The site inspection was carried out in June 2022 by Ms. Jill Shang who is a Certified Public Valuer and has more than 5 years' experience in property valuation in the PRC; Ms. Ivy Liu, Mr. Sherlock Liu, Ms. Lorna Li and Ms. Tracy Zhang who have 4 years', 3 years', 2 years' and 1 year' experience respectively in property valuation in the PRC. Inspection of property no. 1 was carried out on 20 to 21 June, inspection of properties nos. 2 and 3 were carried out on 20 to 22 June, inspection of property no. 4 was carried out on 27 to 28 June, inspection of properties nos. 5 and 6 were carried out on 24 to 25 June, inspection of property no. 7 was carried out on 27 to 28 June, and inspection of property no. 8 was carried out on 29 to 30 June.

Currency

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is enclosed hereby for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited
David G.D. Cheng
MRICS
Executive Director

Note: David G.D. Cheng is a Chartered Surveyor who has 21 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

SUMMARY OF VALUES

Property interests intend to be acquired in the PRC

No. Property	Market value in existing state as at the Valuation Date <i>RMB</i>
<p>1. Various commercial units in Blocks 3 and 6 of Qingdao Blue Valley, south of Nan Er Road, east of Binhai Avenue, north of Shatan Yi Road, west of Shanda Dong Road, Jimo District, Qingdao City, Shandong Province, The PRC</p> <p>青島海棠藍谷</p>	227,334,000
<p>2. Various commercial units in Blocks S1, S2 and S3 of Zunyi Junlan International, Xinpu Town, Zunyi City, Guizhou Province, The PRC</p> <p>遵義君蘭國際</p>	86,937,000
<p>3. Various commercial units in Block 30 of Zunyi Qiangwei International, South of East Union Line 2, Xinpu Town, Zunyi City, Guizhou Province, The PRC</p> <p>遵義薔薇國際</p>	63,337,000

No. Property	Market value in existing state as at the Valuation Date RMB
4. A shopping mall in Myrtle View, North of Quanshui Avenue, Dongbao District, Jingmen City, Hubei Province, The PRC 荊門紫薇雅著	67,020,000
5. Various commercial units in Blocks G2, G3 and G4 of Rose Manor Phase I, northeast side of the intersection of Zhonghui Road and Tangluo Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園 — 丁香雅苑	49,245,000
6. Various commercial units in Blocks S2 and S6 of Rose Manor Phase II, northeast side of the intersection of Zhonghui Road and Shuguang Nan Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園 — 丁香名園	8,135,000

No. Property	Market value in existing state as at the Valuation Date RMB
7. Various commercial units in Zhongshan Jinghu City, No. 113 Bo'ai 7th Road, Torch Development Zone, Zhongshan City, Guangdong Province, The PRC 中山環湖城百合家園	229,843,000
8. Various commercial units in Orchid Shore, 104C Xiaojun Village, Junshan Street, Economic and Technological Development Zone, Wuhan City, Hubei Province The PRC 武漢君蘭汀岸	140,132,000
Sub-total:	871,983,000

Note: The property nos. 1, 2 and 3 are under development as at the valuation date, as instructed by the Company, we have valued the properties on the assumption that they have been developed and completed in accordance with the latest development proposal as at the valuation date.

VALUATION CERTIFICATE

Property interests intend to be acquired in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date <i>RMB</i>
1.	Various commercial units in Blocks 3 and 6 of Qingdao Blue Valley, south of Nan Er Road, east of Binhai Avenue, north of Shatan Yi Road, west of Shanda Dong Road, Jimo District, Qingdao City, Shandong Province, The PRC 青島海棠藍谷	Qingdao Blue Valley is located at the south of Nan Er Road, east of Binhai Avenue, north of Shatan Yi Road, west of Shanda Dong Road, Jimo District. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. According to the latest development proposal provided by the Company, the property will comprise 336 commercial units with a total gross floor area of approximately 20,311.86 sq.m. As advised by the Group, the property is scheduled to be completed in April 2024 and the details are set out as follows:	The property is under construction and currently in suspension condition. As advised by the Group, the construction work will be resumed in October 2022.	227,334,000
		Usage	Gross Floor Area (sq.m.)	
		Office	1,287.63	
		Flat apartment	8,661.29	
		Loft apartment	10,362.94	
		Total:	20,311.86	

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
	<p>As advised by the Company, the development cost of the property is estimated to be approximately RMB168,570,000, of which approximately RMB61,248,000 had been incurred up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 23 December 2058 for commercial use.</p>		

