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Kinetic Development Group Limited

力量發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF SEEDLIFE

INTRODUCTION

References are made to the announcements of the Company dated 2 May 2022, 12 July 2022, 1 December 2023, 12 December 2023, 7 February 2024, 3 June 2024 and 6 June 2024 (the “**Announcements**”), and to the circulars of the Company dated 30 September 2022 and 21 February 2024 (the “**Circulars**”).

On 29 April 2022, the Original Vendors entered into the 2022 Property Purchase Agreement with Kinetic Qinhuangdao, an indirect wholly-owned subsidiary of the Company, pursuant to which the Original Vendors agreed to sell, and Kinetic Qinhuangdao agreed to purchase, the Original Properties for the consideration of RMB769,014,000.

On 12 July 2022, Kinetic Qinhuangdao entered into the Supplemental Agreement with the Vendors and the 2022 Terminated Vendors, pursuant to which, among others, the Vendors agreed to sell, and Kinetic Qinhuangdao agreed to purchase, the 2022 Adjusted Properties, which represented an adjustment to the scope of the Original Properties, for the consideration of RMB809,480,000. In addition, pursuant to the Supplemental Agreement, the rights and obligations between the 2022 Terminated Vendors and Kinetic Qinhuangdao under the 2022 Property Purchase Agreement are terminated with effect from the date of the Supplemental Agreement, which effectively replaced the 2022 Property Purchase Agreement.

On 1 December 2023, Kinetic Qinhuangdao entered into the Second Supplemental Agreement with the Vendors and Taiyuan Hetai, pursuant to which, among others, (i) the 2023 Terminated Properties would no longer be sold to Kinetic Qinhuangdao; and (ii) Wuxi Shidi (Vendor 5) has agreed to sell, and Kinetic Qinhuangdao has agreed to acquire, 100% equity interests in Taiyuan Hetai for the consideration of RMB220,000,000, and Wuxi Shidi and Kinetic Qinhuangdao have entered into a share transfer agreement detailing the terms of acquisition of 100% equity interests in Taiyuan Hetai. Accordingly, the Second Supplemental Agreement removed the 2023 Terminated Properties from the scope of the properties to be acquired by Kinetic Qinhuangdao from the Vendors. The acquisition of Taiyuan Hetai contemplated under the Second Supplemental Agreement has been completed on 3 June 2024.

On 6 June 2024, Kinetic Qinhuangdao entered into the Third Supplemental Agreement with the 2024 Agreement Vendors and Guangzhou Hengyi, pursuant to which, among others, (i) Guangzhou Hengyi transferred the 2024 Target Properties to Kinetic Qinhuangdao for a total consideration of RMB45,000,000; (ii) the 2024 Terminated Properties would no longer be sold to Kinetic Qinhuangdao; and (iii) the rights and obligations between the 2024 Agreement Vendors and Kinetic Qinhuangdao in respect of the 2024 Terminated Properties under the 2022 Property Purchase Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) are terminated with effect from the date of the Third Supplemental Agreement. The sales tax of RMB4,184,000 payable by Guangzhou Hengyi for the acquisition of the 2024 Target Properties has been paid by Kinetic Qinhuangdao, and shall be deducted from the total consideration of RMB45,000,000 such that the net consideration payable by Kinetic Qinhuangdao for the acquisition of the 2024 Targets Properties shall become RMB40,816,000.

On 6 June 2024, the Company entered into the Letter of Intent with Mr. Zhang Liang, Johnson and Seedland Smart Service, pursuant to which, among others, the Company formalized its intent to acquire the 100% equity interests of Seedlife from Seedland Smart Service.

As at the date of this announcement, Kinetic Qinhuangdao has already paid RMB803,000,000 (inclusive of value-added tax) to the Vendors for the purchase of 2023 Adjusted Properties, among which the registrations of the properties with the total consideration of approximately RMB542,184,000 have not yet been completed (the **“Pre-existing Outstanding Paid Amount”**).

