THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt *as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.*

If you have sold or transferred *all your shares in* ***Kinetic Development Group Limited****, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.*

力量发展
KINETIC DEVELOPMENT GROUP

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 TARGET PROPERTIES AND EQUITY INTERESTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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

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 7 to 21 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 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 IFA-1 to IFA-32 of this circular. Valuation reports from Asia-Pacific Consulting and Appraisal Limited are set out on pages IA-1 to IB-8 of this circular.

A notice convening the EGM to be held at 18/F, 80 Gloucester Road, Wan Chai, Hong Kong on Wednesday, 13 March 2024 at 2:00 p.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.

21 February 2024

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

"Acquisition"	the proposed acquisition of 100% equity interest in Taiyuan Hetai pursuant to the terms of the Second Supplemental Agreement;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Company"	Kinetic Development Group Limited (formerly known as Kinetic Mines and Energy Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Debt"	the debt which was used for Ziteng Project including the principal amount owed to Huarong Rongde by Taiyuan Hetai, the default interest arising from the delay in repayment of the principal amount and other costs and fees incurred, in aggregate amounting to not more than approximately RMB380,000,000;
"Directors"	the director(s) of the Company;
"EGM"	the extraordinary general meeting to be convened to approve the Second Supplemental Agreement and the transactions contemplated thereunder;
"Enlarged Group"	the enlarged Group immediately after Closing;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Huarong Rongde"	Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司), an asset management company incorporated in the PRC with limited liability which is an Independent Third Party;
"Independent Third Party"	an individual or a company who or which, as far as the Directors are aware having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules;
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors;
"Independent Financial Adviser" or "Rainbow Capital"	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 Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder;
"Independent Shareholder(s)"	Shareholders other than (i) Mr. Zhang Liang, Johnson, who is considered to have a material interest in, are interested in or involved in the Second Supplemental Agreement and the transactions contemplated thereunder, and (ii) Mr. Zhang Li, being an associate of Mr. Zhang Liang, Johnson;
"Independent Valuer"	Asia-Pacific Consulting and Appraisal Limited, an independent valuer appointed by the Company;
"Latest Practicable Date"	16 February 2024, 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;

"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 announcement of the Company dated 2 May 2022;
"Original Vendors"	the vendors as disclosed in the announcement of the Company dated 2 May 2022, 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;
"Property Purchase Agreement"	the agreement on sale and purchase of properties entered into between the Original Vendors and the Purchaser on 29 April 2022;
"Purchaser"	Kinetic (Qinhuangdao) Energy Co., Ltd.* (力量(秦皇島)能源有限公司), a company incorporated in the PRC with limited liability on 4 August 2011 and an indirectly wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Supplemental Agreement"	the second supplemental agreement entered into between the Purchaser, the Vendors and Taiyuan Hetai on 1 December 2023 as supplemented by the 2024 Supplemental Agreement;
"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;
"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;
"Share Transfer Agreement"	the share transfer agreement dated 1 December 2023 entered into between Wuxi Shidi and the Purchaser in relation to the purchase of 100% equity interests in Taiyuan Hetai, as supplemented by the 2024 Supplemental Agreement;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Agreement"	the supplemental agreement entered into between the Purchaser, the Terminating Vendors and the Vendors 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 and a wholly-owned subsidiary of Wuxi Shidi;
"Taiyuan Shirui"	Taiyuan Shirui Real Estate Co., Ltd.* (太原實瑞置業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Taiyuan Hetai;
"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 the announcement of the Company dated 12 July 2022;
"Target Shares"	the shares of Taiyuan Hetai;

"Terminating Vendors"	the vendors to the Property Purchase Agreement whose rights and obligations shall be terminated pursuant to the Supplemental Agreement, namely, (i) Qingdao Shihaoxing Real Estate Co., Ltd.* (青島實昊星置業有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland; (ii) Huizhou Guopeng Color Printing Co., Ltd.* (惠州市國鵬彩印有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of Seedland; and (iii) Tianjin Jinhewan Real Estate Co., Ltd.* (天津金河灣置業有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of Seedland;
"2024 Supplemental Agreement"	the supplemental agreement to the Second Supplemental Agreement dated 7 February 2024 entered into between the Vendors, Taiyuan Hetai and the Purchaser;
"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"	the vendors of the Target Properties, namely, Vendor 1, Vendor 2, Vendor 3, Vendor 4, Vendor 5 and Vendor 6;
"Ziteng Project"	a commercial property development project located in Taiyuan Hi-Tech Industrial Development Zone* (太原高新技術產業開發區) developed by Taiyuan Hetai;
"%"	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).*

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:
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
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:
18/F,
80 Gloucester Road,
Wan Chai,
Hong Kong

21 February 2024

To the Shareholders,

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF TARGET PROPERTIES
AND EQUITY INTERESTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to (i) the announcement of the Company dated 2 May 2022, where the Original Vendors has 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; (ii) the announcement of the Company dated 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; (iii) the announcement of the Company dated 1 December 2023, where the Purchaser entered into the Second Supplemental Agreement with the Vendors and Taiyuan Hetai, pursuant to which, among others, (a) the Terminated Properties would no longer be sold to the Purchaser, and (b) Wuxi Shidi, one of the Vendors, has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Taiyuan Hetai for the consideration of RMB220,000,000, and Wuxi Shidi and the Purchaser have entered into the Share Transfer Agreement detailing the terms of acquisition of 100% equity interests in Taiyuan Hetai; (iv) the announcement of the Company dated 12 December 2023, where the Company provides the further information in relation to the Second Supplemental Agreement and the transactions contemplated thereunder; and (v) the announcement of the Company dated 7 February 2024, where the Purchaser, the Vendors and Taiyuan Hetai entered into the 2024 Supplemental Agreement, pursuant to which the parties agreed that (a) if the Closing does not take place on or before 30 September 2024, the Purchaser shall be entitled to terminate the Second Supplemental Agreement; and (b) if the actual amount of the Debt owed by Taiyuan Hetai upon the Closing exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Vendors shall compensate the Purchaser for the excess amount (the "**Excess Debt Amount**") by (a) reducing the Equity Consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Purchaser.

The purpose of this circular is to provide further information in relation to the Second Supplemental Agreement and the transactions contemplated thereunder.

THE ACQUISITION

The principal terms of the Second Supplemental Agreement as supplemented by the 2024 Supplemental Agreement are set out below:

Date: 1 December 2023

Parties: The Purchaser, the Vendors and Taiyuan Hetai

Scope of Terminated Properties: The Purchaser and the Vendors agreed that the following Target Properties as set out in the Property Purchase Agreement as amended by the Supplemental Agreement are no longer offered for sale to the Purchaser (the "**Terminated Properties**"):

(i) 1 unit located in Dong Bao District* (東寶區), Jingmen, Hubei Province, with a building area of approximately 4,787 square meters currently held by Vendor 3;

(ii) 2 units located in Huishan District* (惠山區), Wuxi, Jiangsu Province, with a building area of approximately 4,072 square meters currently held by Vendor 5; and

(iii) 77 units in Buildings No. 34 and No. 35 located in land No. 104C of Wuhan Economic and Technological Development Zone* (武漢高新技術開發區), Wuhan, Hubei Province, with an aggregate building area of approximately 9,231 square meters currently held by Vendor 1.

Proposed acquisition of 100% equity interests in Taiyuan Hetai: Wuxi Shidi agreed to sell and the Purchaser agreed to acquire 100% equity interest in Taiyuan Hetai for the consideration of RMB220,000,000 (the "**Equity Consideration**"), and the Purchaser and Wuxi Shidi have entered into the Share Transfer Agreement detailing the terms of such acquisition of equity interests. The closing of such acquisition (the "**Closing**") shall take place when registration with the relevant market regulation authority in the PRC (the "**Registration**") has been completed. Wuxi Shidi and the Purchaser have agreed that the Equity Consideration shall be set off against the amount paid by the Purchaser for the purchase of Terminated Properties of RMB218,250,000 (the "**Paid Amount**"), and the Purchaser is not required to pay the Equity Consideration to Wuxi Shidi at the Closing.

The principal terms of the Share Transfer Agreement as supplemented by the 2024 Supplemental Agreement are set out below:

Date: 1 December 2023

Parties: The Purchaser and Wuxi Shidi

Assets to be acquired:	100% equity interests in Taiyuan Hetai
Consideration:	The Equity Consideration for the Acquisition is RMB220,000,000.
Payment terms and source of funding:	The Equity Consideration shall be set off against the Paid Amount, and the Purchaser is not required to pay the difference between the Paid Amount and the Equity Consideration of RMB1,750,000 to Wuxi Shidi at the closing of the Acquisition.
Closing of the Acquisition:	The Closing shall take place when registration with the relevant market regulation authority in the PRC has been completed.
Warranties given by Wuxi Shidi:	Wuxi Shidi provided customary warranties on, among others, its capacity to enter into the agreement, title to the Target Shares and the authenticity and accuracy of information provided to the Purchaser in relation to the sale of the equity interests.
Obligations and indemnities of Wuxi Shidi:	Wuxi Shidi and its affiliates shall be responsible and liable for any undertaking provided, obligation existed or incurred, and restrictive covenant provided in relation to the Target Shares and Taiyuan Hetai before the Closing, and shall promptly and fully indemnify the Purchaser and Taiyuan Hetai of any loss, expense and other cost arising from such undertaking, obligation and restrictive covenant (the "**Indemnity**").
Conditions precedent to Closing:	The Closing shall not take place until all the following conditions have been fulfilled or waived by the Purchaser in writing: (i) all requisite approvals (including but not limited to approvals from the shareholders and/or Stock Exchange) and consents from third-party creditors (if applicable) have been obtained; (ii) the pledge over the Target Shares has been discharged; (iii) the Purchaser is satisfied with the due diligence results on Taiyuan Hetai (including but not limited to financial, legal, and commercial due diligence).

Although the Share Transfer Agreement did not specify which of the aforementioned conditions precedent can be waived by the Purchaser, the Purchaser will not waive condition precedent (i) and (ii). With regards to condition precedent (iii), while the Purchaser is contractually entitled to waive the same, it has no intention to do so as at the Latest Practicable Date. As at the Latest Practicable Date, condition precedent (i) has not been fulfilled yet given the Acquisition is subject to approval of the Independent Shareholders; condition precedent (ii) has not been fulfilled yet as the Purchaser intends to enter into an agreement with Huarong Rongde after the approval of the Acquisition by the Independent Shareholders, in order to settle the Debt so that Huarong Rongde will discharge the pledge over the Target Shares; and condition precedent (iii) has been fulfilled.

Termination of the Share Transfer Agreement: Unless otherwise agreed in the Share Transfer Agreement, the Share Transfer Agreement shall be terminated upon the occurrence of the following circumstances:

(i) both parties agree to terminate the Share Transfer Agreement;

(ii) the purpose of the Share Transfer Agreement could not be achieved due to force majeure; or

(iii) the Closing does not take place on or before 30 September 2024.

Compensation mechanism: If the actual amount of the Debt owed by Taiyuan Hetai upon the Closing exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Vendors shall compensate the Purchaser for the Excess Debt Amount by (i) reducing the Equity Consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (ii) providing additional properties with a total value not less than the Excess Debt Amount to the Purchaser.

BASIS OF DETERMINATION OF CONSIDERATION

The Equity Consideration was arrived at after arm’s length negotiations between the Purchaser and Wuxi Shidi with reference to the valuation of 100% equity interests in Taiyuan Hetai at RMB221,985,000 as at 31 August 2023 according to the valuation report prepared by the Independent Valuer using the asset-based approach.

In addition, the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde for the Debt. To ensure there is no material delay in the Registration so as to safeguard the timely completion of the Registration, after completion of all relevant regulatory approvals applicable to the Acquisition, the Purchaser intends to enter into an agreement with Huarong Rongde to become one of the obligators to settle the Debt up to RMB380,000,000 so that Huarong Rongde will discharge the pledge over the Target Shares and the mortgage in respect of the Ziteng Project. Upon the execution of the aforementioned agreement, Huarong Rongde will provide assistance with the suspension of any execution order and the discharge of any pledge and mortgage in respect of the Target Shares and the Ziteng Project. It is expected that Closing shall take place following the suspension of execution order and the discharge of the pledge and mortgage, and such Closing is expected to occur approximately a month after the approval from the Independent Shareholders has been obtained in relation to the Acquisition.

INFORMATION ON TAIYUAN HETAI

Taiyuan Hetai is a limited liability company established in the PRC and a wholly-owned subsidiary of Wuxi Shidi. It principally engages in real estate development and sales business and is currently developing the Ziteng Project. The Ziteng Project is located in Taiyuan Hi-Tech Industrial Development Zone* (太原高新技術產業開發區), mainly focusing on the development of commercial buildings with small units of 38–110 square meters. The Ziteng Project includes 12 buildings, ground-level shops and underground garages with a total building area of approximately 296,500 square meters. It is adjacent to the airport, railway station, and a subway station under construction. The Ziteng Project is under construction and in temporary suspension due to weather conditions and is expected to be completed by the end of 2024. It is expected that an additional amount of approximately RMB470.2 million will be required to complete the construction of the Ziteng Project, payable by stages throughout 2024 and 2025. The Ziteng Project is expected to be able to generate sufficient funds to cover such cost, through the pre-sale and sale of its properties. The Ziteng Project started pre-sale in January 2019 and has generated pre-sale proceeds of approximately RMB657.7 million as at the end of 2023. The Ziteng Project will continue to generate pre-sale proceeds until the completion of its construction by the end of 2024. Upon the completion of construction at the end of 2024, the Ziteng Project will proceed further to official sale and taking into account the pre-sale proceeds to be generated in 2024, and is expected to generate the total proceeds of approximately RMB1.47 billion as at the end of 2026. Taiyuan Hetai owns 100% equity interest in Taiyuan Shirui, a limited liability company established in the PRC with main business in real estate development and sales. As of the Latest Practicable Date, Taiyuan Shirui has no real estate project under development.