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Lu 2019 Ji Mo Shi Bu Dong Chan Quan Di No. 0002182 and Lu 2019 Ji Mo Shi Bu Dong Chan Quan Di No. 0002184, the land use rights of 2 parcels of land with a total site area of approximately 17,035.00 sq.m. (including the allocated land of the property) have been granted to 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 (“**Qingdao Shilu**”, an indirectly non-wholly-owned subsidiary of Guangzhou Seedland Real Estate Development Co., Ltd (“**Seedland**”)) for a term expiring on 23 December 2058 for commercial use.
2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 370282LG201907170101 in favour of Qingdao Shilu, Hualu Shandong Headquarters Base Project (Qingdao Blue Valley Industrial Project) Phase I which have a total gross floor area of approximately 55,518.90 sq.m. (including the property) has been approved for construction.
3. Pursuant to a Construction Work Commencement Permit -Ji Jian Lan Gui No. 370282201908270201 in favour of Qingdao Shilu, permissions by the relevant local authority have been given to commence the construction of Hualu Shandong Headquarters Base Project (Qingdao Blue Valley Industrial Project) Phase I with a total gross floor area of approximately 55,518.90 sq.m. (including the property).
4. Pursuant to 2 Pre-sales Permits — Qing Fang Zhu Zi (2020)Di Nos 41 and 49 in favour of Qingdao Shilu, Qingdao Shilu is entitled to sell 3 buildings with a total gross floor area of approximately 35,641.65 sq.m. (including the property).
5. As advised by the Company, Qingdao Shilu has mortgaged the property.

6. Our valuation has been made on the following basis and analysis:

- a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB11,100 to RMB13,000 for apartment units and RMB10,000 to RMB10,200 for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	West of Binhai Highway, Jimo District	Shatan San Road, Aoshanwei Street, Jimo District	S293 (Binhai Road), Jimo District
Usage	Apartment	Apartment	Apartment
Transaction date	13 May 2022	13 May 2022	14 May 2022
Location and accessibility	Very good	Good	Very good
Layout	Good, Loft	Good, Loft	Good
Gross Floor Area (sq.m.)	65	60	62.21
Unit Price (RMB/sq.m.)	13,077	11,167	11,574
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Similar with the property	Superior to the property
Layout	Superior to the property	Superior to the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	12%	7%	5%
Adjusted Unit Price (RMB/sq.m.)	11,676	10,436	11,023

Based on the analysis of the three comparable properties, the adjusted average value for the flat apartment of the property is approximately RMB11,000 per sq.m.

Comparable:	A	B	C
Address	West of Binhai Highway, Jimo District	Shatan San Road, Aoshanwei Street, Jimo District	S293 (Binhai Road), Jimo District
Usage	Apartment	Apartment	Apartment
Transaction date	13 May 2022	13 May 2022	14 May 2022
Location and accessibility	Very good	Good	Very good
Layout	Good, Loft	Good, Loft	Good
Gross Floor Area (sq.m.)	65	60	62.21
Unit Price (RMB/sq.m.)	13,077	11,167	11,574
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Similar with the property	Superior to the property
Layout	Similar with the property	Similar with the property	Superior to the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	5%	0%	12%
Adjusted Unit Price (RMB/sq.m.)	12,454	11,167	10,334

Based on the analysis of the three comparable properties, the adjusted average value for the loft apartment of the property is approximately RMB11,500 per sq.m.

Comparable:	A	B	C
Address	About 160 meters southwest of Qingdao Blue Center, Jimo District	West of Blue Silicon Valley Station, Metro Line 11, Aoshanwei Street, Jimo District	West of Blue Silicon Valley Station, Metro Line 11, Aoshanwei Street, Jimo District
Usage	Office	Office	Office
Transaction date	13 May 2022	13 May 2022	13 May 2022
Location and accessibility	Good	Good	Good
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	1,080	4,900	60-125
Unit Price (RMB/sq.m.)	10,200	10,200	10,000
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Similar with the property	Similar with the property	Similar with the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	0%	0%	0%
Adjusted Unit Price (RMB/sq.m.)	10,200	10,200	10,000

Based on the analysis of the three comparable properties, the adjusted average value for the office units of the property is approximately RMB10,000 per sq.m.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Qingdao Shilu has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. For Blocks 3 and 6 of Qingdao Blue Valley under construction, Qingdao Shilu has obtained the relevant construction land planning permit, construction work planning permit and construction work commencement permit.
 - d. Subject to the consent of the mortgagee, Qingdao Shilu has the right to pre-sell the buildings in accordance with the Pre-sales Permits mentioned in note 4.
8. A summary of major certificates/approvals is shown as follows:
- | | |
|--|-----|
| a. Real Estate Title Certificate (for land) | Yes |
| b. Construction Work Planning Permit | Yes |
| c. Construction Work Commencement Permit | Yes |
| d. Pre-sale Permit | Yes |
| e. Construction Work Completion and Inspection Certificate/Table | No |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
2.	Various commercial units in Blocks S1, S2 and S3 of Zunyi Junlan International, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義君蘭國際	<p>Zunyi Junlan International is located at Xinpu Town. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls.</p> <p>According to the latest development proposal provided by the Company, the property will comprises 116 commercial units with a total gross floor area of approximately 7,687.92 sq.m. As advised by the Group, the property is scheduled to be completed in June 2023.</p> <p>As advised by the Company, the development cost of the property is estimated to be approximately RMB53,796,000, of which approximately RMB33,478,000 had been incurred up to the valuation date.</p> <p>The land use rights of the property have been granted for terms expiring on 5 March 2059 for commercial use and 5 March 2089 for residential use.</p>	The property is under construction.	86,937,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Qian (2019) Zun Yi Shi Bu Dong Chan Quan Di No. 0014121, the land use rights of a parcel of land with a site area of approximately 35,388.00 sq.m. (including the allocated land of the property) have been granted to Zunyi Shidi Real Estate Development Co., Ltd. 遵義實地房地產開發有限公司 (“**Zunyi Shidi**”, an indirectly non-wholly-owned subsidiary of Seedland) for terms expiring on 5 March 2059 for commercial use and 5 March 2089 for residential use.
2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 520000201819475 in favour of Zunyi Shidi, Seedland Qiangwei International Phase III (named “Zunyi Junlan International”) which have a total gross floor area of approximately 104,562.00 sq.m. (including the property) has been approved for construction.
3. Pursuant to a Construction Work Commencement Permit — No. 522101201906260101 5203041906100119-SX-001 in favour of Zunyi Shidi, permissions by the relevant local authority have been given to commence the construction of Seedland Qiangwei International Phase III (named “Zunyi Junlan International”) with a total gross floor area of approximately 104,562.00 sq.m. (including the property).
4. Pursuant to a Pre-sales Permit — Zun Shi Shang Fang Yu Zheng Zun Zi (2021 Nian) No. 0051 in favour of Zunyi Shidi, Zunyi Shidi is entitled to sell 3 buildings with a total gross floor area of approximately 7,687.92 sq.m.
5. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB11,700 to RMB14,400 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	Xincheng Jinyueheshan, Honghuagang District	Midea City, Changzheng Town, Honghuagang District	Phase 4 of Midea City, Changzheng Town, Honghuagang District
Usage	Commercial	Commercial	Commercial
Transaction date	8 April 2022	8 April 2022	23 May 2022
Location and accessibility	Good	Good	Very good
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	36	26	55.5
Unit Price (RMB/sq.m.)	11,700	12,300	14,400