ACQUISITION OF SEEDLIFE

The Board is pleased to announce that, on 6 September 2024, the Buyer, Seedland Smart Service and Seedlife entered into the Share Purchase Agreement, pursuant to which, among others, the Buyer agreed to acquire (either directly or through its affiliate (the “**Acquiring Affiliate**”)), and Seedland Smart Service agreed to sell, 100% equity interests of Seedlife for a total consideration of RMB423,000,000 (the “**Equity Consideration**”).

The Equity Consideration shall be paid in the following manner: (i) an amount of HKD25,000,000, equivalent to RMB22,770,000, shall be paid as a deposit, which has been transferred by the Company to Mr. Zhang Liang, Johnson under the Letter of Intent (the “**LOI Deposit**”); (ii) an amount of not more than RMB25,000,000 shall be paid by the Buyer to Seedland Smart Service if so requested by Seedland Smart Service within 30 Business Days following the date of the Share Purchase Agreement (the “**Further Cash Payment**”); (iii) an amount which equals the difference between RMB77,230,000 and the Further Cash Payment shall be paid by the Buyer to Seedland Smart Service on the date of Closing (the “**Closing Cash Payment**”); (iv) an amount of RMB42,300,000, which represents the taxes payable by the Seller arising from the sale of equity interests of Seedlife (the “**Sales Tax**”) and which the Buyer will pay on the Seller’s behalf shall be deducted from the Equity Consideration; (v) an amount of RMB50,000,000, which represents the amount of an account receivable due from the Seller and its subsidiaries (excluding Seedlife) to Seedlife as at the date of the Share Purchase Agreement (the “**Account Receivable**”) shall be further deducted from the Equity Consideration; and (vi) the remaining amount of RMB230,700,000 (subject to downward adjustment to take into account any Profit Shortfall, (such amount as adjusted (if applicable) the “**Final Set-off Amount**”), shall be set off against the equivalent amount in the Pre-existing Outstanding Paid Amount.

In addition, on the same date, Kinetic Qinhuangdao entered into the Fourth Supplemental Agreement with Vendor 2, Vendor 4 and Vendor 6 (the “**2024 Adjusted Properties Vendors**”) as well as the Company, Seedland Smart Service and Mr. Zhang Liang, Johnson, pursuant to which, among others, (i) the 2024 Further Terminated Properties, with an allocated consideration equal to the Final Set-off Amount, would no longer be sold to Kinetic Qinhuangdao; and (ii) the rights and obligations between the 2024 Adjusted Properties Vendors and Kinetic Qinhuangdao in respect of the 2024 Further Terminated Properties under the 2022 Property Purchase Agreement (as amended by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) are terminated with effect from the date of the Fourth Supplemental Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Seedlife Acquisition are more than 5% but less than 25%, the Seedlife Acquisition constitutes a discloseable transaction, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the 2024 Adjusted Properties Vendors and Seedland Smart Service are ultimately beneficially owned by Mr. Zhang Liang, Johnson as to 100% (with regards to Vendor 4); 90% (with regards to Vendor 2); 95% (with regards to Vendor 6); and 100% (with regards to Seedland Smart Service), respectively. As at the date of this announcement, Mr. Zhang Liang, Johnson is interested in 62.96% of the issued Shares of the Company through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, the 2024 Adjusted Properties Vendors and Seedland Smart Service are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Seedlife Acquisition are more than 5%, the Seedlife Acquisition constitutes a connected transaction of the Company, 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 Share Purchase Agreement and the Seedlife Acquisition. 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 Share Purchase Agreement and the Seedlife Acquisition. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) further details of the Share Purchase Agreement and the Seedlife Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Share Purchase Agreement and the Seedlife Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the Seedlife Acquisition; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently expected to be on or before 30 November 2024, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

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

INTRODUCTION

References are made to the Announcements and the Circulars.

On 29 April 2022, the Original Vendors entered into the 2022 Property Purchase Agreement with Kinetic Qinhuangdao, an indirect wholly-owned subsidiary of the Company, pursuant to which the Original Vendors agreed to sell, and Kinetic Qinhuangdao agreed to purchase, the Original Properties for the consideration of RMB769,014,000.