According to the unaudited consolidated management accounts of Taiyuan Hetai, (i) the net losses before and after taxation and extraordinary items for the 12 months ended 31 December 2021 were RMB129,099,000 and RMB127,514,000 respectively; and (ii) the net losses before and after taxation and extraordinary items for the 12 months ended 31 December 2022 were RMB15,855,000 and RMB11,891,000 respectively. The unaudited consolidated total assets of Taiyuan Hetai as of 30 November 2023 were approximately RMB1,333,397,000. The unaudited consolidated net assets of Taiyuan Hetai as of 30 November 2023 were approximately RMB171,845,000.

As informed by Wuxi Shidi, the original acquisition cost of Taiyuan Hetai was approximately RMB853,700,000, taking into account the valuation of the land, which was the main asset of Taiyuan Hetai at that time, and the subsequent building costs incurred.

INFORMATION ON THE GROUP AND PARTIES INVOLVED IN THIS TRANSACTION

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

The Purchaser is a limited liability company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company. It principally engages in the wholesale and retail of coal products, metals and metal mines, machinery and equipment and hardware products, import of coal, warehousing, and leasing and management of its own properties.

The Vendors are companies incorporated in the PRC with limited liability and principally engage in real estate development and property management. As of the Latest Practicable Date, the 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 respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6).

Taiyuan Hetai is a limited liability company established in the PRC and a wholly-owned subsidiary of Wuxi Shidi. It principally engages in real estate development and sales business and is currently developing the Ziteng Project. As of the Latest Practicable Date, Taiyuan Hetai is 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. Taiyuan Hetai owns 100% equity interest in Taiyuan Shirui, a limited liability company established in the PRC with main business in real estate development and sales.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the Latest Practicable Date, the Purchaser has already paid RMB803,000,000 (inclusive of value-added tax) to the Vendors for the purchase of Target Properties pursuant to the Property Purchase Agreement as amended by the Supplemental Agreement. However, the overall progress of the property registration procedures in relation to each of the Target Properties, including in particular the Terminated Properties for which the Paid Amount of RMB218,250,000 has been paid, has been significantly delayed and not yet been completed as at the Latest Practicable Date. Such delay in registration is mainly due to the reasons that (i) the Target Properties are subject to mortgages which have not been discharged; and (ii) the construction of some of the Target Properties has not yet been completed. Details of the current construction and mortgage status for the Target Properties, including the Terminated Properties, are set out below:

	Location	Registration of the Completion of Construction Works	Mortgage Status	Whether Subject to Legal Proceedings	Consideration Paid *RMB (million)*	Whether a Terminated Property[(Note)]
Properties sold by Vendor 1	Wuhan, Hubei Province	Completed in 2020	Not yet discharged Expected to be discharged by 2025	Yes	130.00	77 (out of 88 units in total) units were terminated for sale
Properties sold by Vendor 2	Qingdao, Shandong Province	Not yet completed — under construction Expected to be completed by October 2025	Not yet discharged Expected to be discharged by 2025	Yes	210.96	No
Properties sold by Vendor 3	Jingmen, Hubei Province	Completed in 2020	Not yet discharged Expected to be discharged by 2025	N/A	62.5	Yes
Properties sold by Vendor 4	Zhongshan, Guangdong Province	Completed in 2011	Not yet discharged Expected to be discharged by 2025	No	206.82	No

	Location	Registration of the Completion of Construction Works	Mortgage Status	Whether Subject to Legal Proceedings	Consideration Paid *RMB (million)*	Whether a Terminated Property*(Note)*
Properties sold by Vendor 5	Wuxi, Jiangsu Province	Completed in 2019	Not yet discharged Expected to be discharged by 2025	N/A	53.24	Yes
Properties sold by Vendor 6	Zunyi, Guizhou Province	Completed in 2023	Not yet discharged Expected to be discharged by 2025	No	139.48	No

Note: In selecting the Terminated Properties, the Company has taken into account various factors such as whether the properties are subject to mortgages provided as security in favour of creditors, whether these creditors have initiated legal proceedings against the relevant Vendors, whether these legal proceedings are likely to be resolved within a short period of time, and whether the relevant properties are affected by foreclosure or reorganization procedures. In particular, the Terminated Properties sold by Vendor 3 are subject to reorganization procedures and the Terminated Properties sold by Vendor 1 and Vendor 5 are subject to foreclosure. Additionally, the combined value of the Terminated Properties roughly equals the value of 100% secured interest in Taiyuan Hetai.

With regards to the Target Properties other than the Terminated Properties, the Company has taken the following actions to follow up on the construction status or mortgage status of these properties:

Properties sold by Vendor 1:

The construction of properties sold by Vendor 1 has been completed in 2020. However, the mortgage over such properties has not yet been discharged as Vendor 1 has not repaid the debt owed to its creditors in full.

To follow up on the mortgage status, the finance team of the Company has regularly monitored the financial standing of Vendor 1 and kept abreast of the status of its repayment of debt owed to its creditors, and will regularly discuss with Vendor 1 its plan to discharge the relevant mortgage as soon as possible following the repayment and in any event by 2025. In particular, the Company will closely monitor the sale proceeds to be received by Vendor 1 and with the cooperation of Vendor 1, apply to the banks to allow the Company to monitor the bank account of Vendor 1.

Properties sold by Vendor 2:

The construction of properties sold by Vendor 2 is expected to be completed by October 2025. Completion of the construction of such properties was delayed given the financial constraints encountered by Vendor 2, which it is in the process of dealing with by its efforts to secure further funding. Also, the mortgage over such properties has not yet been discharged as Vendor 2 has not repaid the debt owed to its creditors in full.

To follow up on the construction of such properties, the Company has (i) requested Vendor 2 to expedite the construction process as much as possible; (ii) conducted regular on-site visits in Qingdao and requested Vendor 2 to provide periodic updates and the project supervision report (工程監理報告) in order to keep abreast of the construction status; and (iii) regularly monitored the financial standing of Vendor 2.

To follow up on the mortgage status, the finance team of the Company has regularly monitored the financial standing of Vendor 2 and kept abreast of the status of its repayment of debt owed to its creditors, and will regularly discuss with Vendor 2 its plan to discharge the relevant mortgage as soon as possible following the repayment and in any event by 2025. In particular, the Company will closely monitor the sale proceeds to be received by Vendor 2 and with the cooperation of Vendor 2, apply to the banks to allow the Company to monitor the bank account of Vendor 2.

Properties sold by Vendor 4:

The construction of properties sold by Vendor 4 has been completed in 2011. However, the mortgage over such properties has not yet been discharged as Vendor 4 has not repaid the debt owed to its creditors in full.

To follow up on the mortgage status, the finance team of the Company has regularly monitored the financial standing of Vendor 4 and kept abreast of the status of its repayment of debt owed to its creditors, and will regularly discuss with Vendor 4 its plan to discharge the relevant mortgage as soon as possible following the repayment and in any event by 2025. In particular, the Company will closely monitor the sale proceeds to be received by Vendor 4 and with the cooperation of Vendor 4, apply to the banks to allow the Company to monitor the bank account of Vendor 4.

Properties sold by Vendor 6:

The construction of properties sold by Vendor 6 has been completed in 2023. However, the mortgage over such properties has not yet been discharged as Vendor 6 has not repaid the debt owed to its creditors in full.

To follow up on the mortgage status, the finance team of the Company has regularly monitored the financial standing of Vendor 6 and kept abreast of the status of its repayment of debt owed to its creditors, and will regularly discuss with Vendor 6 its plan to discharge the relevant mortgage as soon as possible following the repayment and in any event by 2025. In particular, the Company will closely monitor the sale proceeds to be received by Vendor 6 and with the cooperation of Vendor 6, apply to the banks to allow the Company to monitor the bank account of Vendor 6.

In respect of the registration procedures for the Target Properties, the Supplemental Agreement provides that the Vendors are obliged to complete these procedures so as to transfer the title of the Target Properties to the Purchaser within 180 days after the date on which (i) registration of the completion of the construction works, and/or (ii) discharge of the mortgages in relation to the Target Properties, is completed (the "**180-day Period**"). If any construction works cannot be concluded, or if any mortgage cannot be released, the Purchaser shall be entitled to (i) a refund of any amount paid to the Vendors, and (ii) liquidated damages.

Considering that (i) the discharge of the mortgages in relation to the Target Properties has not yet occurred and therefore the 180-day Period has not yet started to run, there is no clear breach of the terms of the Supplemental Agreement by the Vendors in relation to the transfer of title of the Target Properties to the Purchaser within such 180-day Period; (ii) no time limit was imposed on completion of the construction works or release of the mortgages in relation to the Target Properties under the Supplemental Agreement, and (iii) Vendor 2 is actively raising funds to complete the construction of the relevant properties by applying for government subsidies for ensuring timely delivery of properties (保交付資金) and for bank loans and is negotiating with its creditors to discharge the mortgages over such properties by expediting the sales of properties to generate proceeds for repayment of debts owed to the creditors through market campaigns and promotions, such as discount, the Company understands from its PRC counsel that even if it makes a claim under the Supplemental Agreement, currently it is unlikely to be able to secure a refund or liquidated damages from the Vendors. This said, according to the Civil Code of People's Republic of China, if the Vendors explicitly indicate, or indicate by their actions, an intention not to comply with their contractual obligations, i.e. the Vendors cease actively raising funds for construction or negotiating with their creditors to discharge the mortgages over the Target Properties, the Company may make a claim against them for the anticipatory breach of their contractual obligations. In addition, to protect and safeguard its interests, the Company has engaged in arm's length negotiations with the Vendors and secured 100% equity interest in Taiyuan Hetai for the Equity Consideration by way of the Acquisition, which shall be set off against the Paid Amount in relation to the Terminated Properties. In the meantime, the Company continues to request the Vendors to perform their contractual obligations under the Supplemental Agreement, and the arrangement to protect and safeguard the remaining amount of the consideration paid under the Property Purchase Agreement as amended by the Supplemental Agreement is under further discussion.

If the Second Supplemental Agreement is not approved by the Independent Shareholders, the Company intends to continue to request the Vendors to perform their contractual obligations under the Supplemental Agreement, as well as to explore the possibility of securing alternative assets from the Vendors in place of the Target Properties in order to protect and safeguard the Company's interests.

Taiyuan Hetai is a limited liability company established in the PRC and a wholly-owned subsidiary of Wuxi Shidi. It principally engages in real estate development and sales business and is currently developing the Ziteng Project. The Ziteng Project comprises 12 buildings for commercial use, ground-level shops and underground garages. It is adjacent to the airport, railway station, and a subway station under construction. It is currently under construction and is expected to be completed by the end of 2024. The Company plans to sell the commercial buildings, together with the ground-level shops and underground garages, to generate income in the form of sale proceeds. Besides, Taiyuan Hetai holds 100% equity interests in Taiyuan Shirui, a limited liability company established in the PRC with main business in real estate development and sales. As of the Latest Practicable Date, Taiyuan Shirui has no real estate project under development.

The Company may benefit from the future operation and management of Taiyuan Hetai by acquiring its 100% equity interests, taking into account the prospects of Taiyuan Hetai and the plan to generate income from it through the sale of properties including commercial buildings, ground-level shops and underground garages. In addition, after completion of all relevant regulatory approvals applicable to the Acquisition, the Purchaser intends to enter into an agreement with Huarong Rongde to become one of the obligators to settle the Debt so that Huarong Rongde will discharge the pledge over the Target Shares and the mortgage in respect of the Ziteng Project. The Target Shares are expected to be transferred to the Purchaser free from any encumbrance at Closing, which will bring certainty and more flexibility to the Group in respect of the future planning in respect of the Ziteng Project.

The terms and conditions of the Second Supplemental Agreement are negotiated on an arm's length basis between the Purchaser, the Vendors and Taiyuan Hetai. The Directors (including the independent non-executive Directors whose view is set out in the section headed "Letter from Independent Board Committee" of this circular after taking into account the advice from the

Independent Financial Adviser) consider that the terms of the Second Supplemental 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 associate of Mr. Zhang Liang, Johnson, has a material interest in the transaction and has abstained from voting on the Board meeting approving the Second Supplemental Agreement.

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable 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, 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 holding 62.96% equity interests in the Company, as to respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6). 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 transaction contemplated under the Second Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Second Supplemental Agreement and the transactions contemplated therein. Mr. Zhang Liang, Johnson, Mr. Zhang Li (a substantial shareholder of the Company who holds approximately 11.22% equity interests in the Company) and their respective associates will abstain from voting at the EGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Second Supplemental Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at 18/F, 80 Gloucester Road, Wan Chai, Hong Kong on Wednesday, 13 March 2024 at 2:00 p.m., to consider and if thought fit, to approve, among other things, the Second Supplemental Agreement and the transactions 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 Friday, 8 March 2024 to Wednesday, 13 March 2024 (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 Thursday, 7 March 2024.

The holders of the Shares whose names appear on the register of members of the Company on Wednesday, 13 March 2024 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 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.