Comparable:	A	B	C
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Similar with the property	Similar with the property	Superior to the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	0%	0%	5%
Adjusted Unit Price (RMB/sq.m.)	11,700	12,300	13,714

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB12,600 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Zunyi Shidi has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. For Blocks S1, S2 and S3 of Zunyi Junlan International under construction, Zunyi Shidi has obtained the relevant construction land planning permit, construction work planning permit and construction work commencement permit.
 - c. Zunyi Shidi has the right to pre-sell the buildings in accordance with the Pre-sales Permits mentioned in note 4.

7. A summary of major certificates/approvals is shown as follows:

a. Real Estate Title Certificate (for land)	Yes
b. Construction Work Planning Permit	Yes
c. Construction Work Commencement Permit	Yes
d. Pre-sale Permit	Yes
e. Construction Work Completion and Inspection Certificate/Table	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
3.	Various commercial units in Block 30 of Zunyi Qiangwei International, south of East Union Line 2, Xinpu Town, Zunyi City, Guizhou Province, The PRC 遵義薔薇國際	<p>Zunyi Qiangwei International is located at south of East Union Line 2, Xinpu Town. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls.</p> <p>According to the latest development proposal provided by the Company, the property will comprises 105 commercial units with a total gross floor area of approximately 9,007.43 sq.m. As advised by the Group, the property is scheduled to be completed in August 2022.</p> <p>As advised by the Company, the development cost of the property is estimated to be approximately RMB33,065,000, of which approximately RMB28,979,000 had been incurred up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 18 September 2053 for commercial use.</p>	<p>The property is under construction as at the valuation date.</p> <p>As advised by the Group, the property has completed on 30 August 2022.</p>	63,337,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Qian(2016)Zun Yi Shi Bu Dong Chan Quan Di No. 0028059, the land use rights of a parcel of land with a site area of approximately 75,980.00 sq.m. (including the allocated land of the property) have been granted to Zunyi Shidi Real Estate Development Co., Ltd. 遵義實地房地產開發有限公司 (“**Zunyi Shidi**”, an indirectly non-wholly-owned subsidiary of Seedland) for a term expiring on 18 September 2053 for commercial use.
2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 520000201819007 in favour of Zunyi Shidi, Block S30, X2 to X4 of Seedland Qiangwei International which have a total gross floor area of approximately 93,906.00 sq.m. (including the property) has been approved for construction.
3. Pursuant to a Construction Work Commencement Permit — No. 5203041907230002-SX-001 in favour of Zunyi Shidi, permissions by the relevant local authority have been given to commence the construction of Block S30, X2 to X4 of Seedland Qiangwei International with a total gross floor area of approximately 93,906.00 sq.m. (including the property).
4. Pursuant to a Pre-sales Permit — Zun Shi Shang Fang Yu Zheng Zun Zi (2019) No. 150 in favour of Zunyi Shidi, Zunyi Shidi is entitled to sell 4 buildings with a total gross floor area of approximately 77,483.44 sq.m. (including the property).
5. Pursuant to a Construction Work Completion and Inspection certificate in favour of Zunyi Shidi, the construction of various buildings of Zunyi Qiangwei International with a total gross floor area of approximately 94,022.32 sq.m. (including the property) has been completed and passed the inspection acceptance.
6. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB11,000 to RMB12,300 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District	Intersection of Wujiang Avenue and Ping'an Avenue, Honghuagang District
Usage	Commercial	Commercial	Commercial
Transaction date	20 June 2022	20 June 2022	20 June 2022
Location and accessibility	General	General	General
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	57.62	69.82	79.30
Unit Price (RMB/sq.m.)	12,100	12,300	11,000

