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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)

VOLUNTARY ANNOUNCEMENT PLEDGE OF SHARES FOR THE BENEFIT OF THE COMPANY

This announcement is made by Kinetic Development Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

References are made to (i) the announcement of the Company dated 24 December 2021 in relation to the Acquisition Agreement entered into between Guizhou Energy as the vendor and Guizhou Mining as the purchaser and the Deed of Indemnity entered into between Guizhou Mining and Mr. Zhang Li; (ii) the announcements of the Company dated 22 June 2020 and 23 December 2022 in relation to the 2020 Loan Agreement and the Supplemental Agreement entered into between Kinetic (Qinhuangdao) as the lender and Guizhou Energy as the borrower; (iii) the announcement of the Company dated 28 June 2022 in relation to the Loan Agreement entered into between Guizhou Mining as the lender and Guizhou Energy as the borrower; (iv) the announcements of the Company dated 2 May 2022 and 12 July 2022 in relation to the Property Purchase Agreement and the supplemental agreement to the Property Purchase Agreement entered into between subsidiaries of Seedland as the vendor and the Kinetic (Qinhuangdao) as the purchaser; (v) the announcement of the Company dated 30 December 2022 in relation to the Acquisition and Subscription Agreement entered into among Mr. Zhang Li as the vendor, the Company as the purchaser and Star Idea as the Target Company (collectively, the “**Previous Announcements**”). Unless the context otherwise requires, capitalised terms defined in the Previous Announcements have the same meanings when used in this announcement.

INTRODUCTION

The Board announces that on 17 February 2023, after trading hours, the Pledgors and the Pledgees entered into the Share Pledge Agreement, pursuant to which the Pledgors agreed to pledge 5,307,450,000 shares held by them in the Company and the interests derived therefrom in favor of the Pledgees, as security for the performance of obligations of Guizhou Energy, Mr. Zhang Li and subsidiaries of Seedland (the “Obligors”) under the Acquisition and Loan Agreements.

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

SHARE PLEDGE AGREEMENT

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

Date:	17 February 2023
Parties:	(1) The Pledgors (2) The Pledgees
Pledged Shares:	5,307,450,000 shares in the Company held by the Pledgors and the direct and indirect interests derived therefrom
Term:	The pledge of shares shall become effective from the date of this Share Pledge Agreement and expire two years from the date on which the Obligors have fully performed their obligations under the Acquisition and Loan Agreements.
Scope of the pledge:	All obligations of the Obligors under the Acquisition and Loan Agreements;
Enforcement of the pledge:	The Pledgees shall be entitled to enforce the pledge under the Share Pledge Agreement, if any of the following circumstances occurs: (i) the behavior of the Obligors constitutes one or more fundamental breach(es) under the Acquisition and Loan Agreements; (ii) the behavior of the Pledgors constitutes a fundamental breach under this Share Pledge Agreement.

In the event of the above-mentioned circumstances, the Pledged Shares may be enforced by way of:

- (i) sale or auction of the Pledged Shares, in which event the proceeds generated from such sale or auction shall be used to compensate the Pledgees for their losses arising from Obligors' breach of their obligations under the Acquisition and Loan Agreements; or
- (ii) transfer of the Pledged Shares to Pledgees at a price agreed between the Pledgors and the Pledgees in lieu of compensation.

When enforcing the Pledged Shares, the Company shall, on behalf of the Pledgees, sign the relevant documents and complete the relevant procedures accordingly. The Pledgors undertake to cooperate in signing of the relevant documents where necessary.

Representations and warranties:

The Pledgors represent and warrant to the Pledgees as follows:

- (i) the Pledgors are independent entities with all necessary capacities to perform obligations under this Share Pledge Agreement and to bear civil liabilities independently;
- (ii) all clauses of this Share Pledge Agreement reflect the true intention of the Pledgors, and are legally binding to them;
- (iii) the execution and performance of this Share Pledge Agreement shall not violate the laws, articles of association, or the relevant documents, judgments or rulings of competent authorities that the Pledgors shall abide by, and shall not conflict with any contract or agreement signed by the Pledgors or any other obligations undertaken by the Pledgors;
- (iv) the Pledged Shares are legally held by the Pledgors and are transferable according to the relevant laws; the Pledgors shall have complete legal ownership of the Pledged Shares, and except as provided by the relevant laws or this Share Pledge Agreement, the Pledged Shares are free of any encumbrance or pre-emptive right, and there is no dispute of ownership, limitation of rights or other defect in the rights over the Pledged Shares; and
- (v) from the date of this Share Pledge Agreement, they will not dispose of the Pledged Shares in any manner, including but not limited to mortgage, pledge, transfer, and the establishment of any third-party right.

DEFINITIONS

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

“Acquisition and Loan Agreements”	(i) the Acquisition Agreement dated 24 December 2021; (ii) the Deed of Indemnity dated 24 December 2021; (iii) the 2020 Loan Agreement dated 22 June 2020 and the Supplemental Agreement dated 23 December 2022; (iv) the Loan Agreement dated 28 June 2022; (v) the Property Purchase Agreement dated 29 April 2022 and the supplemental agreement to the Property Purchase Agreement dated 12 July 2022; and (vi) the Acquisition and Subscription Agreement dated 30 December 2022, as described in the Previous Announcements;
“Board”	the board of Directors;
“Directors”	the director(s) of the Company;
“Guizhou Energy”	Guizhou Kinetic Energy Co., Ltd.* (貴州力量能源有限公司), a limited liability company established in the PRC on 27 September 2011, which is indirectly held as to 100% by Mr. Zhang Li;
“Guizhou Mining”	Guizhou Kinetic Mines Co., Ltd.* (貴州力量礦業有限公司), a limited liability company established in the PRC on 21 December 2020 and an indirect wholly-owned subsidiary of the Company;
“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 on 4 August 2011 and an indirect wholly-owned subsidiary of the Company;
“King Lok”	King Lok Holdings Limited, a company incorporated in the BVI on 9 December 2009, which is wholly owned by Mr. Zhang Liang;
“Mr. Zhang Liang”	Mr. Zhang Liang, Johnson, a substantial shareholder of the Company and a former Director of the Company in the last 12 months and the son of Mr. Zhang Li;
“Mr. Zhang Li”	Mr. Zhang Li, a substantial shareholder of the Company and a former Director of the Company in the last 12 months;
“Pledged Shares”	5,307,450,000 shares in the Company held by the Pledgors and the direct and indirect interests derived therefrom;
“Pledgees”	the Company, Kinetic (Qinhuangdao) and Guizhou Mining;
“Pledgors”	Mr. Zhang Liang and King Lok;

“Seedland”	Guangzhou Seedland Real Estate Development Co., Ltd* (實地地產集團有限公司), a company incorporated in the PRC with limited liability and wholly-owned by Mr. Zhang Liang;
“Share Pledge Agreement”	the share pledge agreement entered into between the Pledgors and the Pledgees dated 17 February 2023;
“Star Idea”	Star Idea Enterprises Limited (星耀企業有限公司), a company incorporated in the BVI with limited liability.

* *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, 17 February 2023

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), 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 Lianguan and Ms. Xue Hui.