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 Second Supplemental Agreement and the transactions 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 IBC-1 to IBC-2 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages IFA-1 to IFA-32 of this circular.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that while the Second Supplemental Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, they are 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 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

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)

21 February 2024

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF TARGET PROPERTIES AND EQUITY INTERESTS

We refer to the circular of the Company dated 21 February 2024 (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 Second Supplemental Agreement and the transactions 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 Second Supplemental Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages IFA-1 to IFA-32 of the Circular, we are of the opinion that while the Second Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Second Supplemental Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the entering into of the Second Supplemental Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee

Ms. Liu Peilian	**Mr. Chen Liangnuan**	**Ms. Xue Hui**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

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 Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

21 February 2024

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,

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF TARGET PROPERTIES AND EQUITY INTERESTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder, 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 21 February 2024 (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, the Original Vendors entered into the Property Purchase Agreement with the Purchaser, an indirect 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 of RMB769,014,000.

On 12 July 2022, the Purchaser entered into the Supplemental Agreement with the Vendors and the Terminating Vendors, pursuant to which, among other things, the Vendors agreed to sell, and the Purchaser agreed to purchase, the Target Properties, which represented adjustment to the scope of the Original Properties, for a consideration of RMB809,480,000. In addition, pursuant to the Supplemental Agreement, the rights and obligations of the Terminating Vendors and the Purchaser under the Property Purchase Agreement are terminated with effect from the date of the Supplemental Agreement, which effectively replaced the Property Purchase Agreement.

On 1 December 2023, the Purchaser entered into the Second Supplemental Agreement with the Vendors and Taiyuan Hetai, pursuant to which, among others, (i) the Terminated Properties would no longer be sold to the Purchaser, and (ii) Wuxi Shidi, one of the Vendors, has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Taiyuan Hetai for the Equity Consideration of RMB220,000,000, and Wuxi Shidi and the Purchaser have entered into the Share Transfer Agreement detailing the terms of acquisition of 100% equity interests in Taiyuan Hetai. Save as varied by the Second Supplemental Agreement by the Vendors and the Purchaser, the other provisions of the Supplement Agreement shall continue in full force and effect.

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 discloseable 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, 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 holding 62.96% equity interests in the Company, as to respectively 100% (with regards to Vendor 1, Vendor 4 and Vendor 5); 98% (with regards to Vendor 3); 90% (with regards to Vendor 2); and 95% (with regards to Vendor 6). 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 the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder by way of a poll at the EGM. In view of the interest above, Mr. Zhang Liang, Johnson, Mr. Zhang Li (a substantial shareholder of the Company who holds approximately 11.22% equity interests in the Company) 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 entering into of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) 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 the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Vendors and Taiyuan Hetai that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) a discloseable and connected transaction in relation to the acquisition of the Target Properties, details of which are set out in the circular of the Company dated 30 September 2022; and (ii) a discloseable and connected transaction in relation to the acquisition and subscription of shares in a target company, details of which are set out in the circular of the Company dated 30 June 2023. Other than that, there was no engagement between the Group, the Vendors or Taiyuan Hetai and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Acquisition. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder.

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. 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, the Vendors and Taiyuan Hetai or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the fairness and reasonableness of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder, 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 (i) the two years ended 31 December 2022 ("**FY2021**" and "**FY2022**", respectively) as extracted from the annual report of the Company for FY2022; and (ii) the six months ended 30 June 2022 and 2023 ("**6M2022**" and "**6M2023**", respectively) as extracted from the interim report of the Company for 6M2023 (the "**2023 Interim Report**"):

(i) Financial performance

	FY2021	FY2022	6M2022	6M2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**5,580,702**	**6,155,830**	**3,009,958**	**1,492,198**
Cost of sales	(1,976,544)	(2,132,372)	(914,623)	(675,293)
Gross profit	**3,604,158**	**4,023,458**	**2,095,335**	**816,905**
Other incomes and losses, net	145,036	(65,535)	9,212	(15,545)
(Losses)/gains on fair value changes of financial assets	(134,648)	(39,860)	(33,751)	15,296
Selling expenses	(8,441)	(23,264)	(12,319)	(7,239)
Administrative expenses	(190,910)	(225,417)	(123,057)	(140,310)
Profit from operations	**3,415,195**	**3,669,382**	**1,935,420**	**669,107**
Share of profits of associates	19,060	14,538	10,401	1,769
Finance costs	(11,959)	(49,893)	(10,945)	(37,515)
Profit before taxation	**3,422,296**	**3,634,027**	**1,934,876**	**633,361**
Income tax expense	(954,737)	(977,712)	(572,724)	(64,286)
Profit attributable to the Shareholders	**2,468,626**	**2,664,533**	**1,365,349**	**570,236**

6M2023 compared to 6M2022

Revenue of the Group decreased by approximately 50.4% from approximately RMB3,010.0 million for 6M2022 to approximately RMB1,492.2 million for 6M2023. Such decrease was mainly due to (a) the decrease in the Group's selling price of the coal; and (b) the decrease in the sales volume of the coal of the Group as a result of the faults, fracture zones, increase in pressure in roof plate and a slow progression of mining in the coal mining works of Dafanpu Coal Mine of the Group in 6M2023.

Gross profit of the Group decreased by approximately 61.0% from approximately RMB2,095.3 million for 6M2022 to approximately RMB816.9 million for 6M2023. Such decrease was mainly due to (a) the decrease in revenue as stated above; and (b) the decrease in the Group's gross profit margin from approximately 69.6% for 6M2022 to approximately 54.7% for 6M2023 as a result of the combined effect of the decrease in the average selling price of the Group's coal products and the increase in fixed cost per tonne of the coal products as compared to 6M2022.

The Group recorded profit attributable to the Shareholders of approximately RMB570.2 million for 6M2023, which represented a decrease of approximately 58.2% from approximately RMB1,365.3 million for 6M2022. Such substantial decrease was mainly due to (a) the decrease in revenue and gross profit as stated above; (b) the turnaround from net other incomes of approximately RMB9.2 million for 6M2022 to net other losses of approximately RMB15.5 million for 6M2023 primarily attributable to the increase in the Group's donation in 2023; (c) the increase in administrative expenses by approximately RMB17.3 million primarily attributable to the increase in staff cost during 6M2023; and (d) the increase in finance costs by approximately RMB26.6 million primarily attributable to the increase in both average balance of interest-bearing liabilities and interest rate during 6M2023.

FY2022 compared to FY2021

Revenue of the Group increased by approximately 10.3% from approximately RMB5,580.7 million for FY2021 to approximately RMB6,155.8 million for FY2022, which was primarily due to the increase in the Group's selling price of the coal.

In consistent with the increase in revenue as stated above, gross profit of the Group increased by approximately 11.6% from approximately RMB3,604.2 million for FY2021 to approximately RMB4,023.5 million for FY2022.

The Group recorded a profit attributable to the Shareholders of approximately RMB2,664.5 million for FY2022, which represented an increase of approximately 7.9% from approximately RMB2,468.6 million for FY2021. Such increase was mainly due to (a) the increase in revenue and gross profit as stated above; and (b) the decrease in losses on fair value changes of financial assets by approximately RMB94.8 million, which was partially offset by (a) the turnaround from net other incomes of approximately RMB145.0 million for FY2021 to net other losses of approximately RMB65.5 million for FY2022 primarily attributable to the decrease in government grants and interest income, as well as the increase in loss on disposal of property, plant and equipment, donation, penalty and foreign exchange losses; (b) the increase in administrative expenses by approximately RMB34.5 million primarily attributable to the increase in staff cost during FY2022; (c) the increase in selling expenses by approximately RMB14.8 million primarily attributable to the increase in marketing related expenses during FY2022; and (d) the increase in finance costs by approximately RMB37.9 million as a result of newly borrowed long-term loans.

(ii) Financial position

	As at 31 December		As at 30 June
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets, including:	**2,823,202**	**7,880,432**	**8,184,679**
Property, plant and equipment	1,247,473	1,716,365	1,809,418
Intangible assets	537,815	3,210,599	3,201,954
Prepayments for proposed acquisitions	885,700	2,546,892	2,685,986
Current assets, including:	**3,219,009**	**1,612,209**	**1,808,534**
Financial assets at fair value through profit or loss	269,382	190,899	206,195
Trade and other receivables	236,351	220,718	156,277
Pledged and restricted deposits	155,595	475,903	920,540
Cash at bank	2,387,239	551,866	348,015
Total assets	**6,042,211**	**9,492,641**	**9,993,213**
Current liabilities, including:	**1,391,272**	**1,815,415**	**2,751,740**
Trade and other payables	329,560	518,906	986,989
Contract liabilities	118,557	196,283	114,380
Bank loans	275,695	300,000	1,267,370
Income tax payable	667,460	784,328	383,001
Non-current liabilities, including:	**78,897**	**1,360,436**	**897,067**
Bank loans	—	583,000	200,000
Long-term payables	26,391	638,992	643,200
Deferred tax liabilities	44,800	52,865	42,774
Net current assets/(liabilities)	**1,827,737**	**(203,206)**	**(943,206)**
Total liabilities	**1,470,169**	**3,175,851**	**3,648,807**
Equity attributable to the Shareholders	**4,575,828**	**6,328,794**	**6,357,571**

As at 30 June 2023, non-current assets of the Group amounted to approximately RMB8,184.7 million, which mainly included (a) property, plant and equipment of approximately RMB1,809.4 million, primarily consisting of the Group's building, machinery and equipment and mining structures; (b) intangible assets of approximately RMB3,202.0 million, mainly as a result of the Group's acquisition of Ningxia Kinetic Mining Co., Ltd. (whose former name is Ningxia Sunshine Mining Co., Ltd.) ("**Ningxia Kinetic**"), 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) prepayments for proposed acquisitions of approximately RMB2,686.0 million which was primarily attributable to the prepayments for acquisition of Guizhou Liliang Energy Co., Ltd., Star Idea Enterprises Limited and properties.

As at 30 June 2023, current assets of the Group amounted to approximately RMB1,808.5 million, which mainly included (a) financial assets at fair value through profit or loss of approximately RMB206.2 million, representing trust wealth management investments subscribed by the Group; (b) trade and other receivables of approximately RMB156.3 million; (c) pledged and restricted deposits of approximately RMB920.5 million; and (d) cash at bank of approximately RMB348.0 million. The significant decrease in cash at bank from approximately RMB2,387.2 million as at 31 December 2021 to approximately RMB348.0 million as at 30 June 2023 was mainly due to the prepayments made by the Group for acquisitions as stated above.

As at 30 June 2023, current liabilities of the Group amounted to approximately RMB2,751.7 million, which mainly consisted of (a) trade and other payables of approximately RMB987.0 million; (b) bank loans of approximately RMB1,267.4 million which were secured with effective interest rate in the range from 3.50% to 6.65%; and (c) income tax payable of approximately RMB383.0 million.

As at 30 June 2023, non-current liabilities of the Group amounted to approximately RMB897.1 million, which mainly consisted of (a) bank loans of approximately RMB200.0 million which was secured with effective interest rate of 5.00%; and (b) long-term payables of approximately RMB643.2 million. The increase in long-term payables from approximately RMB26.4 million as at 31 December 2021 to approximately RMB643.2 million as at 30 June 2023 was mainly due to the payables in relation to mining rights arising from the acquisition of Ningxia Kinetic which is expected to be settled from 2023 to 2032.

As at 30 June 2023, the Group had equity attributable to the Shareholders of approximately RMB6,357.6 million with net current liabilities of approximately RMB3,648.8 million.

(iii) Overall comment

The financial performance of the Group fluctuated for FY2022 and 6M2023 as impacted by the supply and demand of the domestic coal market and the domestic coal policy. In the first half of 2023, the Group's sales volume and price of coal product both declined subject to the downward tendency of market coal prices and the decrease of production volume due to the unfavourable underground mining conditions of the Group's Dafanpu Coal Mine. As disclosed in the 2023 Interim Report, in face of the challenges brought by internal and external unfavorable factors, the Group implemented sales strategies in a scientific and precise manner according to the market situation and production conditions, to minimise the adverse impacts arising from the downward tendency of the coal market price and the obstruction of production. Under the unfavourable underground mining conditions, the Group has also taken timely measures. The production and operation of Dafanpu Coal Mine have gradually resumed normal in May 2023, and it is expected that the results in the second half of the year will live up to expectations.

With the resumption of the production and operation of Dafanpu Coal Mine in May 2023, as well as the expected production to be brought by the two mines through the Group's acquisition of Ningxia Kinetic, the Group's coal production capacity will be effectively expanded in future. The demand side of the coal market is expected to remain its resilience with the gradual recovery of the economy. As such, we consider the Group's prospects shall continue to be positive.

As advised by the management of the Group, the Group will capture market opportunities, leverage on its core competitiveness and actively promote the acquisition of quality projects to strive for remarkable returns for the Shareholders. As such, the Acquisition represents a suitable investment opportunity for the Group to diversify its income stream to ride on the bottom of the Chinese property market when the coal market is cooling at the current stage and the future disposal of the Ziteng Project could potentially bring returns to the Shareholders through future capital appreciation of the Ziteng Project.