On 12 July 2022, Kinetic Qinhuangdao entered into the Supplemental Agreement with the Vendors and the 2022 Terminated Vendors, pursuant to which, among others, the Vendors agreed to sell, and Kinetic Qinhuangdao agreed to purchase, the 2022 Adjusted Properties, which represented an adjustment to the scope of the Original Properties, for the consideration of RMB809,480,000. In addition, pursuant to the Supplemental Agreement, the rights and obligations between the 2022 Terminated Vendors and Kinetic Qinhuangdao under the 2022 Property Purchase Agreement are terminated with effect from the date of the Supplemental Agreement, which effectively replaced the 2022 Property Purchase Agreement.

On 1 December 2023, Kinetic Qinhuangdao entered into the Second Supplemental Agreement with the Vendors and Taiyuan Hetai, pursuant to which, among others, (i) the 2023 Terminated Properties would no longer be sold to Kinetic Qinhuangdao; and (ii) Wuxi Shidi (Vendor 5) has agreed to sell, and Kinetic Qinhuangdao has agreed to acquire, 100% equity interests in Taiyuan Hetai for the consideration of RMB220,000,000, and Wuxi Shidi and Kinetic Qinhuangdao have entered into a share transfer agreement detailing the terms of acquisition of 100% equity interests in Taiyuan Hetai. Accordingly, the Second Supplemental Agreement removed the 2023 Terminated Properties from the scope of the properties to be acquired by Kinetic Qinhuangdao from the Vendors. The acquisition of Taiyuan Hetai contemplated under the Second Supplemental Agreement has been completed on 3 June 2024.

On 6 June 2024, Kinetic Qinhuangdao entered into the Third Supplemental Agreement with the 2024 Agreement Vendors and Guangzhou Hengyi, pursuant to which, among others, (i) Guangzhou Hengyi transferred the 2024 Target Properties to Kinetic Qinhuangdao for a total consideration of RMB45,000,000; (ii) the 2024 Terminated Properties would no longer be sold to Kinetic Qinhuangdao; and (iii) the rights and obligations between the 2024 Agreement Vendors and Kinetic Qinhuangdao in respect of the 2024 Terminated Properties under the 2022 Property Purchase Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) are terminated with effect from the date of the Third Supplemental Agreement. The sales tax of RMB4,184,000 payable by Guangzhou Hengyi for the acquisition of the 2024 Target Properties has been paid by Kinetic Qinhuangdao, and shall be deducted from the total consideration of RMB45,000,000 such that the net consideration payable by Kinetic Qinhuangdao for the acquisition of the 2024 Targets Properties shall become RMB40,816,000.

On 6 June 2024, the Company entered into the Letter of Intent with Mr. Zhang Liang, Johnson and Seedland Smart Service, pursuant to which, among others, the Company formalized its intent to acquire the 100% equity interests of Seedlife from Seedland Smart Service.

As at the date of this announcement, Kinetic Qinhuangdao has already paid RMB803,000,000 (inclusive of value-added tax) to the Vendors for the purchase of 2023 Adjusted Properties, among which the registrations of the properties with the total consideration of approximately RMB542,184,000 have not yet been completed.

ACQUISITION OF SEEDLIFE

The Board is pleased to announce that, on 6 September 2024, the Buyer, Seedland Smart Service and Seedlife entered into the Share Purchase Agreement, pursuant to which, among others, the Buyer agreed to acquire (either directly or through its Acquiring Affiliate), and Seedland Smart Service agreed to sell 100% equity interests of Seedlife for a total consideration of RMB423,000,000.

The Equity Consideration shall be paid in the following manner: (i) the LOI Deposit with an amount of HKD25,000,000, equivalent to RMB22,770,000, which has been transferred by the Company to Mr. Zhang Liang, Johnson under the Letter of Intent; (ii) the Further Cash Payment with an amount of not more than RMB25,000,000 shall be paid by the Buyer to Seedland Smart Service if so requested by Seedland Smart Service within 30 Business Days following the date of the Share Purchase Agreement; (iii) the Closing Cash Payment which equals the difference between RMB77,230,000 and the Further Cash Payment shall be paid by the Buyer to Seedland Smart Service on the date of Closing; (iv) the Sales Tax in the amount of RMB42,300,000 shall be deducted from the Equity Consideration; (v) the Account Receivable in the amount of RMB50,000,000 shall be further deducted from the Equity Consideration; and (vi) the Final Set-off Amount, which equals to RMB230,700,000 (subject to downward adjustment to take into account any Profit Shortfall (if applicable)), shall be set off against the equivalent amount in the Pre-existing Outstanding Paid Amount.