Comparable:	A	B	C
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Inferior to the property	Inferior to the property	Inferior to the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	-2%	-2%	-4%
Adjusted Unit Price (RMB/sq.m.)	12,347	12,551	11,454

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB12,000 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Zunyi Shidi has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. For Block 30 of Zunyi Qiangwei International, Zunyi Shidi has obtained the relevant construction land planning permit, construction work planning permit, construction work commencement permit and construction work completion and inspection certificate.
 - c. Zunyi Shidi has the right to pre-sell the buildings in accordance with the Pre-sales Permits mentioned in note 4.
8. A summary of major certificates/approvals is shown as follows:
- | | |
|--|-----|
| a. Real Estate Title Certificate (for land) | Yes |
| b. Construction Work Planning Permit | Yes |
| c. Construction Work Commencement Permit | Yes |
| d. Pre-sale Permit | Yes |
| e. Construction Work Completion and Inspection Certificate/Table | Yes |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
4.	A shopping mall in Myrtle View, North of Quanshui Avenue, Dongbao District, Jingmen City, Hubei Province, The PRC 荊門紫薇雅著	Myrtle View is located at north of Quanshui Avenue, Dongbao District. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. The property comprises a 3-story shopping mall with a total gross floor area of approximately 4,787.12 sq.m. which was completed in September 2020. The land use rights of the property have been granted for terms expiring on 3 June 2059 for commercial use and 3 June 2089 for residential use.	The property is currently rented to a tenant for commercial propose.	67,020,000

Notes:

- Pursuant to a Real Estate Title Certificate — E (2019) Jing Men Shi Bu Dong Chan Quan Di No. 0007657, the land use rights of a parcel of land with a site area of approximately 110,839.00 sq.m. (including the allocated land of the property) have been granted to Jingmen Shiqiang Real Estate Co., Ltd. 荊門實強房地產置業有限公司 (“**Jingmen Shiqiang**”, an indirectly non-wholly-owned subsidiary of Seedland) for terms expiring on 3 June 2059 for commercial use and 3 June 2089 for residential use.
- Pursuant to a Construction Work Planning Permit — Jing Zi Ran Zi Gui Jian Zi Di. No. 4208002020005 in favour of Jingmen Shiqiang, a shopping mall of Myrtle View which has a total gross floor area of approximately 4,797.53 sq.m. has been approved for construction.

3. Pursuant to a Construction Work Commencement Permit — No. 4208021907260106-SX-019 in favour of Jingmen Shiqiang, permissions by the relevant local authority have been given to commence the construction of a shopping mall of Myrtle View with a total gross floor area of approximately 4,797.53 sq.m.
4. Pursuant to a Construction Work Completion and Inspection Certificate — No. 4208002020039 in favour of Jingmen Shiqiang, the construction of a shopping mall of Myrtle View with a total gross floor area of approximately 4,874.88 sq.m. has been completed and passed the inspection acceptance.
5. Pursuant to a Tenancy Agreement, the property with a total lettable area of approximately 4,787.12 sq.m. was leased to a tenant with the expiry date on 11 January 2031 at a current annual rent of approximately RMB920,158.
6. As advised by the Company, Jingmen Shiqiang has mortgaged the property.
7. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB12,300 to RMB14,900 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	East of Xiangjing Avenue and north of Springs Avenue, Dongbao District	Sutai Village, Quankou Street Office, Dongbao District	Intersection of Jinlongquan Avenue and Yangchong Road, Dongbao District
Usage	Commercial	Commercial	Commercial
Transaction date	28 June 2022	28 June 2022	28 June 2022
Location and accessibility	Very good	Good	Good
Layout	Good	Good	Good
Decoration	Blank	Blank	Blank
Gross Floor Area (sq.m.)	60–100	60–100	60–100
Unit Price (RMB/sq.m.)	14,874	13,500	12,250
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Similar with the property	Similar with the property

Comparable:	A	B	C
Layout	Similar with the property	Similar with the property	Similar with the property
Decoration	Inferior to the property	Inferior to the property	Inferior to the property
Gross Floor Area (sq.m.)	Superior to the property	Superior to the property	Superior to the property
Total adjustment	-14%	-16%	-16%
Adjusted Unit Price (RMB/sq.m.)	17,272	16,049	14,563

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB16,000 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor, and the adjusted average value for the property is approximately RMB14,000 per sq.m.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Jingmen Shiqiang has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. Jingmen Shiqiang has obtained the relevant construction land planning permit, construction work planning permit, construction work commencement permit and construction work completion and inspection certificate for the property.
 - d. Subject to the consent of the mortgagee and after obtaining the Sale Permit from the government, Jingmen Shiqiang has the right to sell the buildings in accordance with the Sale Permit. For the rented units, the transfer of the rented units shall be legally performed in accordance with the relevant contracts and regulations.