2. Information on Taiyuan Hetai

Taiyuan Hetai is a limited liability company established in the PRC and a wholly-owned subsidiary of Wuxi Shidi. It principally engages in real estate development and sales business and is currently developing the Ziteng Project. The Ziteng Project is located in Taiyuan Hi-Tech Industrial Development Zone* (太原高新技術產業開發區), mainly focusing on the development of commercial buildings with small units of 38–110 square meters. The Ziteng Project includes 12 buildings, ground-level shops and underground garages with a total building area of approximately 296,500 square meters. It is adjacent to the airport, railway station, and a subway station under construction. The Ziteng Project is under construction and in temporary suspension due to weather conditions and is expected to be completed by the end of 2024. It is expected that an additional amount of approximately RMB470.2 million will be required to complete the construction of the

Ziteng Project, payable by stages throughout 2024 and 2025. The Ziteng Project is expected to be able to generate sufficient funds to cover such cost, through the pre-sale and sale of its properties. As disclosed in the Letter from the Board, the Ziteng Project started pre-sale in January 2019 and has generated pre-sale proceeds of approximately RMB657.7 million as at the end of 2023. The Ziteng Project will continue to generate pre-sale proceeds until the completion of its construction by the end of 2024. Upon the completion of construction at the end of 2024, the Ziteng Project will proceed further to official sale and taking into account the pre-sale proceeds to be generated in 2024, is expected to generate the total proceeds of approximately RMB1.47 billion as at the end of 2026. Taiyuan Hetai owns 100% equity interest in Taiyuan Shirui, a limited liability company established in the PRC with main business in real estate development and sales. As at the Latest Practicable Date, Taiyuan Shirui has no real estate project under development.

Having considered that (i) the Group is able to pre-sell the Ziteng Project before the final construction completion date; (ii) both of (a) the market value of the Ziteng Project of approximately RMB1,263.5 million as at 30 November 2023 as valued by the Independent Valuer using the market comparison approach; and (b) the carrying amount of the Ziteng project of approximately RMB1,213.4 million as at 30 November 2023 based on the unaudited consolidated management accounts of Taiyuan Hetai are greater than the additional construction costs required to complete the construction of the Ziteng Project; and (iii) as discussed in the section headed "4. Industry overview" below, resulting from the recovery of the economy of the PRC and Taiyuan (i.e. the city where the Ziteng Project is located) and the Chinese and Taiyuan government's dedication to facilitating the healthy development of the property market, the outlook for the property market in Taiyuan will be cautiously optimistic in the long run, we concur with the Directors that the Ziteng Project is expected to generate sufficient funds to cover the additional construction costs.

According to the unaudited consolidated management accounts of Taiyuan Hetai, (i) the net losses before and after taxation and extraordinary items for the 12 months ended 31 December 2021 were approximately RMB129,099,000 and RMB127,514,000 respectively; and (ii) the net losses before and after taxation and extraordinary items for the 12 months ended 31 December 2022 were approximately RMB15,855,000 and RMB11,891,000 respectively. As advised by the management of the Group, certain units of the Ziteng Project have been completed and delivered in 2021. In order to promote the sale of these units, Taiyuan Hetai has enhanced its sales efforts and adopted competitive selling prices, resulting in net losses for the 12 months ended 31 December 2021. Since no unit was delivered in 2022 no significant expenses were incurred for promoting the sale of units. Accordingly, Taiyuan Hetai's net losses decreased in 2022.

As at 30 November 2023, the unaudited consolidated total assets of Taiyua Hetai were approximately RMB1,333.4 million, mainly included (i) cash at bank and on hand of approximately RMB13.1 million; (ii) prepayment of approximately RMB40.6 million, mainly representing the prepayments made for construction costs; and (iii) inventories of approximately

RMB1,213.4 million, being the Ziteng Project. As at 30 November 2023, the unaudited consolidated total liabilities of Taiyuan Hetai were approximately RMB1,161.6 million, mainly included (i) long-term loans of approximately RMB293.2 million, representing the Debt that Taiyuan Hetai borrowed from Huarong Rongde for the Ziteng Project, which was secured by the pledging of the Target Shares and the Ziteng Project. The Debt was initially matured in June 2022 with an effective interest rate of 14% per annum. In November 2023, based on the negotiations between Taiyuan Hetai and Huarong Rongde, the Debt was extended to November 2024 with a new effective interest rate of 5.5% per annum; (ii) interest payable of approximately RMB73.4 million, representing the interests accrued on the Debt; and (iii) advance from customers of approximately RMB657.7 million, representing the house purchase funds prepaid by the customers. Taiyuan Hetai has also recognised the relevant provisions for the majority of its legal claims in note payable, account payable, advance from customers and payroll payable as at 30 November 2023. The unaudited consolidated net assets of Taiyuan Hetai as of 30 November 2023 were approximately RMB171.8 million.

As informed by Wuxi Shidi, the original acquisition cost of Taiyuan Hetai was approximately RMB853,700,000, taking into account the valuation of the land, which was the main asset of Taiyuan Hetai at that time, and the subsequent building costs incurred.

3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Purchaser has already paid RMB803,000,000 (inclusive of value-added tax) to the Vendors for the purchase of the Target Properties pursuant to the Property Purchase Agreement as amended by the Supplemental Agreement. However, the overall progress of the property registration procedures in relation to each of the Target Properties, including in particular the Terminated Properties for which the Paid Amount of RMB218,250,000 has been paid, has been significantly delayed and not yet been completed as at the Latest Practicable Date. Such delay in registration is mainly due to the reasons that (i) the Target Properties are subject to mortgages which have not been discharged; and (ii) the construction of some of the Target Properties has not yet been completed. Details of the current construction and mortgage status for the Target Properties, including the Terminated Properties, are set out below:

	Location	**Registration of the completion of construction works**	**Mortgage status**	**Whether subject to legal proceedings**	**Consideration paid** *(RMB million)*	**Whether a Terminated Property**
Properties sold by Vendor 1	Wuhan, Hubei Province	Completed in 2020	Not yet discharged, expected to be discharged by 2025	Yes	130.00	77 (out of 88 units in total) units were terminated for sale

	Location	Registration of the completion of construction works	Mortgage status	Whether subject to legal proceedings	Consideration paid *(RMB million)*	Whether a Terminated Property
Properties sold by Vendor 2	Qingdao, Shandong Province	Not yet completed — under construction, expected to be completed by October 2025	Not yet discharged, expected to be discharged by 2025	Yes	210.96	No
Properties sold by Vendor 3	Jingmen, Hubei Province	Completed in 2020	Not yet discharged, expected to be discharged by 2025	N/A	62.50	Yes
Properties sold by Vendor 4	Zhongshan, Guangdong Province	Completed in 2011	Not yet discharged, expected to be discharged by 2025	No	206.82	No
Properties sold by Vendor 5	Wuxi, Jiangsu Province	Completed in 2019	Not yet discharged, expected to be discharged by 2025	N/A	53.24	Yes
Properties sold by Vendor 6	Zunyi, Guizhou Province	Completed in 2023	Not yet discharged, expected to be discharged by 2025	No	139.48	No

As disclosed in the Letter from the Board, in selecting the Terminated Properties, the Company has taken into account various factors including such as whether the properties are subject to mortgages provided as security in favour of creditors, whether these creditors have initiated legal proceedings against the relevant Vendors, whether these legal proceedings are likely to be resolved within a short period of time, and whether the relevant properties are affected by foreclosure or reorganization procedures. In particular, the Terminated Properties sold by Vendor 3 are subject to reorganization procedures and the Terminated Properties sold by Vendor 1 and Vendor 5 are subject to foreclosure. Additionally, the combined value of the Terminated Properties roughly equals the value of 100% secured interest in Taiyuan Hetai.

With regards to the Target Properties other than the Terminated Properties, the Company has taken the following actions to follow up on the construction status or mortgage status of these properties, among others, (i) the finance team of the Company has regularly monitored the financial standing of the Vendors and kept abreast of the status of their repayment of debt owed to their creditors, and will regularly discuss with the Vendors their plans to discharge the relevant mortgage as soon as possible following the repayment and in any event by 2025; (ii) the Company will closely monitor the sale proceeds to be received by the Vendors and with their cooperation, apply to the banks to allow the Company to monitor the bank account of the Vendors; (iii) the Company has requested the relevant Vendor to expedite the construction process as much as possible; and (iv) the Company has conducted regular on-site visits and requested the relevant Vendor to provide periodic updates and the project supervision report (工程監理報告) in order to keep abreast of the construction status.

In respect of the registration procedures for the Target Properties, the Supplemental Agreement provides that the Vendors are obliged to complete these procedures so as to transfer the title of the Target Properties to the Purchaser within 180 days after the date on which (i) registration of the completion of the construction works, and/or (ii) discharge of the mortgages in relation to the Target Properties, is completed (the "**180-day Period**"). If any construction works cannot be concluded, or if any mortgage cannot be released, the Purchaser shall be entitled to (i) a refund of any amount paid to the Vendors; and (ii) liquidated damages. As advised by the PRC legal advisers to the Company, even if the Company makes a claim under the Supplemental Agreement, given that (i) the discharge of the mortgages in relation to the Target Properties has not yet occurred and therefore the 180-day Period has not yet started, there is no clear breach of the terms of the Supplemental Agreement by the Vendors in relation to the transfer of title of the Target Properties to the Purchaser within such 180-day Period; (ii) no time limit was imposed on completion of the construction works or release of the mortgages of the Target Properties under the Supplemental Agreement; and (iii) Vendor 2 is actively raising funds to complete the construction of the relevant properties by applying for government subsidies for ensuring timely delivery of properties (保交付資金) and bank loans and is negotiating with its creditors to discharge the mortgages over such properties by expediting the sales of properties to generate proceeds for repayment of debts owed to the creditors through market campaigns and promotions, such as discount, currently it is unlikely for the Company to be able to secure a refund or liquidated damages from the Vendors. This said, according to the Civil Code of People's Republic of China, if the Vendors explicitly indicate, or indicate by their actions, an intention not to comply with their contractual obligations, i.e. the Vendors cease actively raising funds for construction or negotiating with their creditors to discharge the mortgages over the Target Properties, the Company may make a claim against them for the anticipatory breach of their contractual obligations. In addition, to protect and safeguard its interests, the Company has engaged in arm's length negotiations with the Vendors and secured 100% equity interest in Taiyuan Hetai for the Equity Consideration by way of the Acquisition, which shall be set off against the Paid Amount in relation to the Terminated Properties. In the meantime, the Company continues to request the Vendors to perform their contractual obligations under the Supplemental Agreement, and the arrangement to protect and safeguard the remaining amount of the consideration paid under the Property Purchase Agreement as amended by the Supplemental Agreement is under further discussion.

In assessing whether there is a breach of contractual obligations on the part of the Vendors under the Supplemental Agreement, we have (i) reviewed the Supplemental Agreement and noted that the Supplemental Agreement did not impose a long stop date to obligate the Vendors to complete the construction works and/or discharge of the mortgages in relation to the Target Properties within a specified time period; and (ii) discussed with the PRC legal advisers to the Company and understood that as there was no long stop date of the Supplemental Agreement, the Vendors were not contractually in violation of the terms of the Supplemental Agreement by failing to complete the construction works and/or discharge of the mortgages for all the Target Properties approximately 1.5 years after the Supplemental Agreement. On the other hand, as advised by the management of the Group, the Company has been actively following up with the Vendors on the progress of the construction works and the release of the mortgages. Taking into account that (i) the Vendors are not in breach of their contractual obligations under the Supplemental Agreement; (ii) the Company has been actively negotiating with the Vendors in good faith for the completion of the construction works and the release of the mortgages; and (iii) the Vendors have been actively negotiating with their creditors for the discharge of the mortgages, we concur with the management of the Group that it is difficult for the Company to claim a breach of contractual obligations against the Vendors under the Supplemental Agreement.

If the Second Supplemental Agreement is not approved by the Independent Shareholders, the Company intends to continue to request the Vendors to perform their contractual obligations under the Supplemental Agreement, as well as to explore the possibility of securing alternative assets from the Vendors in place of the Target Properties in order to protect and safeguard the Company's interests.

On the other hand, Taiyuan Hetai is principally engaged in real estate development and sales business and currently developing the Ziteng Project. The Ziteng Project comprises 12 buildings for commercial use, ground-level shops and underground garages. It is adjacent to the airport, railway station, and a subway station under construction. It is currently under construction and in temporary suspension due to weather conditions and is expected to be completed by the end of 2024. The Company plans to sell the commercial buildings, together with the ground-level shops and underground garages, to generate income in the form of sale proceeds.

As discussed in the section headed "1. Background information on the Group" above, the Group will capture market opportunities, leverage on its core competitiveness and actively promote the acquisition of quality projects to strive for remarkable returns for the Shareholders. Since the entering into of the Property Purchase Agreement, the Company is 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. As the Company would acquire 100% equity interests in Taiyuan Hetai at a discount (i.e. approximately 0.9%) to the market value of Taiyuan Hetai as at 30 November 2023, subject to market conditions at the time of sale, the sale price of the Ziteng Project is expected to be higher than the acquisition cost paid by the Company which could provide potential additional return to the Shareholders.

Considering that (i) the Ziteng Project is well located with convenient transportation facilities and possesses great development potential; and (ii) as discussed in the section headed "4. Industry overview" below, although the growth in the Chinese property market may be sluggish in the current period, along with (a) the recovery of the economy of the PRC and Taiyuan (i.e. the city where the Ziteng Project is located); and (b) the Chinese and Taiyuan government's dedication to facilitating the healthy development of the property market, the outlook for the property market in the PRC and Taiyuan will be cautiously optimistic in the long run, the Acquisition represents an opportunity for the Company to acquire properties with commercial potential under the current sluggish market and then sell these properties at potentially higher prices when the Chinese property market regains its vitality. As such, the Acquisition could potentially bring returns to the Shareholders through future capital appreciation of the Ziteng Project.