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

- Date:** 6 September 2024
- Parties:**
- (i) The Company (the Buyer)
 - (ii) Seedland Smart Service (the seller)
 - (iii) Seedlife (the target company)
- Assets to be Acquired:** 100% equity interests of Seedlife
- Consideration:** The total consideration for the Seedlife Acquisition is RMB423,000,000.
- Payment Terms:** The Equity Consideration shall be paid by the Buyer to Seedland Smart Service in the following manner:
- (i) the LOI Deposit with an amount of HKD25,000,000 (equivalent to RMB22,770,000), which has been transferred by the Company to Mr. Zhang Liang, Johnson under the Letter of Intent;
 - (ii) the Further Cash Payment with an amount of not more than RMB25,000,000 shall be paid by the Buyer to Seedland Smart Service if so requested by Seedland Smart Service within 30 Business Days following the date of the Share Purchase Agreement;
 - (iii) the Closing Cash Payment with an amount which equals the difference between RMB77,230,000 and the Further Cash Payment shall be paid by the Buyer to Seedland Smart Service on the date of Closing;
 - (iv) the Sales Tax in the amount of RMB42,300,000 shall be deducted from the Equity Consideration;
 - (v) the Account Receivable in the amount of RMB50,000,000 shall be further deducted from the Equity Consideration; and
 - (vi) the Final Set-off Amount, which equals to RMB230,700,000 (subject to downward adjustment to take into account any Profit Shortfall (if applicable)), shall be set off against the equivalent amount in the Pre-existing Outstanding Paid Amount.

The Further Cash Payment (if applicable) and the Closing Cash Payment shall be paid by wire transfer or bank remittance by the Buyer to the bank account of Seedland Smart Service or such other party designated by Seedland Smart Service.

Closing:

Closing shall take place remotely via the signing and/or exchange of documents and signatures on the date which is a Business Day by which all closing conditions specified in the section “Conditions Precedent to Closing” below have either been satisfied, or waived by the Buyer, before or upon Closing or at such other time and place as Seedland Smart Service and the Buyer shall mutually agree in writing.

Conditions Precedent to Closing:

Completion of the Seedlife Acquisition is conditional upon various conditions having been fulfilled, or waived by the Buyer (if applicable) including, among others:

- (i) each of the representations and warranties of the Warrantors contained in the Share Purchase Agreement shall have been true, accurate and complete when made and shall be true, accurate and complete on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing;
- (ii) the Buyer shall have completed the financial, legal and business due diligence with respect to Seedlife and its subsidiaries to the extent necessary or desirable as determined by the Buyer in its sole discretion, and shall be satisfied with the outcome of such due diligence;
- (iii) each Warrantor shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Closing;
- (iv) no provision of any applicable laws shall prohibit the consummation of any transactions contemplated under the Transaction Documents, and all consents of any competent governmental authority or of any other person that are required to be obtained by any of Seedlife or its subsidiaries or other Warrantor in connection with the consummation of the transactions contemplated under the Transaction Documents have been duly obtained and effective as of the Closing;

- (v) the Buyer has obtained all necessary approvals required for the consummation of the transactions contemplated under the Transaction Documents and have completed all procedures required therefor under the Listing Rules;
- (vi) all corporate and other proceedings in connection with the transactions to be completed at the Closing shall have been completed in form and substance satisfactory to the Buyer;
- (vii) each of the parties to the Transaction Documents, other than the Buyer and the Acquiring Affiliate (if applicable), shall have executed and delivered such Transaction Documents to the Buyer; and
- (viii) since 31 December 2023, no material adverse effect shall have occurred, and no event shall have occurred or arisen, and no circumstance shall exist, that would reasonably be expected to result in a material adverse effect.