9. A summary of major certificates/approvals is shown as follows:

a. Real Estate Title Certificate (for land)	Yes
b. Construction Work Planning Permit	Yes
c. Construction Work Commencement Permit	Yes
d. Sale Permit	No
e. Construction Work Completion and Inspection Certificate/Table	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
5.	Various commercial units in Blocks G2, G3 and G4 of Rose Manor Phase I, northeast side of the intersection of Zhonghui Road and Tangluo Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園 — 丁香雅苑	Rose Manor is located at northeast side of the intersection of Zhonghui Road and Tangluo Road, Qianzhou Street, Huishan District. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. The property comprises 20 commercial units with a total gross floor area of approximately 3,599.69 sq.m. which was completed in December 2016. The land use rights of the property have been granted for a term expiring on 16 September 2083 for residential use.	Majority portion of the property is currently vacant expect for a lettable area of approximately 125.24 sq.m. was rented to a tenant for commercial purpose.	49,245,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Xi Hui Guo Yong (2013) Di No. 000177, the land use rights of a parcel of land with a site area of approximately 93,934.40 sq.m. (including the allocated land of the property) have been granted to Wuxi Shidi Real Estate Co., Ltd. 無錫實地房地產開發有限公司 (“Wuxi Shidi”, an indirectly wholly-owned subsidiary of Seedland) for a term expiring on 16 September 2083 for residential use.
2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320206201300169 in favour of Wuxi Shidi, Blocks G2, G3, G4 and G5 of Rose Manor Phase I which has a total gross floor area of approximately 5,790.20 sq.m. (including the property) has been approved for construction.

3. Pursuant to a Construction Work Commencement Permit — No. 320206020140003 in favour of Wuxi Shidi, permissions by the relevant local authority have been given to commence the construction of various buildings of Rose Manor Phase I with a total gross floor area of approximately 5,790.20 sq.m. (including the property).
4. Pursuant to a Pre-sales Permit — (2014) Hui Yu Xiao Zhun Zi Di. No. 12 in favour of Wuxi Shidi, Wuxi Shidi is entitled to sell various buildings of Rose Manor Phase I with a total gross floor area of approximately 5,921.45 sq.m. (including the property).
5. Pursuant to 2 Construction Work Completion and Inspection Certificates — Hui Zhu Jian Fa Nos. [2016]61 and [2016]128 in favour of Wuxi Shidi, the construction of various buildings of Rose Manor Phase I with a total gross floor area of approximately 179,896.00 sq.m. (including the property) has been completed and passed the inspection acceptance.
6. Pursuant to a Tenancy Agreement, the portion of the property with a lettable area of approximately 125.24 sq.m. was leased to a tenant with the expiry date on 19 March 2024 at a current annual rent of approximately RMB40,000.
7. As advised by the Company, Wuxi Shidi has mortgaged the property.
8. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB18,800 to RMB20,800 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	Intersection of Tangping Avenue and Zhongxing Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District
Usage	Commercial	Commercial	Commercial
Transaction date	25 June 2022	25 June 2022	25 June 2022
Location and accessibility	Very good	Good	Very good
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	40	52	49.30
Unit Price (RMB/sq.m.)	20,800	18,800	20,100

Comparable:	A	B	C
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Similar with the property	Superior to the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	7%	0%	7%
Adjusted Unit Price (RMB/sq.m.)	19,439	18,800	18,785

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB19,000 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Wuxi Shidi has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. For Blocks G2, G3 and G4 of Rose Manor Phase I, Wuxi Shidi has obtained the relevant construction land planning permit, construction work planning permit, construction work commencement permit and construction work completion and inspection certificate.
 - d. Subject to the consent of the mortgagee, Wuxi Shidi has the right to pre-sell the buildings in accordance with the Pre-sales Permits mentioned in note 4.

10. A summary of major certificates/approvals is shown as follows:

a. Real Estate Title Certificate (for land)	Yes
b. Construction Work Planning Permit	Yes
c. Construction Work Commencement Permit	Yes
d. Pre-sale Permit	Yes
e. Construction Work Completion and Inspection Certificate/Table	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
6.	Various commercial units in Blocks S2 and S6 of Rose Manor Phase II, northeast side of the intersection of Zhonghui Road and Shuguang Nan Road, Qianzhou Street, Huishan District, Wuxi City, Jiangsu Province, The PRC 無錫玫瑰莊園 — 丁香名園	Rose Manor is located at northeast side of the intersection of Zhonghui Road and Shuguang South Road, Qianzhou Street, Huishan District. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. The property comprises 7 commercial units with a total gross floor area of approximately 472.24 sq.m. which was completed in November 2019. The land use rights of the property have been granted for a term expiring on 7 May 2084 for residential use.	The property is currently vacant.	8,135,000

Notes:

- Pursuant to a Real Estate Title Certificate — Su (2017) Wu Xi Shi Bu Dong Chan Quan Di No. 0007492, the land use rights of a parcel of land with a site area of approximately 85,623.60 sq.m. (including the allocated land of the property) have been granted to Wuxi Shidi Real Estate Development Co., Ltd. 無錫實地房地產開發有限公司 (“Wuxi Shidi”, an indirectly wholly-owned subsidiary of Seedland) for a term expiring on 7 May 2084 for residential use.

2. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 320206201700021 and 320206201700044 in favour of Wuxi Shidi, various buildings of Rose Manor Phase II which has a total gross floor area of approximately 312,661.00 sq.m. (including the property) has been approved for construction.
3. Pursuant to 3 Construction Work Commencement Permits — Nos. 320206201704070101, 320206201704070201, 320206201705240201 in favour of Wuxi Shidi, permissions by the relevant local authority have been given to commence the construction of various buildings of Rose Manor Phase II with a total gross floor area of approximately 312,661.00 sq.m. (including the property).
4. Pursuant to a Pre-sales Permit — (2018) Hui Yu Xiao Zhun Zi Di. No. 19 and a Sales Permit — Hui Shan Jian Fang Bei (2020) No. 002 in favour of Wuxi Shidi, Wuxi Shidi is entitled to sell Blocks S1, S2, S5 and S6 of Rose Manor Phase II with a total gross floor area of approximately 4,008.43 sq.m. (including the property).
5. Pursuant to 2 Construction Work Completion and Inspection Certificates — Hui Zhu Jian Fa No. [2019]32 and 3202061701030101-JX-003 in favour of Wuxi Shidi, the construction of various buildings of Rose Manor Phase II with a total gross floor area of approximately 313,637.00 sq.m. (including the property) has been completed and passed the inspection acceptance.
6. As advised by the Company, Wuxi Shidi has mortgaged the property.
7. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB18,800 to RMB20,800 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	Intersection of Tangping Avenue and Zhongxing Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District	Intersection of Zhonghui Avenue and Congshang Road, Huishan District
Usage	Commercial	Commercial	Commercial
Transaction date	25 June 2022	25 June 2022	25 June 2022
Location and accessibility	Very good	Good	Very good
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	40	52	49.30
Unit Price (RMB/sq.m.)	20,800	18,800	20,100

Comparable:	A	B	C
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Similar with the property	Superior to the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	7%	0%	7%
Adjusted Unit Price (RMB/sq.m.)	19,439	18,800	18,785

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB19,000 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Wuxi Shidi has obtained the land use rights under the Real Estate Title Certificates mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. For Blocks S2 and S6 of Rose Manor Phase II, Wuxi Shidi has obtained the relevant construction land planning permit, construction work planning permit, construction work commencement permit and construction work completion and inspection certificate.
 - d. Subject to the consent of the mortgagee, Wuxi Shidi has the right to presell and sell the buildings in accordance with the Pre-sales Permits and Sale Permit mentioned in note 4.

9. A summary of major certificates/approvals is shown as follows:

a. Real Estate Title Certificate (for land)	Yes
b. Construction Work Planning Permit	Yes
c. Construction Work Commencement Permit	Yes
d. Pre-sale Permit and Sale Permit	Yes
e. Construction Work Completion and Inspection Certificate/Table	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value
				in existing state as at the Valuation Date RMB
7.	Various commercial units in Zhongshan Jinghu City, No. 113 Bo'ai 7th Road, Torch Development Zone, Zhongshan City, Guangdong Province, The PRC 中山璟湖城百合家園	Zhongshan Jinghu City is located at No. 113, Bo'ai 7th Road, Torch Development Zone. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. The property comprises 25 commercial units with a total gross floor area of approximately 12,656.54 sq.m. which was completed between 2010 and 2011. The land use rights of the property have been granted for a term expiring on 9 October 2068 for commercial use.	Majority portion of the property is currently rented to various tenants for commercial purpose except for a lettable area of approximately 1,746.03 sq.m. was vacant.	229,843,000

Notes:

- Pursuant to 25 Real Estate Title Certificates — Yue Fang Di Zheng Di Zi Nos. C6707072 and C6707073, Yue Fang Di Quan Zheng Zhong Fu Zi Di Nos. 0111010909, 0111010886, 0112006354, 0112006367, 0112006373, 0112006375, 0112006377, 0112006378, 0112006386, 0112006390, 0112006400, 0112006401, 0112006402, 0112006404, 0112006406, 0112006407, 0112006410, 0112006412, 0112006414, 0112006415, 0112006417, 0112006420 and 0112006424, 25 commercial units with a total gross floor area of approximately 12,656.54 sq.m. of Lily homestead are owned by Zhongshan Shidi Real Estate Development Co., Ltd. 中山實地房地產開發有限公司 (“Zhongshan Shidi”, a directly wholly-owned subsidiary of Seedland) for a term expiring on 9 October 2068 for commercial use.

2. Pursuant to various Tenancy Agreements, the portion of the property with a total lettable area of approximately 10,910.51 sq.m. was leased to various tenants with the expiry dates between 14 November 2029 and 31 March 2030 at a total current annual rent of approximately RMB2,048,865.
3. Pursuant to a Mortgage Contract — 2016 Nian Hua Nan (Di) Zi. No. 0229, Zhongshan Shidi has mortgaged the property to Industrial and Commercial Bank of China Limited Guangzhou South China Sub-branch.
4. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB22,000 to RMB28,000 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	South side of Zhongshan 6th Road, Torch Development Zone	No. 66, Zhongshan 6th Road, Torch Development Zone	Intersection of Changjiang Road and Zhongshan Sixth Road, Torch Development Zone
Usage	Commercial	Commercial	Commercial
Transaction date	22 June 2022	22 June 2022	22 June 2022
Location and accessibility	Very good	Very good	Very good
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	90.88	32.43	130
Unit Price (RMB/sq.m.)	22,000	28,000	26,000
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Superior to the property	Superior to the property
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Superior to the property	Similar with the property

Comparable:	A	B	C
Total adjustment	6%	16%	12%
Adjusted Unit Price (RMB/sq.m.)	20,739	24,190	23,158

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB22,700 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor, and the adjusted average value for the property is approximately RMB18,160 per sq.m.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Zhongshan Shidi has obtained the land use rights and building ownership mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. For the rented units, the transfer of the rented units shall be legally performed in accordance with the relevant contracts and regulations.