Taking into account that (i) as advised by the management of the Group, it is difficult to claim a breach of contractual obligations regarding the Terminated Properties whose property registration procedures have been significantly delayed on the part of the Vendors; (ii) the Acquisition represent an opportunity for the Group to set off against the Paid Amount in relation to the Terminated Properties to protect and safeguard its interests; (iii) the Ziteng Project is located in adjacent to the airport, railway station, and a subway station under construction with positive prospects. The future disposal of the Ziteng Project could potentially bring returns to the Shareholders through future capital appreciation of the Ziteng Project; (iv) the Acquisition is in line with the business strategy of the Group to actively promote the acquisition of quality projects to strive for remarkable returns for the Shareholders; and (v) the outlook and trends of the property market in the PRC and Taiyuan, as discussed 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 gross domestic product ("**GDP**") of the PRC and Taiyuan during the period from 2018 to 2022:

	2018	**2019**	**2020**	**2021**	**2022**	**CAGR**
GDP of the PRC *(RMB' billion)*	91,928	98,652	101,357	114,924	121,021	7.1%
GDP of Taiyuan *(RMB' billion)*	388.4	402.9	415.3	512.2	557.1	9.4%

Source: National Bureau of Statistics of China

As shown in the table above, the Chinese GDP has increased from approximately RMB91,928 billion in 2018 to approximately RMB121,021 billion in 2022 with a compound annual growth rate ("**CAGR**") of approximately 7.1% while the GDP of Taiyuan has increased from approximately RMB388.4 billion in 2018 to approximately RMB557.1 billion in 2022 with a CAGR of approximately 9.4%, indicating a solid economic foundation for both the PRC in the national level and Taiyuan in regional level during the past 5 years. According to the World Economic Outlook: A Rocky Recovery released by the International Monetary Fund in April 2023, China's economy will continue to grow with a projected GDP growth rate of approximately 5.2% and 4.5% in 2023 and 2024, respectively (source: https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023).

With regard to the prospect of the real estate sector in the PRC, the Chinese government has introduced various policies to facilitate the positive cycle and healthy development of the property industry and reinforce the status of real estate being a major industry in the PRC such as relaxing the restrictions on property purchases, loans and sales, by reducing proportion of down payment and reducing home loan interest, and by increasing the subsidies for property purchase, facilitating the further release of home purchase demands. In November 2022, the People's Bank of China and China Banking and Insurance Regulatory Commission jointly issued the "Notice on Properly Performing Work for Current Financial Support for the Stable and Healthy Development of the Real Estate Market" (關於做好當前金融支持房地產市場平穩健康發展工作的通知), which listed out 16 measures for stabilising the Chinese property sector, including but not limited to, supporting the reasonable deferral of property development loans and credit loans, encouraging financial institutions to provide policy support for special loans that ensure the delivery of housing projects and supporting rational demand for personal housing loans. Further, based on the 2022 Central Economic Working Conference (2022中央經濟工作會議) which took place in December 2022, the Chinese government has made clear that the real estate industry is a pillar of the nation's economy, and the government will make strategies from the supply and demand aspects and to assist real estate corporations in their transformation into a new industry model. The press release of the meeting of the Political Bureau of the Communist Party of China Central Committee (中共中央政治局) held on 24 July 2023 stressed that (i) the real-estate policies should be adjusted and optimised in a timely manner; and (ii) the policy toolkit should be well utilised with city-specific measures to better meet residents' essential housing demand and their needs for better housing, and to foster the steady and healthy development of the real estate market.

In addition, with regard to the prospect of the real estate sector in Taiyuan, the local government has issued the "Several Measures to Promote the Stable Development of the Real Estate Market" (關於促進房地產市場平穩發展的若干措施) in August 2023, which aimed to (i) satisfy the demand for rigid housing through decreasing down payment and loan interest rate; (ii) support the demand for improved housing through optimising the transfer requirements for second-hand houses; (iii) strengthen the efforts to assist property enterprises in alleviating their difficulties; and (iv) accelerate the establishment of a rent-purchase combination housing system.

Although the growth in the Chinese property market may be sluggish in the current period, taking into account (i) the recovery of the economy of the PRC and Taiyuan; and (ii) the Chinese and Taiyuan 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 and Tiayuan will be cautiously optimistic in the long run.

5. Principal terms of the Second Supplemental Agreement and the Share Transfer Agreement

Set out below is a summary of the principal terms of the Second Supplemental Agreement as supplemented by the 2024 Supplemental Agreement. Independent Shareholders are advised to read further details of the Second Supplemental Agreement as set out in the Letter from the Board.

Date: 1 December 2023

Parties: The Purchaser, the Vendors and Taiyuan Hetai

Scope of Terminated Properties: The Purchaser and the Vendors agreed that the following Target Properties as set out in the Property Purchase Agreement as amended by the Supplemental Agreement are no longer offered for sale to the Purchaser:

(i) 1 unit located in Dong Bao District* (東寶區), Jingmen, Hubei Province, with a building area of approximately 4,787 square meters currently held by Vendor 3;

(ii) 2 units located in Huishan District* (惠山區), Wuxi, Jiangsu Province, with a building area of approximately 4,072 square meters currently held by Vendor 5; and

(iii) 77 units in Buildings No. 34 and No. 35 located in land No. 104C of Wuhan Economic and Technological Development Zone* (武漢高新技術開發區), Wuhan, Hubei Province, with an aggregate building area of approximately 9,231 square meters currently held by Vendor 1.

Proposed acquisition of 100% equity interest in Taiyuan Hetai: Wuxi Shidi agreed to sell and the Purchaser agreed to acquire 100% equity interest in Taiyuan Hetai for the Equity Consideration of RMB220,000,000, and the Purchaser and Wuxi Shidi have entered into the Share Transfer Agreement detailing the terms of such acquisition of equity interests. The Closing shall take place when registration with the relevant market regulation authority in the PRC has been completed. Wuxi Shidi and the Purchaser have agreed that the Equity Consideration shall be set off against the Paid Amount, and the Purchaser is not required to pay the Equity Consideration to Wuxi Shidi at the Closing.

Set out below is a summary of the principal terms of the Share Transfer Agreement as supplemented by the 2024 Supplemental Agreement. Independent Shareholders are advised to read further details of the Share Transfer Agreement as set out in the Letter from the Board.

Date: 1 December 2023

Parties: The Purchaser and Wuxi Shidi

Assets to be acquired: 100% equity interest in Taiyuan Hetai

Consideration: The Equity Consideration for the Acquisition is RMB220,000,000.

The Equity Consideration was arrived at after arm's length negotiations between the Purchaser and Wuxi Shidi with reference to the valuation of 100% equity interests in Taiyuan Hetai at RMB221,985,000 as at 31 August 2023 according to the valuation report prepared by the Independent Valuer using the asset-based approach.

In addition, the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde for the Debt. To ensure there is no material delay in the Registration so as to safeguard the timely completion of the Registration, after completion of all relevant regulatory approvals applicable to the Acquisition, the Purchaser intends to enter into an agreement with Huarong Rongde to become one of the obligators to settle the Debt up to RMB380,000,000 so that Huarong Rongde will discharge the pledge over the Target Shares and the mortgage in respect of the Ziteng Project. Upon the execution of the aforementioned agreement, Huarong Rongde will provide assistance with the suspension of any execution order and the discharge of any pledge and mortgage in respect of the Target Shares and the Ziteng Project.

Payment terms and source of funding: The Equity Consideration shall be set off against the Paid Amount, and the Purchaser is not required to pay the difference between the Paid Amount and the Equity Consideration of RMB1,750,000 to Wuxi Shidi at the closing of the Acquisition.

Closing of the Acquisition: The Closing shall take place when registration with the relevant market regulation authority in the PRC has been completed.

Warranties given by Wuxi Shidi: Wuxi Shidi provided customary warranties on, among others, its capacity to enter into the agreement, title to the Target Shares and the authenticity and accuracy of information provided to the Purchaser in relation to the sale of the equity interests.

Obligations and indemnities of Wuxi Shidi: Wuxi Shidi and its affiliates shall be responsible and liable for any undertaking provided, obligation existed or incurred, and restrictive covenant provided in relation to the Target Shares and Taiyuan Hetai before the Closing, and shall promptly and fully indemnify the Purchaser and Taiyuan Hetai of any loss, expense and other cost arising from such undertaking, obligation and restrictive covenant (the "**Indemnity**").

Conditions precedent to Closing: The Closing shall not take place until all the following conditions have been fulfilled or waived by the Purchaser in writing:

(i) all requisite approvals (including but not limited to approvals from the shareholders and/or Stock Exchange) and consents from third-party creditors (if applicable) have been obtained;

(ii) the pledge over the Target Shares has been discharged; and

(iii) the Purchaser is satisfied with the due diligence results on Taiyuan Hetai (including but not limited to financial, legal, and commercial due diligence).

Termination of the Share Transfer Agreement: Unless otherwise agreed in the Share Transfer Agreement, the Share Transfer Agreement shall be terminated upon the occurrence of the following circumstances:

(i) both parties agree to terminate the Share Transfer Agreement;

(ii) the purpose of the Share Transfer Agreement could not be achieved due to force majeure; or

(iii) the Closing does not take place on or before 30 September 2024.

Compensation mechanism: If the actual amount of the Debt owed by Taiyuan Hetai upon the Closing exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Vendors shall compensate the Purchaser for the Excess Debt Amount by (i) reducing the Equity Consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (ii) providing additional properties with a total value not less than the Excess Debt Amount to the Purchaser.

As disclosed in the Letter from the Board, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde for the Debt, after completion of all relevant regulatory approvals applicable to the Acquisition, the Purchaser intends to enter into an agreement with Huarong Rongde to become one of the obligators to settle the Debt up to RMB380,000,000 (being the principal amount owed to Huarang Rongde by Taiyuan Hetai, the default interest arising from the delay in repayment of the principal amount and other costs and fees incurred) so that Huarong Rongde will discharge the pledge over the Target Shares and the mortgage in respect of the Ziteng Project. Upon the execution of the aforementioned agreement, Huarong Rongde will provide assistance with the suspension of any execution order and the discharge of any pledge and mortgage in respect of the Target Shares and the Ziteng Project. It is expected that Closing shall take place following the suspension of execution order and the discharge of the pledge and mortgage, and such Closing is expected to occur approximately a month after the approval from the Independent Shareholders has been obtained in relation to the Acquisition. Given that (i) the Debt has been taken into account in determining the Equity Consideration as it was reflected under the items long-term loans and interest payable in the consolidated financial statement of Taiyuan Hetai as at 30 November 2023 and was therefore considered in the valuation of 100% equity interests in Taiyuan Hetai using the asset-based approach; and (ii) the settlement of the Debt is essential to the suspension of any execution order and the discharge of the pledge of the Target Shares and the mortgage of the Ziteng Project which is a condition precedent to Closing (in other words, without the suspension of any execution order and the discharge of the pledge of the Target Shares and the mortgage of the Ziteng Project, the Acquisition cannot be completed), we consider the assumption of the Debt to be fair and reasonable.

According to the terms of the Share Transfer Agreement, Wuxi Shidi and its affiliates shall be responsible and liable for any undertaking provided, obligation existed or incurred, and restrictive covenant provided in relation to the Target Shares and Taiyuan Hetai before the Closing, and shall promptly and fully indemnify the Purchaser and Taiyuan Hetai of any loss, expense and other cost arising from such undertaking, obligation and restrictive covenant. In other words, any potential liabilities of Taiyuan Hetai prior to the Closing which are not recognised in the consolidated financial statement of Taiyuan Hetai as at 30 November 2023 will be fully indemnified by Wuxi Shidi. Considering that the indemnity clause is a typical clause which provides a protection to the Company in case there is any damage, losses, claims, fines and penalties that may be suffered by Taiyuan Hetai as a result of any violation or non-compliance by Taiyuan Hetai and its subsidiary with any applicable laws, rules and regulations or any other legal claims prior to the Closing, we consider the Indemnify provided by Wuxi Shidi is fair and reasonable.

In this regard, we have discussed with the PRC legal adviser to the Company and we understood that (i) other than the suspension of execution order and the discharge of the pledge of the Target Shares and the mortgage of the Ziteng Project, there is no other legal impediment for Closing to take place; (ii) the Group is properly and adequately protected by the Indemnity; and (iii) there is no legal impediment to obtain the relevant building ownership certificates and approvals for the Ziteng Project after completion of the development provided that the construction works are conducted in compliance with the relevant plans and have satisfactorily passed the necessary acceptance examination conducted by the relevant government authorities and experts.

In order to protect the interests of the Company and the Shareholders on the timing of Closing and prevent the event that the completion of the Second Supplemental Agreement takes place later than the release of mortgage or completion of construction of the Terminated Properties, on 7 February 2024, the Purchaser, the Vendors and Taiyuan Hetai entered into the 2024 Supplemental Agreement to impose a long stop date on the Second Supplemental Agreement, which is 30 September 2024. In other words, if the Closing does not take place on or before 30 September 2024, the Company is contractually eligible to terminate the Second Supplemental Agreement.