Key Representations and Warranties:

Each of the Warrantors jointly and severally represents and warrants to the Buyer that multiple statements under the Share Purchase Agreement are true, correct, complete and not misleading as of the Closing, including, among others, (i) each of Seedlife and its subsidiaries is duly organized, validly existing and in good standing under, and by virtue of, the laws of the place of its incorporation or establishment; (ii) the issued share capital of Seedlife is and immediately prior to the Closing shall be 100 ordinary shares with no par value; and (iii) Seedlife is the sole record and beneficial holder of all of the equity securities of its subsidiaries.

Termination of the Share Purchase Agreement:

The Share Purchase Agreement may be terminated prior to the Closing:

- (i) by mutual written consent of the parties;
- (ii) by the Buyer, by written notice, if there has been a material misrepresentation (or any representation or warranty made becomes untrue, inaccurate or misleading) or material breach of a covenant or agreement contained in the Share Purchase Agreement on the part of Seedland Smart Service or any Warrantor, and such breach, if curable, has not been cured within 14 days of such notice; or
- (iii) by the Buyer, if any condition precedent has neither been fulfilled nor waived by 31 January 2025, or if due to change of applicable laws, the consummation of the transactions contemplated thereunder would become prohibited under applicable laws.

In addition, on the same date, Kinetic Qinhuangdao entered into the Fourth Supplemental Agreement with the 2024 Adjusted Properties Vendors, the Company, Seedland Smart Service and Mr. Zhang Liang, Johnson, pursuant to which, among others, (i) the 2024 Further Terminated Properties, with an allocated consideration of equal to the Final Set-off Amount, would no longer be sold to Kinetic Qinhuangdao; and (ii) the rights and obligations between the 2024 Adjusted Properties Vendors and Kinetic Qinhuangdao in respect of the 2024 Further Terminated Properties under the 2022 Property Purchase Agreement (as amended by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) are terminated with effect from the date of the Fourth Supplemental Agreement.

The scope of the 2024 Further Terminated Properties is set out below:

Properties of Vendor 6

No.	Location	Area (Square Meter)	US	Property Title Certificate No.	Mortgage	Notes
1	23C Group land slots S1, S2 and S3 at the intersection of Dong Cheng Avenue and Dong Lian No.2 Line, Zunyi City, Guizhou Province	7,687.92	Commercial	Guizhou (2019) Zunyi City Property Title No. 0014121	Yes	Including S1 slots 101-124, 201-225, S2 slots 101-123, 201-221, and S3 slots 110-123, 11-19

No.	Location	Area (Square Meter)	US	Property Title Certificate No.	Mortgage	Notes
2	S30, D5 (Plots 06 and 07), intersection of Xipu Avenue and Bo Zhou Avenue, Zunyi City, Guizhou Province	9,007.43	Commercial	Guizhou (2016) Zunyi City Property Title No. 0028059	Yes	Including S30 slots 151, 201–206, 211–225, 227–263, 317–362

Properties of Vendor 4

No.	Location	Property Title Certificate No.	Area (Square Meter)	Use	Mortgage
1.	1st Floor, Tower 1, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0111010909	1,964.55	Commercial	Yes
2.	2nd Floor, Tower 1, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0111010886	2,625.83	Commercial	Yes
3.	Room 3, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006373	58.42	Commercial	Yes
4.	Room 6, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006378	106.91	Commercial	Yes
5.	Room 8, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006390	155.69	Commercial	Yes
6.	Room 9, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006400	98.19	Commercial	Yes

No.	Location	Property Title Certificate No.	Area (Square Meter)	Use	Mortgage
7.	Room 12, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006404	205.49	Commercial	Yes
8.	Room 14, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006407	115.69	Commercial	Yes
9.	Room 17, Tower 3, Lily Garden, No. 113 Bo Ai 7th Avenue, Zhongshan Torch Development Zone	Guangdong Land Zhongshan Properties Title No. 0112006414	83.75	Commercial	Yes
Total			<u>5,414.52</u>		

Such scope is subject to potential downward adjustment to take account of the difference between the Guaranteed Profit and the Actual Profit in the event that the latter falls short of the former (such difference the “**Profit Shortfall**”). The 2024 Adjusted Properties Vendors shall continue to perform its obligations attributable to the properties corresponding to such downward adjustment under the 2022 Property Purchase Agreement (as amended by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement).