6. A summary of major certificates/approvals is shown as follows:
 - a. Real Estate Title Certificate Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
8.	Various commercial units in Orchid Shore, 104C Xiaojun Village, Junshan Street, Economic and Technological Development Zone, Wuhan City, Hubei Province, The PRC 武漢君蘭汀岸	Orchid Shore is located at 104C Xiaojun Village, Junshan Street, Economic and Technological Development Zone. It is well-served by public transportation and community facilities. The surrounding environment comprises several residential developments with street front shops and shopping malls. The property comprises 88 commercial units with a total gross floor area of approximately 11,705.90 sq.m. which was completed in December 2019.	Majority portion of the property is currently vacant expect for a total lettable area of approximately 154.86 sq.m. was rented to 2 tenants for commercial purpose.	140,132,000
		The land use rights of the property have been granted for a term expiring on 29 September 2051 for commercial use.		

Notes:

- Pursuant to 88 Real Estate Title Certificates — E (2020) Wu Han Shi Jing Kai Bu Dong Chan Quan Di Nos. 0009918, 0010037, 0009894, 0009904, 0010006, 0010007, 0009892, 0009914, 0009921, 0009881, 0009912, 0009895, 0010018, 0010016, 0009919, 0009922, 0009884, 0009883, 0009902, 0009896, 0010011, 0010021, 0010015, 0010019, 0010023, 0010033, 0010025, 0010040, 0010036, 0010026, 0009887, 0010022, 0010035, 0010024, 0010008, 0009885, 0010005, 0010032, 0010030, 0010027, 0010013, 0010012, 0010015, 0010019, 0009899, 0009915, 0010014, 0009928, 0009925, 0009888, 0010029, 0009886, 0009910, 0009893, 0009882, 0009924, 0009890, 0009908, 0009905, 0009929, 0009897, 0010028, 0010044, 0009920, 0009898, 0010034, 0009913, 0009906, 0009901, 0009900, 0009879, 0009911, 0009891, 0009878, 0009903, 0009907, 0009909,

0009917, 0009889, 0009916, 0009873, 0009868, 0009871, 0009875, 0009869, 0009926, 0010038, 0009923, 88 commercial units with a total gross floor area of approximately 11,705.90 sq.m. of Orchid Shore are owned by Wuhan Pingan Zhongxin Real Estate Co., Ltd. 武漢平安中信置業有限公司 (“**Wuhan Pingan Zhongxin**”, an indirectly wholly-owned subsidiary of Seedland) for a term expiring on 29 September 2051 for commercial use.

2. Pursuant to 2 Tenancy Agreements, the portion of the property with a total lettable area of approximately 154.86 sq.m. was leased to 2 tenants with the expiry dates between 24 April 2027 and 14 May 2027 at a total current annual rent of approximately RMB179,055.
3. Pursuant to a Mortgage Contract — Jian Cheng Yang No. 2021FKD080, Wuhan Pingan Zhongxin has mortgaged the property to China Construction Bank Corporation Qingdao Chengyang Sub-branch.
4. Our valuation has been made on the following basis and analysis:
 - a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB17,000 to RMB23,000 for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable:	A	B	C
Address	No. 20, Jingkai Avenue, Smart Eco-City, Economic Development Zone, Caidian District	Jingkai Avenue around Zhuankou, Zhuankou Development Zone, Caidian District	No. 1, Chuanjiangchi 1st Road, Caidian District
Usage	Commercial	Commercial	Commercial
Transaction date	30 June 2022	30 June 2022	30 June 2022
Location and accessibility	Good	General	A little remote
Layout	Good	Good	Good
Gross Floor Area (sq.m.)	1,357.77	40–90	53–100
Unit Price (RMB/sq.m.)	23,285	20,000	17,000
Adjustment factors:			
Transaction date	Similar with the property	Similar with the property	Similar with the property
Location and accessibility	Superior to the property	Inferior to the property	Inferior to the property

Comparable:	A	B	C
Layout	Similar with the property	Similar with the property	Similar with the property
Gross Floor Area (sq.m.)	Similar with the property	Similar with the property	Similar with the property
Total adjustment	4%	-3%	-13%
Adjusted Unit Price (RMB/sq.m.)	22,389	20,619	19,540

Based on the analysis of the three comparable properties, the adjusted average value for ground floor of the commercial units of the property is approximately RMB20,800 per sq.m. We have adjusted the average value for the other storeys based on the average value of the ground floor.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Wuhan Pingan Zhongxin has obtained the land use rights and building ownership mentioned in note 1.
 - b. The property has been mortgaged, the transfer of the mortgaged property is legally restricted until the mortgage is released.
 - c. For the rented units, the transfer of the rented units shall be legally performed in accordance with the relevant contracts and regulations.