Taking into account that (i) the reasons for and benefits of the Acquisition as stated above; (ii) the Equity Consideration is determined with reference to the valuation of 100% equity interests in Taiyuan Hetai conducted by the Independent Valuer; (iii) the Debt has been taken into account in determining the Equity Consideration; (iv) the compensation mechanism would compensate the Purchaser for the Excess Debt Amount on a dollar-to-dollar basis if the actual amount of the Debt owed by Taiyuan Hetai upon the Closing exceeds the amount of debt factored in the Business Valuation (as defined below); (v) the Equity Consideration shall be set off against the Paid Amount so that the Purchase is not required to pay the difference between the Paid Amount and the Equity Consideration of RMB1,750,000 to Wuxi Shidi at the closing of the Acquisition; (vi) the Company is safeguarded by the Indemnity provided by Wuxi Shidi for any undertaking provided, obligation existed or incurred, and restrictive covenant provided in relation to the Target Shares and Taiyuan Hetai; (vii) our understanding from the PRC legal adviser to the Company; and (viii) the long stop date would protect the interests of the Company and the Shareholders on the timing of Closing, we consider that the terms of the Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) 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 Taiyuan Hetai and the Ziteng Project

As disclosed in the Letter from the Board, the Equity Consideration was arrived at after arm's length negotiations between the Purchaser and Wuxi Shidi with reference to the valuation of 100% equity interests in Taiyuan Hetai of RMB221,985,000 as at 31 August 2023, according to the valuation report prepared by the Independent Valuer using the asset-based approach. Such valuation was updated to RMB221,928,000 as at 30 November 2023 (the "**Business Valuation**"), according to the valuation report prepared by the Independent Valuer using the asset-based approach (the "**Business Valuation Report**"). The full text of the Business Valuation Report and certificate dated 21 December 2023 is set out in Appendix IA to the Circular, and the Independent Shareholders are recommended to read in full.

When assessing the fairness and reasonableness of the Business Valuation, we have reviewed the Business Valuation Report and noted that the only difference between the book value and the market value of Taiyuan Hetai's assets and liabilities as at 30 November 2023 is the revaluation surplus of the Ziteng Project. The carrying amount of the Ziteng Project is approximately RMB1,213,417,000 as at 30 November 2023 while it was valued at RMB1,263,500,000 (the "**Property Valuation**") as at 30 November 2023, according to the valuation report prepared by the Independent Valuer using the market comparison approach (the "**Property Valuation Report**"). The full text of the Property Valuation Report dated 21 February 2024 is set out in Appendix IB to the Circular, and the Independent Shareholders are also recommended to read in full.

We have conducted an interview with the Independent Valuer to enquire to their qualification and experience in valuing similar property interests in the PRC and their independence. In our review of the engagement letter between the Company and the Independent Valuer 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 persons of the Independent Valuer are chartered surveyors who have years of experience in conducting valuation and possess sufficient qualifications and experience in similar assets in the PRC. We have also enquired with the Independent Valuer as to their independence from the Group, the Vendors and Taiyuan Hetai, and were given to understand that the Independent Valuer is independent of the Group, the Vendors and Taiyuan Hetai. The Independent Valuer confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Independent Valuer, no other arrangements exist whereby they will receive any fees or benefits from the Group, the Vendors or Taiyuan Hetai. We have also reviewed the terms of engagement of the Independent Valuer, in particular in relation 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 Business Valuation and the Property Valuation. 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 Business Valuation and the Property 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 Business Valuation and the Property Valuation, and we are of the view that the scope of work of the Independent Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

(i) The Business Valuation

In respect of the Business Valuation, we have reviewed the Business Valuation Report and discussed with the Independent Valuer the methodology, basis and assumptions adopted in arriving at the Business Valuation. We understood that the Independent Valuer has considered the three generally accepted approaches, namely, market approach, income approach and asset-based approach and adopted the asset-based approach in the Business Valuation due to the following considerations:

(a) the selection of the valuation approach in valuing Taiyuan Hetai is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the business nature, financial performance and financial position of Taiyuan Hetai, professional judgment and technical expertise;

(b) income approach is not considered because it requires significant level of unobservable and subjective assumptions to be made to arrive at, among others, detailed operational information and long-term financial projections, to which the valuation is highly dependent on the financial projection of Taiyuan Hetai prepared by the management of the Group. In addition, there is no new project development plan of Taiyuan Hetai as at the valuation date;

(c) market approach is not considered because there were insufficient public companies with single project or market transactions which are comparable to Taiyuan Hetai in terms of the operating stage, operating risk, financial risk and other factors of the Ziteng Project; and

(d) asset-based approach uses the balance sheet as at the valuation date of the appraised entity as the basis for determining the value of the appraisal subject by reasonably appraising the fair value of each of the identifiable assets and liabilities of the subject. It estimates each asset and liability of an enterprise from the perspective of the current reconstruction of its assets and liabilities, and summarises them to obtain the value of the shareholders' equity. As the core assets of Taiyuan Hetai are properties (i.e. the Ziteng Project) as at the valuation date and there is no new project or new business in the future, the asset-based approach could relatively fairly reflect the value of all shareholders' equity value of Taiyuan Hetai on the valuation date.

We have also performed market research on recent circulars published by companies listed on the Stock Exchange from 1 June 2023 to the date of the Second Supplemental Agreement (being approximately six months before the date of the Second Supplemental Agreement) in relation to acquisition or disposal of equity interests in property related companies with a majority of assets being property interests, for which the consideration was determined with reference to independent valuations. We have, on a best effort basis, identified an exhaustive list of three comparable acquisition or disposal transactions (the "**Comparable Transactions**").

The details of the Comparable Transactions are set out below:

Date of circular	Company name (stock code)	Subject of valuation	Principal business of the target company or group	Valuation approach
29 September 2023	Suxin Joyful Life Services Co., Ltd. (2152.HK)	Total shareholders' equity value of Suzhou Huirong Business Travel Development Co., Ltd.	Principally engaged in property leasing	Asset-based approach
13 September 2023	JiaXing Gas Group Co., Ltd. (9908.HK)	Entire shareholders' equity of Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.	Principally engaged in property development, property management and carpark management	Asset-based approach
23 June 2023	Asia Resources Holdings Limited (899.HK)	100% equity interest in Century Strong Limited	Principally engaged in property investment	Asset-based approach

As disclosed in the table above, we noted that all of the Comparable Transactions involved the adoption of asset-based approach and the corresponding valuation assumptions disclosed in the respective circulars are similar to those adopted by the Independent Valuer. We considered that the Business Valuation conducted by the Independent Valuer is comparable to the valuations conducted in the aforementioned transactions as the targets involved are primarily property interests.

Taking into account that (a) a majority of the assets of Taiyua Hetai is property interests and the revaluation of Taiyua Hetai's property interests under the asset-based approach can better reflect the net asset backing of Taiyua Hetai; (b) Taiyua Hetai incurred net losses in the last two financial years and it is impossible to apply market multiples such as price-to-earnings ratio or enterprise value-to-earnings before interest, taxes, depreciation and amortisation ratio under the market approach; (c) income approach requires significant level of unobservable and subjective assumptions to be made to arrive at; and (d) all of the Comparable Transactions involved the adoption of asset-based approach in valuing equity interests of a property related company, we concur with the Independent Valuer that it is fair and reasonable to adopt the asset-based approach in arriving at the market value of Taiyuan Hetai.

As the book values of property interests may or may not reflect the market value, the Independent Valuer performed the Property Valuation. After taking into consideration of the surplus from revaluation of the Ziteng Project, the Independent Valuer came up with the reassessed net asset value of Taiyuan Hetai (the "**Reassessed NAV**") at RMB221,928,000 as at 30 November 2023.

(ii) The Property Valuation

In respect of the Property Valuation, the Independent Valuer confirmed that they have carried out site inspections and made relevant enquiries for the purpose of valuing the Ziteng Project. We have discussed with the management of the Group to understand the latest status as well as the latest development and funding plans of the Ziteng Project.

As stated in the Property Valuation Report, the Property Valuation is conducted in compliance with all the 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 discussed with the Independent Valuer regarding the methodology, basis and assumptions adopted in arriving at the market value of the Ziteng Project. Although the Ziteng Project is still under construction as at 30 November 2023, the Independent Valuer has valued the Ziteng Project on the basis that the Ziteng Project will be developed and completed in accordance with the latest development proposal as at the valuation date and the property can be freely transferred or disposed without payment of any further land premium, construction cost, penalty or transfer fees. When arriving at the Property Valuation, the Independent Valuer has considered the construction cost and the market development profit plus the value of the land of the Ziteng Project (the "**Land**"). As advised by the Independent Valuer, such method is in line with the market practice.

In arriving at the value of the Land, the Independent Valuer has adopted the market comparison approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, it has also taken into account the estimated total and expanded construction costs. As advised by the Independent Valuer, comparable sales evidences of land are selected based on, among others, (a) time of the relevant transactions, being within approximately two years before the valuation date; (b) location, i.e. the Taiyuan city, where the Land is located; (c) designated usage (i.e. commercial use); (d) permitted land use rights term, being 40 years; and (e) the condition, being bare land and connected with road and the supply of water and electricity and with land levelling. The Independent Valuer considered the aforesaid criteria were commonly used in valuation practice and were considered as fair and reasonable, as they were the most relevant factors for the purpose of identifying market comparables of a parcel of land. Based on the aforesaid criteria, on an exhaustive basis, three most comparable parcels of land have been selected for comparison with the Land. For our due diligence purpose, we have obtained information of the comparable parcels of land, such as location, usage, transaction date, site area, plot ratio, transaction price, land use term, etc., as well as the detailed comparison and adjustment analysis prepared by the Independent Valuer. Based on our review, we noted that (a) the comparable parcels of land are all located within close proximity to the Land with the same usage; (b) the comparable parcels of land share similar characteristics, especially locality and age with the Land; (c) the transaction dates of the comparable parcels of land are close to the valuation date; and (d) the Independent Valuer has made necessary adjustments based on factors, which include, among others, differences in location, size, transaction date, plot ratio and remaining land use rights term between the comparable parcels of land and the Land. Considering the above factors, we concur with the Independent Valuer that the selection criteria of the comparable parcels of land are fair and reasonable and the comparable parcels of land are appropriate for determining the valuation of the Land.

We were further advised by the Independent Valuer that in deriving the valuation of the Land, adjustments would be made in consideration of the differences in, among others, location, size, transaction date, plot ratio and remaining land use rights term, between the comparable parcels of land and the Land. We have discussed with the Independent Valuer on the adjustments applied and understand that such adjustment factors were commonly adopted for valuation of land and the Independent Valuer has used their professional judgement and experience in valuing similar parcels of land 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. In this regard, we have also performed independent research and noted that, according to the section headed "IVS105 Valuation Approached and Methods" of the International Valuation Standards published by the International Valuation Standards Council, a professional should make adjustments for any material differences between the comparable transactions and the subject asset. Examples of common differences that could warrant adjustments may include, among others, material physical characteristics (age, size, specifications, etc.) and geographical location. As such, we considered that the factors considered by the Independent Valuer are in compliance with the International Valuation Standards. In general, if the Land is better than comparables in terms of the aforementioned factor(s), an upward adjustment is being applied, and vice versa. In this regard, we have discussed with the Independent Valuer on the difference in each of the aforementioned factor(s) between the comparable parcels of land and the Land and the corresponding upward or downward adjustments being made. Based on our discussion and our review of the information of the comparable parcels of land, we consider that the adjustments made by the Independent Valuer were appropriate and in accordance with the International Valuation Standards. After adjustments were applied on the unit prices of the comparable parcels of land, the Independent Valuer had applied the average adjusted unit price of the comparable parcel of land as the unit price of the Land with statutory land use rights term of 40 years. Since the Land has shorter land use rights term than 40 years, a downward adjustment was applied to determine the final unit price of the Land. We further understood from the Independent Valuer that it is a common valuation practice to apply such adjustment to the unit price for a parcel of land to reflect its remaining service life. Taking into account that (a) the comparable parcels of land are appropriately selected for valuation of the Land; (b) the adjustment factors applied on arriving the valuation, including the adjustment based on the remaining land use rights term, are commonly adopted in valuation of parcels of land; and (c) 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 Land is fair and reasonable.

Having arrived at the valuation of the Land, the Independent Valuer took into consideration several other factors to come up with the Property Valuation, including incurred construction costs such as preliminary engineering costs, infrastructure costs and construction and installation costs, finance costs, management fees, marketing costs, tax and development profit. According to the section headed "IVS410 Development Property" of the International Valuation Standards published by the International Valuation Standards Council, construction costs, consultant fees, marketing costs, finance costs and development profit are listed as the basic elements to estimate the market value of development property. As such, we are of the view that the Independent Valuer's approach in taking into account the aforementioned factors in determining the market value of the Ziteng Project is in line with the market practice and fair and reasonable. We have also reviewed the percentages and bases adopted by the Independent Valuer in estimating the aforementioned finance costs, management fees, marketing costs, tax and development profit and consider that they are fair and reasonable. In respect of the development profit, it is calculated as a development profit rate of approximately 13.1% applied on the sum of the valuation of the Land, incurred construction costs, management fees and marketing costs. The development profit rate of approximately 13.1% was determined with reference to a research report on the profitability of the Chinese property companies issued by CRIC Research (克而瑞). We have obtained and reviewed the aforementioned research report and noted that it concluded that the median gross profit margin of the typical PRC listed property companies amounted to approximately 13.1% for the first half of 2023. In addition, as disclosed in its official website, established in 2006, CRIC Research is a leading provider of real estate information, consulting, advertising and online services with a presence in over 20 cities across China. It is also a subsidiary of E-House (China) Enterprise Holdings Limited which is listed on the Stock Exchange with stock code 2048.HK. Based on the factors above, we consider the derived development profit in the Property Valuation to be reasonable.

Taking into consideration of the nature of Taiyuan Hetai and the Ziteng Project and that both of the Business Valuation and the Property Valuation are 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 Taiyuan Hetai and the Ziteng Project are appropriate and both of the Business Valuation and the Property Valuation is fair and reasonable so far as the Independent Shareholders are concerned.