BASIS OF DETERMINATION OF CONSIDERATION FOR SEEDLIFE ACQUISITION

The consideration for the Seedlife Acquisition was arrived at after arm’s length negotiations between the Buyer and Seedland Smart Service with reference to, among other things, the valuation of Seedlife and its subsidiaries of RMB423,000,000 as at 31 May 2024 according to the valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, the independent valuer appointed by the Company, using the market approach.

The Equity Consideration, excluding the Remaining Equity Amount which shall be set off against the equivalent amount in the Pre-existing Outstanding Paid Amount, shall be satisfied by internal resources of the Group. As disclosed in the interim results announcement of the Company dated 19 August 2024, the cash and cash equivalents of the Group as at 30 June 2024 amounted to RMB345,442,000.

INFORMATION ON SEEDLIFE

Seedlife is a limited liability company incorporated under the Laws of the British Virgin Islands and is held directly by Seedland Smart Service as to 100% since its incorporation. It principally engages in property management services through its subsidiaries in the PRC.

According to the unaudited consolidated management accounts in relation to the group companies of Seedlife, (i) the net profits before and after taxation for the year ended 31 December 2022 were RMB43,786,000 and RMB33,074,000 respectively; and (ii) the net profits before and after taxation for the year ended 31 December 2023 were RMB64,587,000 and RMB48,414,000 respectively. The unaudited consolidated assets and net assets of Seedlife and its subsidiaries as of 31 December 2023 were RMB399,202,000 and RMB93,280,000 respectively.

INFORMATION OF THE GROUP AND THE PARTIES INVOLVED

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

The 2024 Adjusted Properties Vendors are companies incorporated in the PRC with limited liability and principally engage in real estate development and property management. As of the date of this announcement, the 2024 Adjusted Properties Vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, the settlor and beneficiary of Zhang Family Overseas Limited, which holds 100% equity interests in King Lok Holdings Limited, the controlling shareholder of the Company, as to 100% (with regards to Vendor 4); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6), respectively.

Seedland Smart Service is a limited liability company incorporated under the Laws of the Cayman Islands and is held indirectly by Mr. Zhang Liang, Johnson as to 100%. It principally engages in the property management services through its subsidiaries in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, Kinetic Qinhuangdao has already paid RMB803,000,000 (inclusive of value-added tax) to the Vendors for the acquisition of 2023 Adjusted Properties pursuant to the 2022 Property Purchase Agreement as amended by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement. However, the overall progress of the property registration procedures in relation to the 2023 Adjusted Properties, including in particular the 2024 Further Terminated Properties, have not yet been completed as at the date of this announcement. To protect and safeguard the interests of the Company and the Shareholders, the Group has been proactively exploring opportunities and identifying suitable assets to replace all or part of the 2023 Adjusted Properties which are subject to delay in registration with other assets that can be secured from the Vendors, Seedland and Mr. Zhang Liang, Johnson. Accordingly, the Buyer has secured the 100% equity interests of Seedlife from Seedland Smart Service under the Share Purchase Agreement, and has agreed with Seedland Smart Service that the Remaining Equity Amount shall be set off against the equivalent amount in the Pre-existing Outstanding Paid Amount.