6. A summary of major certificates/approvals is shown as follows:
 - a. Real Estate Title Certificate Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE**Long positions in shares and underlying shares of the Company and its associated corporation**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the shares of the Company

Name of Directors	Capacity/Type of interest	Number of ordinary shares	Approximate percentage of shareholding <i>(Note 1)</i>
Mr. Ju Wenzhong	Beneficial Interests	4,013,659	0.05%
Mr. Li Bo	Beneficial Interests	201,886	0.00%
Ms. Xue Hui	Beneficial Interests	3,860,055	0.05%

Notes:

- The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there were no other Directors or the chief executive of the Company or any of their associates who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The non-executive and independent non-executive Directors have been appointed for a term of three years in accordance with their respective letters of appointment with the Company.

As at the Latest Practicable Date, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice for incorporation and as contained in this circular:

Name	Qualification
Asia-Pacific Consulting and Appraisal Limited	independent property valuer qualified in PRC

Name	Qualification
Rainbow Capital (HK) Limited	A licensed corporation permitted to carry out Type 1 and Type 6 regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with its respective letter included or references to its name in the form and context in which it is included.

As at the Latest Practicable Date, the above experts (i) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN THE ASSETS OR CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors, proposed director or expert had any interest, direct or indirect, in any assets which had been 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 since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up; and (ii) none of the Directors, proposed director or expert was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<http://www.kineticme.com/>) for a period of 14 days from the date of this circular:

- (a) the Original Property Purchase Agreement; and
- (b) the Supplemental Agreement.

9. MISCELLANEOUS

In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Kinetic Development Group Limited (the “Company”) will be held at Unit B, 20th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong on Tuesday, 25 October 2022 at 10:30 a.m., to consider, if thought fit, and transact the following resolutions of the Company by way of ordinary resolutions:

ORDINARY RESOLUTIONS

“THAT:

- (a) (i) terms of the property purchase agreement (the “**Original Property Purchase Agreement**”) entered into between Qingdao Shihaoxing Real Estate Co., Ltd.* (青島實昊星置業有限公司), Huizhou Guopeng Color Printing Co., Ltd.* (惠州市國鵬彩印有限公司), Tianjin Jinhewan Real Estate Co., Ltd.* (天津金河灣置業有限公司) (together, the “**Terminating Vendors**”), Wuhan Pingan Zhongxin Real Estate Co., Ltd.* (武漢平安中信置業有限公司), 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), Jingmen Shiqiang Real Estate Co., Ltd.* (荊門實強房地產置業有限公司) (together, the “**Current Vendors**”) and Kinetic (Qinhuangdao) Energy Co., Ltd.* (力量(秦皇島)能源有限公司), an indirectly wholly-owned subsidiary of the Company (the “**Purchaser**”) dated 29 April 2022, as modified and supplemented by (ii) the supplemental agreement (the “**Supplemental Agreement**”) entered into among the Terminating Vendors, the Current Vendors, Zhongshan Shidi Real Estate Development Co., Ltd.* (中山實地房地產開發有限公司), Wuxi Shidi Real Estate Development Co., Ltd.* (無錫實地房地產開發有限公司), Zunyi Shidi Real Estate Development Co., Ltd.* (遵義實地房地產開發有限公司) (together with the Current Vendors, the “**Vendors**”) and the Purchaser dated 12 July 2022, pursuant to which (copies of which has been produced to this EGM and initialed by the chairman of the Meeting for identification purpose), and the transactions in connection therewith and any other ancillary documents be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the “**Director(s)**”) may consider necessary, desirable or appropriate;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any authority of the Director(s) to sign, execute, deliver or to authorize the signing, execution and delivery of the Original Property Purchase Agreement (as modified and supplemented by the Supplemental Agreement), to do or authorize doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Original Property Purchase Agreement (as modified and supplemented by the Supplemental Agreement) and any ancillary documents and transactions thereof be and is hereby confirmed, approved and ratified.”

Yours faithfully,
For and on behalf of the Board
Kinetic Development Group Limited
Ju Wenzhong
Chairman and Executive Director

Hong Kong, 30 September 2022

Registered office:

Windward 3, Regatta Office Park,
P.O. Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

Principal place of business in Hong Kong:

Unit B, 20th Floor,
Two Chinachem Plaza,
68 Connaught Road Central,
Hong Kong

Headquarters and Principal Place of Business in the PRC:

Dafanpu Coal Mine,
Majiata Village,
Xuejiawan Town,
Zhunge'er Banner,
Ordos City, Inner Mongolia, China

Notes:

1. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A Shareholder who is the holder of two or more shares in the Company (the “**Shares**”) may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a Shareholder.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof. The resolutions set out in this notice will be decided by poll at the EGM.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM (or any adjournment thereof).
4. The register of members of the Company will be closed from Thursday, 20 October 2022 to Tuesday, 25 October 2022 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the EGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 19 October 2022.
5. Delivery of an instrument appointing a proxy should not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and return the form of proxy.
7. If any Shareholder has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to the head office and principal place of business in Hong Kong of the Company or by fax at (852) 2525 7890. If any Shareholder has any question relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Directors are:

Executive Directors:

Mr. Ju Wenzhong (*Chairman*)

Mr. Li Bo

Mr. Ji Kunpeng

Non-executive Director:

Ms. Zhang Lin

Independent Non-executive Directors:

Ms. Liu Peilian

Mr. Chen Liangnuan

Ms. Xue Hui

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.