7. Evaluation of the Equity Consideration

The Equity Consideration is RMB220,000,000, which was determined with reference to the valuation of 100% equity interests in Taiyuan Hetai of RMB221,985,000 as at 31 August 2023, according to the valuation report prepared by the Independent Valuer using the asset-based approach. Such valuation was updated to RMB221,928,000 as at 30 November 2023 according to the Business Valuation Report.

When assessing the fairness and reasonableness of the Business Valuation, we have reviewed the Business Valuation Report and noted that the only difference between the book value and the market value of Taiyuan Hetai's assets and liabilities as at 30 November 2023 is the value of inventories (i.e. the Ziteng Project). The carrying amount of the Ziteng Project is approximately RMB1,213,417,000 as at 30 November 2023 while it was valued at RMB1,263,500,000 as at 30 November 2023, according to the Property Valuation Report.

Set out below is the computation of the Reassessed NAV of 100% equity interests in Taiyuan Hetai as at 30 November 2023:

	RMB'000
Net asset value of Taiyuan Hetai as at 30 November 2023 *(Note 1)*	171,845
Add: Net revaluation surplus arising from the Property Valuation as at 30 November 2023 *(Note 2)*	50,083
The Reassessed NAV of Taiyuan Hetai (i.e. the Business Valuation)	**221,928**
Equity interest of Taiyuan Hetai to be acquired under the Acquisition	100%
The Group's share of the Reassessed NAV of Taiyuan Hetai under the Acquisition	**221,928**
The Equity Consideration	220,000
Discount of the Equity Consideration to Group's share of the Reassessed NAV of Taiyuan Hetai under the Acquisition	**0.9%**

Notes:

1. Based on the unaudited consolidated financial statement of Taiyuan Hetai as at 30 November 2023.

2. Represents the revaluation surplus arising the difference between the valuation of the Ziteng Project of RMB1,263,500,000 as at 30 November 2023 based on the Property Valuation Report and the unaudited carrying amount of the Ziteng Project of approximately RMB1,213,417,000 as at 30 November 2023.

As shown above, the Equity Consideration represents a discount of approximately 0.9% to the Group's share of the Reassessed NAV of Taiyuan Hetai under the Acquisition based on the Business Valuation and the Property Valuation.

In view of (i) the methodology, bases and assumptions adopted by the Independent Valuer in determining the Business Valuation and the Property Valuation are appropriate; (ii) the Equity Consideration is made with reference to the aforementioned independent valuation which was fairly and reasonably determined by the Independent Valuer; (iii) the Equity Consideration represents a discount of approximately 0.9% to the Business Valuation; (iv) the Equity Consideration has taken into account the Debt and other liabilities as Taiyuan Hetai has recognised the relevant provisions for the majority of its legal claims in its balance sheet as at 30 November 2023; (v) the compensation mechanism would compensate the Purchaser for the Excess Debt Amount on a dollar-to-dollar basis if the actual amount of the Debt owed by Taiyuan Hetai upon the Closing exceeds the amount of debt factored in the Business Valuation; (vi) the Company is safeguarded by the Indemnity provided by Wuxi Shidi for any undertaking provided, obligation existed or incurred, and restrictive covenant provided in relation to the Target Shares and Taiyuan Hetai; and (vii) 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 Equity 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.

8. Financial effects of the Acquisition

Upon Closing of the Acquisition, Taiyuan Hetai will become a wholly-owned subsidiary of the Company and the financial statements of Taiyuan Hetai will be consolidated into the consolidated financial statements of the Company.

As the Ziteng Project is still under construction and is expected to be completed by the end of 2024, the Acquisition would not immediately contribute turnover and profit to the Group upon Closing of the Acquisition. As advised by the management of the Group, it is expected that the Ziteng Project would contribute to the results of the Group following the commencement of delivery of the units developed under the Ziteng Project since late 2024.

Upon Closing of the Acquisition, the Equity Consideration shall be set off against the Paid Amount, and the Purchaser is not required to pay the difference between the Paid Amount and the Equity Consideration of RMB1,750,000 to Wuxi Shidi. In other words, the settlement of the Equity Consideration would not result in any cash outflow of the Group upon Closing. As disclosed in the Letter from the Board, after completion of all relevant regulatory approvals applicable to the Acquisition, the Purchaser intends to enter into an agreement with Huarong Rongde to become one of the obligators to settle the Debt up to RMB380,000,000 so that Huarong Rongde will discharge the pledge over the Target Shares and the mortgage in respect of the Ziteng Project prior to Closing. As advised by the management of the Group, after Closing, the Company plans to finance the future capital expenditures required to develop the Ziteng Project through the pre-sale and sale of the Ziteng Project.

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 Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) 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 Second Supplemental Agreement (including the Share Transfer Agreement as an appendix), 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 Second Supplemental Agreement (including the Share Transfer Agreement as an appendix) and the transactions contemplated thereunder.

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.

CONSULTING & APPRAISAL
亜太評估

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

21 February 2024

The Board of Directors
Kinetic Development Group Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Dear Sirs,

In accordance with the instructions received from Kinetic Development Group Limited (the "**Company**"), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited ("**APA**") to express an independent opinion on the market value of 100% equity interest of Taiyuan Hetai Shengrui Real Estate Co., Ltd. (太原和泰盛瑞置業有限公司) ("**Taiyuan Hetai**"), a wholly-owned subsidiary of Wuxi Shidi Real Estate Development Co., Ltd. ("**Wuxi Shidi**"), as at 30 November 2023 (the "**Valuation Date**").

The purpose of this valuation is for reference of the Company.

Our valuation was carried out on a market value basis which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

INTRODUCTION

Taiyuan Hetai is a limited liability company incorporated in the People's Republic of China in 2014, and engages in the property development and sales in the People's Republic of China. The registered capital of Taiyuan Hetai is RMB390,938,900. As at the Valuation Date, Taiyuan Hetai has only one property development project — Ziteng Project, which is under construction and in temporary suspension due to weather conditions as advised by the management of Taiyuan Hetai.

According to the unaudited financial statement of Taiyuan Hetai, the book value of the total assets is around RMB1,333 million and the book value of net asset is around RMB172 million as at 30 November 2023.

As at the Valuation Date, the detailed assets and liabilities of Taiyuan Hetai are as follows:

	Book value *RMB'000* Unaudited
Cash at bank and on hand	13,068
Prepayment	40,601
Other receivable	7,912
Inventories	1,213,417
Other current assets	29,096
Total Current assets	**1,304,094**
Deferred tax asset	29,303
Total Non-Current assets	**29,303**
Note payable	14,831
Account payable	47,213
Advance from customers	657,678
Payroll payable	2,625
Tax payable	10,696
Interest payable	73,421
Other payable	61,898
Total Current liabilities	**868,362**
Long-term loans	293,190
Total Non-current liabilities	**293,190**
Total Net Asset	**171,845**

VALUATION METHODOLOGY

There are three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Asset-based approach refers to the valuation methodology to determine the value of the subject of valuation on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the characteristics of Taiyuan Hetai, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. According to the information provided by the management, there is no new project development plan as at the Valuation Date. The historical operating situation of Ziteng Project is difficult to be used as the reference data to predict its future annual earnings, and the expected earnings brought by its overall profitability are difficult to be objectively and reasonably predicted, which cannot provide a basis for the use of income method for valuation. Therefore, income approach is inappropriate in this case. Secondly, there is no sufficient public companies with single project or market transactions which are comparable in terms of business nature identified as at the Valuation Date. And, in terms of the operating stage, operating risk, financial risk and other factors of Ziteng Project, there are few similar or similar cases of comparable companies in the same industry, so it is difficult to obtain relevant reliable operating and financial data of comparable transaction cases, and it is impossible to calculate the appropriate value ratio. The market approach is not applicable as at the Valuation Date. The core assets of Taiyuan Hetai are properties as at the Valuation Date, and there is no new project or new business in the future. In view of the above, we have adopted the asset-based approach for the valuation.

In this valuation exercise, we conducted the valuation on Taiyuan Hetai on-balance-sheet assets and liabilities to calculate the market value of net asset of Taiyuan Hetai.

In this report, we had considered the type of assets and liabilities and their conditions when determining their market values and adopted appropriate valuation methodology depending on the type of assets and liabilities. The details are summarized as follows:

Cash at bank and on hand

Based on book values checking with bank statements and cash count sheet.

Prepayment

The prepayment mainly includes construction cost, agency fee and design fee. We valued prepayment based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Other receivable

The prepayment mainly includes water charge, electric charge and security deposit. We valued other receivable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Inventories

Inventories in this report include the property under development of project — Ziteng Project. We have valued the property under development on the basis that they will be developed and completed in accordance with the latest development proposal provided to us. In the valuation of the property, we considered the construction cost and the market development profit plus the land portion value. In arriving at our opinion of value of the land, we have adopted market approach with reference to comparable sales evidence as available in the relevant market where appropriate, and we have also taken into account the estimated total and expanded construction costs.

In undertaking our valuation, we have identified and analysed various relevant sales evidences of land and selected three comparable parcels of land. All the three selected comparable parcels of land are commercial land within the locality which have the similar characteristics as the subject land of the property. Appropriate adjustments and analysis are considered to account for the differences in several aspects including transaction date, transaction situation, site area, plot ratio and other characters between the comparable properties and the subject land of the property to arrive at our assumed accommodation value. The general basis of adjustment is that if the comparable property is superior to the land of the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the land of the property, an upward adjustment is made.

Ziteng Project is located at the south of Zhongxin Street, east of Tiyu West Lane, west of South Tiyu Road, Xiaodian 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 target company, the inventory includes various commercial units with a total gross floor area of approximately 130,016.79 sq.m and 1,819 underground car parking spaces. As advised by management of Taiyuan Hetai, the property is scheduled to be completed in December 2024 and the details are set out as follows:

Usage	**Gross Floor Area** *(sq.m.)*
Commercial	23,320.98
Apartment	106,695.81
Total:	130,016.79

Usage	**Lots**
Car parking spaces	1,819

The development cost of the inventory is estimated to be approximately RMB1,683,638,000, of which approximately RMB1,213,417,000 had been paid up to the Valuation Date.

The land use rights of project — Ziteng Project have been granted for a term expiring on 1 July 2050 for commercial use. We have been shown copies of various title documents including Real Estate Title Certificate (for land), Construction Work Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and Pre-sale Permit relating to project — Ziteng Project.

Other current assets

The other current assets mainly includes VAT payable, Land VAT, urban maintenance construction tax, individual income tax and education surcharges. We valued other current assets based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Deferred tax asset

The deferred tax assets arose from the historical losses, which is a tax credit asset for the owner of the company. We valued deferred tax asset based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Note payable and account payable

The note payable and account payable mainly include project payable and accrual cost. We valued note payable and account payable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Advance from customers

The advance from customers mainly includes advance from property contract. We valued advance from customers based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Payroll payable

The payroll payable mainly includes salary. We valued payroll payable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Tax payable

The tax payable mainly includes various taxes in accordance with the tax law. According to the information provided by the management, the advance payment of value-add tax is expected to be deducted by the value-added tax in the future. We valued tax payable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Interest payable

We valued interest payable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Other payable

The other payable mainly includes trading with related party. We valued other payable based on book values, together with checking, by inquiry and confirmation, calculation and rechecking the relevant account books.

Long-term loans

We valued interest payable based on book values, together with checking, by inquiry and confirmation, calculation and recheck the relevant account books.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council and the RICS Valuation-Global Standards issued by the Royal Institution of Chartered Surveyors. The valuation procedures employed include a review of economic condition of Taiyuan Hetai and an assessment of key assumptions, estimates, and representations made by Taiyuan Hetai. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- ➢ The economic outlook in general;
- ➢ The nature of business and historical financial performance of Taiyuan Hetai;

➢ Financial and business risk of the business including continuity of income and the projected future results;

➢ Consideration and analysis on the micro and macro economy affecting the subject business; and

➢ Other operational and market information in relation to Taiyuan Hetai's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the market value of the net assets of Taiyuan Hetai.

VALUATION ASSUMPTIONS

In determining the market value of net asset of Taiyuan Hetai, we made the following assumptions:

➢ All relevant legal approvals and business certificates or licenses to operate the business in which Taiyuan Hetai operates or intends to operate have been or would be officially obtained and renewable upon expiry.

➢ There will be no major change in the political, legal, economic and social environment in which Taiyuan Hetai operates or intends to operate;

➢ Interest rates and exchange rates in the localities for the operation of Taiyuan Hetai will not differ materially from those presently prevailing;

➢ It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

➢ The financial and operational information provided by Taiyuan Hetai accurate and reliable;

➢ There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;

➢ The current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of Taiyuan Hetai through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;

- It is assumed the continuation of prudent management of Taiyuan Hetai over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;

- Taiyuan Hetai will successfully carry out all necessary activities for the development of its business as a going concern;

- Key management, competent personnel and technical staff to support the ongoing operations of Taiyuan Hetai;

- The competitive advantages and disadvantages of Taiyuan Hetai do not change significantly during the period under consideration; and

- We have valued the buildings under development on the assumption that the buildings will be developed and completed in accordance with the latest development proposal as at the valuation date and can be freely transferred or disposed without payment of any further land premium, construction cost, penalty or transfer fees.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Taiyuan Hetai and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Taiyuan Hetai over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our limiting conditions.