The terms and conditions of the Share Purchase Agreement are negotiated on an arm's length basis between the relevant parties therein. The Directors (excluding the independent non-executive Directors who reserve their views pending receipt of advice from the Independent Financial Adviser) consider that the terms of the Share Purchase Agreement, including the Equity 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 an associate of Mr. Zhang Liang, Johnson, has abstained from voting on the Board resolution approving the Share Purchase Agreement and the Seedlife Acquisition.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Seedlife Acquisition are more than 5% but less than 25%, the Seedlife Acquisition constitutes a discloseable transaction, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the 2024 Adjusted Properties Vendors and Seedland Smart Service are ultimately beneficially owned by Mr. Zhang Liang, Johnson as to 100% (with regards to Vendor 4); 90% (with regards to Vendor 2); 95% (with regards to Vendor 6); and 100% (with regards to Seedland Smart Service), respectively. As at the date of this announcement, Mr. Zhang Liang, Johnson is interested in 62.96% of the issued Shares of the Company through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, the 2024 Adjusted Properties Vendors and Seedland Smart Service are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Seedlife Acquisition are more than 5%, the Seedlife Acquisition constitutes a connected transaction of the Company, 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 Share Purchase Agreement and the Seedlife Acquisition. 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 Share Purchase Agreement and the Seedlife Acquisition. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) further details of the Share Purchase Agreement and the Seedlife Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Share Purchase Agreement and the Seedlife Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the Seedlife Acquisition; and (iv) a notice to convene the EGM, will be dispatched to the Shareholders as soon as possible and is currently expected to be on or before 30 November 2024, to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2022 Adjusted Properties”	the target properties located in Wuhan, Jingmen, Qingdao, Zhongshan, Wuxi and Zunyi, which represent an adjustment to the scope of the Original Properties, the details of which were set out in the “Information on the Target Properties” section in the announcement of the Company dated 12 July 2022;
“2022 Property Purchase Agreement”	the agreement on sale and purchase of properties entered into between the Original Vendors and Kinetic Qinhuangdao on 29 April 2022;
“2022 Terminated Vendors”	the vendors under the 2022 Property Purchase Agreement whose rights and obligations were terminated pursuant to the Supplemental Agreement;
“2023 Adjusted Properties”	the target properties in the 2022 Adjusted Properties which were not among the 2023 Terminated Properties;
“2023 Terminated Properties”	the properties among the 2022 Adjusted Properties located in Jingmen, Wuxi and Wuhan which would no longer be sold to Kinetic Qinhuangdao pursuant to the Second Supplemental Agreement, the details of which were set out in the “Scope of Terminated Properties” in the announcement of the Company dated 1 December 2023;

“2024 Agreement Vendors”	the vendors that entered into the Third Supplemental Agreement with Kinetic Qinhuangdao and Guangzhou Hengyi, namely, Vendor 1, Vendor 2, Vendor 4 and Vendor 6;
“2024 Further Terminated Properties”	the properties located in Zunyi and parts of the properties located in Zhongshan among the 2023 Adjusted Properties which would no longer be sold to Kinetic Qinhuangdao pursuant to the Fourth Supplemental Agreement, the details of which are set out in the “Acquisition of Seedlife” section in this announcement;
“2024 Target Properties”	the target properties located in Guangzhou, the details of which are set out in the “Information on 2024 Target Properties” section in the announcement of the Company dated 6 June 2024;
“2024 Terminated Properties”	the properties among the 2023 Adjusted Properties located in Wuhan and Zhongshan which would no longer be sold to Kinetic Qinhuangdao pursuant to the Third Supplemental Agreement, the details of which are set out in the “Scope of the 2024 Terminated Properties” section in the announcement of the Company dated 6 June 2024;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Business Day”	any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by law to be closed in Hong Kong or PRC;
“Closing”	the consummation of the Seedlife Acquisition, as specified under the Share Purchase Agreement;
“Company” or “Buyer”	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;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened to approve the Share Purchase Agreement and the Seedlife Acquisition;

