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## **Kinetic Development Group Limited**

**力量發展集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1277)**

### **CONNECTED TRANSACTION AIRCRAFT SUB-SUB-LEASE AGREEMENT**

#### **THE AIRCRAFT SUB-SUB-LEASE AGREEMENT**

The Board announces that on 2 August 2024, after trading hours, Kinetic (Asia) as the Lessee, and Wealth Galaxy, as the Lessor, entered into an Aircraft Sub-Sub-Lease Agreement in relation to the leasing of the Aircraft, with the lease term commencing on the Delivery Date for a period of twelve (12) months.

#### **LISTING RULES IMPLICATIONS**

As of the date of this announcement, the Lessor is directly wholly-owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% Shares held by King Lok Holdings Limited, the entire issued share capital of which were held by the Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members. King Lok Holdings Limited is the controlling shareholder of the Company. As such, the Lessor is the associate of Mr. Zhang Liang, Johnson thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Aircraft Sub-Sub-Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) for the transaction contemplated under the Aircraft Sub-Sub-Lease Agreement is more than 0.1% but less than 5%, the above transaction is subject to the annual reporting and the announcement requirements but exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## BACKGROUND

On 26 September 2018, CAVIC (as lessor) and TVPX (as head lessee) entered into the Aircraft Head Lease Agreement in relation to the leasing of the Aircraft.

On 15 November 2018, with the consent of CAVIC, TVPX (as lessor) and Wealth Galaxy (as sub-lessee) entered into the Aircraft Sub-Lease Agreement in relation to the sub-leasing of the Aircraft.

On 29 April 2020, with the consent of CAVIC, Wealth Galaxy (as lessor) and Xue Zhong Tan (as sub-sub-lessee) entered into the Original Sub-Sub-Lease Agreement in relation to the sub-sub-leasing of the Aircraft.

On 29 April 2020, with the consent of CAVIC, Xue Zhong Tan and Sino Jet entered into the Original Aircraft Management Agreement, pursuant to which Sino Jet agreed to manage and operate the Aircraft.

As security for Head Lessee's obligations under the Aircraft Head Lease Agreement, the relevant parties entered into a series of security assignment agreements:

- (a) On 19 November 2018, the Lessor (as assignee) and the Head Lessee (as assignor) entered into the head lessee security assignment in favour of the Lessor;
- (b) On 19 November 2018, the Head Lessee (as assignee) and the Sub-Lessee (as assignor) entered into the sub-lessee security assignment in favour of the Head Lessee;
- (c) On 29 April 2020, the Sub-Lessee (as assignee) and the Original Sub-Sub-Lessee (as assignor) entered into the sub-sub-lessee security assignment in favour of the Sub-Lessee; and
- (d) On 29 April 2020, the Original Sub-Sub Lessee (as assignee) and the Manager (as assignor) entered into the assignment of insurances in favour of the Original Sub-Sub Lessee.

On 29 April 2020, CAVIC, TVPX, Wealth Galaxy, Xue Zhong Tan and Sino Jet (the "**Original Parties**") entered into the coordination agreement, pursuant to which Sino Jet agreed, at the request of CAVIC, to make available to CAVIC certain support services in relation to the Aircraft and to give certain undertakings in favour of CAVIC in relation to the Original Aircraft Management Agreement.

The Original Parties agreed to adjust the finance lease structure in relation to the Aircraft with the general effect of permitting (i) the leasing of the Aircraft by Kinetic (Asia) as the New Sub-Sub-Lessee in place of Xue Zhong Tan, the Original Sub-Sub-Lessee; and (ii) the further subleasing of the Aircraft to Kinetic (Qinhuangdao) as the Sub-Sub-Sub-Lessee (together, the “**New Finance Lease Structure**”). The relevant parties have entered into various arrangements including the follows:

- On 2 August 2024, the Original Parties entered into the Global Deed of Release and Termination, pursuant to which CAVIC has agreed that following the restructuring of the finance lease structure, (i) the Original Sub-Sub-Lease Agreement shall be terminated; (ii) the Original Aircraft Management Agreement shall be terminated; and (iii) certain securities granted by the Original Sub-Sub-Lessee and the Manager in relation to the lease of the Aircraft shall be released.
- On 2 August 2024, CAVIC and TVPX entered into the Head Lease Deed of Amendment, pursuant to which (i) definitions in relation to the aircraft management agreement and security assignment which were entered into between Xue Zhong Tan and Sino Jet shall be deleted and replaced with the new aircraft management agreement and security assignment entered into between Kinetic (Qinhuangdao) and Sino Jet; (ii) definitions in relation to other agreements which were entered into between Original Parties shall be deleted and replaced with the new agreements entered into between CAVIC, TVPX, Wealth Galaxy, Kinetic (Asia), Kinetic (Qinhuangdao) and Sino Jet; (iii) new definitions in relation to other documents facilitating the sub-sub-sub leasing of the Aircraft shall be added to the Aircraft Head Lease Agreement; and (iv) all other references to Xue Zhong Tan shall be deleted and replaced with references to Kinetic (Asia) throughout the Aircraft Head Lease Agreement.
- On 2 August 2024, TVPX and Wealth Galaxy entered into the Sub-Lease Deed of Amendment, pursuant to which (i) definitions in relation to the aircraft management agreement and security assignment which were entered into between Xue Zhong Tan and Sino Jet shall be deleted and replaced with the new aircraft management agreement and security assignment entered into between Kinetic (Qinhuangdao) and Sino Jet; (ii) definitions in relation to other agreements which were entered into between the Original Parties shall be deleted and replaced with the new agreements entered into between CAVIC, TVPX, Wealth Galaxy, Kinetic (Asia), Kinetic (Qinhuangdao) and Sino Jet; (iii) new definitions in relation to other documents facilitating the sub-sub-sub leasing of the Aircraft shall be added to the Aircraft Sub-Lease Agreement; and (iv) all other references to Xue Zhong Tan shall be deleted and replaced with references to Kinetic (Asia) throughout the Aircraft Sub-Lease Agreement.