CALCULATION OF VALUATION RESULT

The calculation of the market value of net asset of Taiyuan Hetai as at the Valuation Date is as follows:

	Book Value (Based on financial statements of Taiyuan Hetai as at 30 November 2023)	Market Value as at 30 November 2023	
	RMB'000	*RMB'000*	
Cash at bank and on hand	13,068	13,068	
Prepayment	40,601	40,601	
Other receivable	7,912	7,912	
Inventories	1,213,417	1,263,500	
Other current assets	29,096	29,096	
Total Current assets	**1,304,094**	**1,354,177**	(a)
Deferred tax asset	29,303	29,303	
Total Non-current assets	**29,303**	**29,303**	(b)
Note payable	14,831	14,831	
Account payable	47,213	47,213	
Advance from customers	657,678	657,678	
Payroll payable	2,625	2,625	
Tax payable	10,696	10,696	
Interest payable	73,421	73,421	
Other payable	61,898	61,898	
Total Current liabilities	**868,362**	**868,362**	(c)
Long-term loans	293,190	293,190	
Total Non-current liabilities	**293,190**	**293,190**	(d)
Total Net Asset	**171,845**	**221,928**	(e)=(a)+(b)-(c)-(d)

Note 1: As advised by management of Taiyuan Hetai, the long-term loans and interest payable items had already reflected total liabilities of management of Taiyuan Hetai as at the Valuation Date.

Note 2: The difference between Taiyuan Hetai's book value and market value comes from the inventory account. The book value of inventory consists of the land cost and construction costs. In evaluating the inventory, we take into account construction costs and market development profits plus the land portion value. In arriving at our opinion of value of the land, we have adopted market approach with reference to comparable sales evidence as available in the relevant market where appropriate, and we have also taken into account the estimated total and expanded construction costs.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest of Taiyuan Hetai as at the Valuation Date is reasonably stated approximately at the amount of **RMB221,928,000 (RENMINBI TWO HUNDRED AND TWENTY-ONE MILLION NINE HUNDRED AND TWENTY-EIGHT THOUSAND YUAN).**

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li	**David G.D. Cheng**
CFA, MRICS, MBA	*MRICS*
Partner	*Executive Director*

Note: Jack W. J. Li is a Chartered Surveyor who has 17 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

David G.D. Cheng is a Chartered Surveyor who has 22 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

LIMITING CONDITIONS

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

2. The calculation of value arrived at herein is valid only for the stated purpose as of the effective date of the calculations and it is neither intended nor valid for any other use.

3. Asia-Pacific Consulting and Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein.

4. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

5. Financial statements and other related information provided by the target company or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Asia-Pacific Consulting and Appraisal Limited has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

6. We do not provide assurance on the achievability of the results forecasted for the subject company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted result is dependent on actions, plans and assumptions of management.

7. This report and the calculation of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and calculation of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The calculation of value represents the considered opinion of Asia-Pacific Consulting and Appraisal Limited based on limited information furnished to them by the subject company and other sources.

8. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.

9. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.

10. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

11. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

The following is the text of a letter and valuation certificate 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 November 2023 of the property interests of the Group.

CONSULTING & APPRAISAL
亚太評估

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

21 February 2024

The Board of Directors
Kinetic Development Group Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
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 property which was 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 November 2023 (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 property under development in the PRC on the basis that they will be developed and completed in accordance with the latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Market Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expanded construction costs.

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.

We have valued the property on the assumption that they will be developed and completed in accordance with the latest development proposal as at the valuation date and the property can be freely transferred or disposed 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 target company and have accepted advice given to us on such matters as tenure and all other relevant matters.

Document and Title Investigation

We have been shown copies of various title documents including Real Estate Title Certificate 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 target 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 target company. We have also sought confirmation from the target company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at 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 2023 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has more than 22 years' experience in property valuation in the PRC and Ms. Tracy Zhang who have 2 years' experience in property valuation in the PRC.

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 22 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

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 *RMB*
1.	Various commercial units in Blocks 2, 6 to 8, 10 to 12 and S1 of Taiyuan Wisteria Mansion, south of Zhongxin Street, east of Tiyu west Lane, west of south Tiyu Road, Xiaodian District, Taiyuan City, Shanxi Province, The PRC 太原紫藤公館	Taiyuan Wisteria Mansion is located at the south of Zhongxin Street, east of Tiyu west Lane, west of south Tiyu Road, Xiaodian 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 target company, the property will comprise various commercial units with a total gross floor area of approximately 130,016.79 sq.m and 1,819 underground car parking spaces. As advised by the Group, the property is scheduled to be completed in December 2024 and the details are set out as follows: **Usage** — **Gross Floor Area** *(sq.m.)* Commercial — 23,320.98 Apartment — 106,695.81 Total: — 130,016.79 **Usage** — **Lots** Car parking spaces — 1,819 The development cost of the property is estimated to be approximately RMB1,683,638,000, of which approximately RMB1,213,417,000 had been paid up to the Valuation Date. The land use rights of the property have been granted for a term expiring on 1 July 2050 for commercial use.	The property is under construction and currently in temporary suspension due to weather conditions as advised by the management of Taiyuan Hetai.	1,263,500,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Jin (2018) Tai Yuan Shi Bu Dong Chang Quan Di No. 0116166, the land use rights of a parcel of land with a site area of approximately 51,610.74 sq.m. (including the allocated land of the property) have been granted to Taiyuan He Tai Sheng Rui Real Estate Co., Ltd (太原和泰盛瑞置業有限公司). ("**Taiyuan Hetai**", a wholly-owned subsidiary of Wuxi Shidi Real Estate Development Co., Ltd. ("**Wuxi Shidi**") for a term expiring on 6 July 2050 for commercial use.

2. Pursuant to 15 Construction Work Planning Permits — Jian Zi Di Nos. 140105201939003, 140105201939004, 140105201939005, 140105201939006, 140105201939007, 140105201939008, 140105201939063, 140105201939064, 140105201939009, 140105201939010, 140105201939065, 140105201939197, 140105201939011, 140105201939066 and 140105201939067 in favour of Taiyuan Hetai, Taiyuan Wisteria Mansion Project which have a total gross floor area of approximately 296,518.00 sq.m. (including the property) has been approved for construction.

3. Pursuant to 3 Construction Work Commencement Permits — Nos. 140105501201901100101, 140105501201904170201 and 140105501201909290101 in favour of Taiyuan Hetai, permissions by the relevant local authority have been given to commence the construction of Taiyuan Wisteria Mansion Project with a total gross floor area of approximately 296,518.00 sq.m. (including the property).

4. Pursuant to 5 Pre-sales Permits — (2019) Bing Shang Fang Yu Shou Zi Di Nos. 0015, 0110, 0278, 0098 and 0279 in favour of Taiyuan Hetai, Taiyuan Hetai is entitled to sell 11 buildings with a total gross floor area of approximately 184,318.93 sq.m. (including the property).

5. As advised by the management of Taiyuan Hetai, Taiyuan Hetai has mortgaged portion of the property with a total gross floor area of approximately 62,899.47 sq.m. to Huarong Rongde.

6. As advised by the management of Taiyuan Hetai, portion of the property with a total gross floor area of approximately 623.54 sq.m. has been seized by court due to intermediary contract disputes, bill disputes and commercial housing sale contract disputes. As advised by the management of Taiyuan Hetai, they are currently negotiating with the plaintiffs and striving to reach settlement. As advised by the management of Taiyuan Hetai, the estimated aggregated settlement amount involved for the intermediary contract disputes, bill disputes and commercial housing sale contract disputes are approximately RMB4,250,000. Taiyuan Hetai will be responsible for paying the plaintiff and it has already been provisioned in the liability account of Taiyuan Hetai. Taiyuan Hetai is currently negotiating with the plaintiff to reach a settlement in relation to the amount and mode of payment. Although the negotiation with the plaintiff is still ongoing, it is expected to be resolved before the Acquisition. The lawsuits are not expected to have any impact on the construction of the project and there are no foreseeable obstacles to the completion and acceptance of the project.

7. The property is under construction and currently in temporary suspension due to weather conditions. As advised by management of Taiyuan Hetai, there is no material special or general conditions affecting the development of the property including building covenants and time limits for completion of the development and there is no conditions imposed to affecting the construction of roadways, pathways, drainage, sewage and other facilities or services for public use.

8. In undertaking land valuation of the property, we have identified and analysed various relevant sales evidences of land within the locality which have the similar characteristics as the property, and selected three comparable properties based on the following selection criteria:

   a. the transaction date of the comparable property should be within two years;

   b. the usage of the comparable property should be commercial use;

   c. the land use rights term of the comparable property should be 40 years; and

   d. the comparable property should be bare land and connected with road and the supply of water and electricity and with land levelling.

All of the three selected comparable properties are commercial land site within the locality which have the similar location, infrastructure and plot ratios as the subject property. The accommodation value of these comparable land sites ranges from RMB4,636 to RMB4,846 per sq.m. Appropriate adjustments and analysis are considered to the differences in several aspects including transaction date, site area, accessibility and other characters between the comparable properties and the subject property to arrive at our assumed accommodation value. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the three comparable properties and adjustments are set out below, the list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed the valuation of the property.

Comparable:	**A**	**B**	**C**
Location	East of Jinhui Road, south of North Drainage Canal, and west of Heping North Road, Jiancaoping District	South to South Zhonghuan Street, north to Taiyuan Chemical Industry Group Co., Ltd., east to Guihua Road, west to Taiyuan University of Science and Technology, Jinyuan District	East of Jinhui Road, south of North Drainage Canal, and west of Heping North Road, Jiancaoping District
Usage	Commercial land	Commercial land	Commercial land
Transaction situation	Market value	Market value	Market value
Transaction date	August 2022	June 2022	December 2021
Location and accessibility	Good	Good	Good
Site area (sq.m.)	7,830	127,299	98,358
Plot ratio	1	3.7	1
Land use rights term	40	40	40
Accommodation value (RMB/sq.m.)	4,636.00	4,846.00	4,764.00
Adjustment factors:			
Usage	Similar with the land	Similar with the land	Similar with the land
Transaction situation	Similar with the land	Similar with the land	Similar with the land
Transaction date	Inferior to the land	Inferior to the land	Inferior to the land
Location and accessibility	Inferior to the land	Inferior to the land	Inferior to the land
Site area (sq.m.)	Inferior to the land	Inferior to the land	Inferior to the land
Plot ratio	Inferior to the land	Inferior to the land	Inferior to the land
Remaining land use rights term	Superior to the land	Superior to the land	Superior to the land
Total adjustment	-10%	1%	-10%
Adjusted accommodation value (RMB/sq.m.)	5,172	4,776	5,320

Based on the analysis of the three comparable properties, the adjusted average accommodation value for the market value of the land of the property is approximately RMB5,090 per sq.m.

9. The calculation of the market value of the property as at the Valuation Date is as follows:

	As at 30 November 2023 *(RMB)*	
Market value of the land	661,785,000	(a)
Construction costs	316,478,290	(b)
Interest	34,284,262	(c)
Management expenses	25,130,000	(d)
Marketing expenses	57,120,000	(e)
Sales taxes and prepaid land value-added tax	29,790,000	(f)
Applied development profit rate	13.1%	(g)
Development profit	138,927,241	(h)=[(a)+(b)+(d)+(e)]*g
Market value of the property *(rounded)*	1,263,500,000	(i)=(a)+(b)+(c)+(d)+(e)+(f)+(h)

Note: The development profit rate adopted as 13.1% reference to the profit rate of typical PRC listed real estate companies through CRIC data base.

10. 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. Taiyuan Hetai has obtained the land use rights under the Real Estate Title Certificate mentioned in note 1.

   b. For the property that have been mortgaged and sealed up, any transfer shall be restricted in accordance with the law until such mortgage or seal is lifted.

   c. For the property under construction, Taiyuan Hetai has obtained the relevant construction land planning permit, construction project planning permit and construction permit.

   d. Subject to the consent of the mortgagee, Taiyuan Hetai has the right to pre-sell the buildings in accordance with the Pre-sales Permits mentioned in note 4 except for the sealed portion.

11. 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

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 *(Note 1)*
Mr. Ju Wenzhong	Beneficial Interests	7,297,659	0.09%
Mr. Li Bo	Beneficial Interests	2,601,886	0.03%
Ms. Xue Hui	Beneficial Interests	3,860,055	0.05%

Note:

1. 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 for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

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 Enlarged Group 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 Enlarged Group.

As at the Latest Practicable Date, none of the Directors, including without limitation those who are proposed for re-election at the forthcoming annual general meeting, has a service contract with the Enlarged Group which is not determinable by the Enlarged Group 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 valuer qualified in PRC

Name	Qualification
Rainbow Capital (HK) Limited	A licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) 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 2022 (the date to which the latest published audited consolidated 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 2022, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2022, 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 Enlarged Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Enlarged 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;

(b) the Supplemental Agreement;

(c) the Second Supplemental Agreement; and

(d) the 2024 Supplemental Agreement.

9. MISCELLANEOUS

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

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 18/F, 80 Gloucester Road, Wan Chai, Hong Kong on Wednesday, 13 March 2024 at 2:00 p.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 and (iii) the second supplemental agreement entered into among the Vendors, the Purchaser and Taiyuan Hetai dated 1 December 2023 as supplemented by the supplemental agreement entered into among the same parties dated 7 February 2024 (the "**Second Supplemental Agreement**") (copies of which have 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;

(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 and the Second 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 the Second 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, 21 February 2024

Registered Office:
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Principal Place of Business in Hong Kong:
18/F,
80 Gloucester Road,
Wan Chai,
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.

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/her 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 Friday, 8 March 2024 to Wednesday, 13 March 2024 (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 Thursday, 7 March 2024.

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

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.