“Fourth Supplemental Agreement”	the fourth supplemental agreement entered into between the Company, Kinetic Qinhuangdao, the 2024 Adjusted Properties Vendors, Seedland Smart Service and Mr. Zhang Liang Johnson on 6 September 2024;
“Group”	the Company and its subsidiaries;
“Guangzhou Hengyi”	Guangzhou Hengyi Equipment Installation and Maintenance Co., Ltd.* (廣州恆逸設備安裝維護有限公司), a company incorporated in the PRC with limited liability, which is indirectly held by Mr. Zhang Liang, Johnson as to 100%;
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors;
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, which has been appointed as the independent financial adviser to the Independent Board Committee to advise on the Share Purchase Agreement and the Seedlife Acquisition;
“Independent Shareholder(s)”	Shareholders other than (i) Mr. Zhang Li, who is considered to have a material interest in, are interested in or involved in the Acquisition and Subscription Agreement (as varied by the Supplemental Agreement) and the transaction contemplated thereunder; (ii) Mr. Zhang Liang, Johnson, being an associate of Mr. Zhang Li; and (iii) the respective connected person(s) and associate(s) of Mr. Zhang Li and Mr. Zhang Liang, Johnson;
“Kinetic Qinhuangdao”	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 and an indirectly wholly-owned subsidiary of the Company;
“Letter of Intent”	the letter of intent dated 6 June 2024 entered into between the Company, Seedland Smart Service and Mr. Zhang Liang, Johnson in relation to the Seedlife Acquisition, which is not legally binding except for certain customary provisions for documents of similar nature;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Original Properties”	the original 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 announcement of the Company dated 2 May 2022;
“Original Vendors”	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), Vendor 1, Vendor 2 and Vendor 3, being the original vendors under the 2022 Property Purchase Agreement;
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Agreement”	the second supplemental agreement entered into between Kinetic Qinquangdao, the Vendors and Taiyuan Hetai on 1 December 2023;
“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 100%-owned by Mr. Zhang Liang, Johnson;
“Seedland Smart Service”	Seedland Smart Service Group Limited, a limited liability company incorporated under the laws of the Cayman Islands and is held indirectly by Mr. Zhang Liang, Johnson as to 100%;
“Seedlife”	Seedlife Holding Limited, a limited liability company incorporated under the laws of the British Virgin Islands and is held directly by Seedland Smart Service as to 100%;
“Seedlife Acquisition”	the acquisition of 100% equity interests of Seedlife, as contemplated under the Share Purchase Agreement;
“Shares”	ordinary share(s) with a nominal value of US\$0.001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share Purchase Agreement”	the share purchase agreement dated 6 September 2024 entered into between the Buyer, Seedland Smart Service and Seedlife in relation to the acquisition of 100% equity interests of Seedlife;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement entered into between Kinetic Qinhuangdao, the Original Vendors, Vendor 4, Vendor 5 and Vendor 6 on 12 July 2022;
“Taiyuan Hetai”	Taiyuan Hetai Shengrui Real Estate Co., Ltd.* (太原和泰盛瑞置業有限公司), a limited liability company established in the PRC, whose entire equity interests were acquired by Kinetic Qinhuangdao pursuant to the Second Supplemental Agreement;
“Third Supplemental Agreement”	the third supplemental agreement entered into between the 2024 Agreement Vendors, Kinetic Qinhuangdao and Guangzhou Hengyi on 6 June 2024;
“Transaction Documents”	the Share Purchase Agreement and each of the other agreements and documents otherwise required in connection with the implementation of the Seedlife Acquisition as designated by the Buyer from time to time;
“US\$”	United States dollar, the lawful currency of United States;
“Vendor 1”	Wuhan Pingan Zhongxin Real Estate Co., Ltd.* (武漢平安中信置業有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland;
“Vendor 2”	Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.* (青島實錄海洋大數據投資開發有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“Vendor 3”	Jingmen Shiqiang Real Estate Co., Ltd.* (荊門實強房地產置業有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“Vendor 4”	Zhongshan Shidi Real Estate Development Co., Ltd.* (中山實地房地產開發有限公司), a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of Seedland;
“Vendor 5” or “Wuxi Shidi”	Wuxi Shidi Real Estate Development Co., Ltd.* (無錫實地房地產開發有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland;

“Vendor 6”	Zunyi Shidi Real Estate Development Co., Ltd.* (遵義實地房地產開發有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
“Vendors”	collectively, Vendor 1, Vendor 2, Vendor 3, Vendor 4, Vendor 5 and Vendor 6;
“Warrantors”	collectively, Seedland Smart Service, Seedlife and its subsidiaries, and a reference to “Warrantor” is to each and every one of them;
“%”	per cent

* *The English translation of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 6 September 2024

As at the date of this announcement, the Board comprises seven Directors, of whom three are executive Directors, namely Mr. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer) and Mr. Ji Kunpeng; one is a non-executive Director, namely Ms. Zhang Lin, and three are independent non-executive Directors, namely Ms. Liu Peilian, Mr. Chen Liangnuan and Ms. Xue Hui.