The Board announces that on 2 August 2024, after trading hours, Kinetic (Asia) as the Lessee, and Wealth Galaxy, as the Lessor, entered into the Aircraft Sub-Sub-Lease Agreement and a series of ancillary transaction documents in relation to the sub-sub-leasing of the Aircraft, with the lease term commencing on the Delivery Date for a period of twelve (12) months.

The sub-sub-leasing of the Aircraft does not involve the acquisition of the Aircraft or any other asset from the Lessor. As such, the net profits or income attributable to the Aircraft are not the subject of the sub-sub-leasing of the Aircraft.

## **THE AIRCRAFT SUB-SUB-LEASE AGREEMENT**

The principal terms of the Aircraft Sub-Sub-Lease Agreement are set out below.

Date: 2 August 2024

Parties: (i) Wealth Galaxy Limited, as the Lessor;  
(ii) Kinetic (Asia) Limited, as the Lessee.

Aircraft to be leased: one (1) Dassault Aviation model Falcon 7X aircraft with manufacturer's serial number 233 and U.S. Registration No. N666ZL equipped with three (3) Pratt & Whitney Canada PW307A turbofan engines, bearing manufacturer's serial number PCE-CH0729 (Left Hand No.1) and PCE-CH0728 (Rear No. 2) and PCE-CH0727 (Right Hand No. 3), respectively (the "**Aircraft**")

Lease Term: The lease term of the leasing of the Aircraft commences on the Delivery Date for a time period of twelve (12) months (the "**Lease Term**").

Rent and Payment: The Lessee shall pay to the Lessor the fixed rent for the Lease Term on each rent due date as notified by the Lessor to the Lessee, and the aggregate amount of such fixed rent shall be defined as the "**Fixed Rent**". Unless otherwise provided in the Aircraft Sub-Sub-Lease Agreement, the Fixed Rent for the Lease Term shall be equivalent to an amount of US\$5,600,000.

The Fixed Rent shall be satisfied by internal resources of the Group.

Delivery: The delivery of the Aircraft is scheduled to take place at the Delivery Location on or before the Scheduled Delivery Date.

The Lessee shall provide the Lessor with a delivery notice not less than ten (10) Business Days prior to the Scheduled Delivery Date.

Termination: The Aircraft Sub-Sub-Lease Agreement shall be terminated either on the last date of the Lease Term or any earlier date on which the Aircraft Sub-Sub-Lease Agreement may be cancelled or terminated pursuant to its terms.

To facilitate the New Finance Lease Structure, Kinetic (Asia) and Kinetic (Qinhuangdao) have entered into a series of ancillary transaction documents, including but not limited to:

- (a) an aircraft sub-sub-sub lease agreement entered into between Kinetic (Asia) and Kinetic (Qinhuangdao), pursuant to which, with the consent of CAVIC, Kinetic (Asia) has agreed to further sublease the Aircraft to Kinetic (Qinhuangdao);
- (b) an aircraft management agreement entered into between Kinetic (Qinhuangdao) and Sino Jet, pursuant to which Sino Jet has agreed to manage and operate the Aircraft (the **“Aircraft Management Agreement”**);
- (c) a coordination agreement entered into among CAVIC, TVPX, Wealth Galaxy, Kinetic (Asia), Kinetic (Qinhuangdao) and Sino Jet, pursuant to which Sino Jet has agreed, at the request of CAVIC, to make available to CAVIC certain support services in relation to the Aircraft and to give certain undertakings in favour of CAVIC in relation to the Aircraft Management Agreement;
- (d) an assignment of insurances entered into between Kinetic (Qinhuangdao) and Sino Jet, pursuant to which Sino Jet agreed to assign its rights to the benefits accruing from the insurance and the requisition proceeds by way of security to and in favor of Kinetic (Qinhuangdao);
- (e) a sub-sub-lease security assignment entered into between Kinetic (Asia) and Wealth Galaxy, pursuant to which Kinetic (Asia) has agreed to assign its rights to the benefits accruing from the insurance and the requisition proceeds by way of security to and in favor of Wealth Galaxy; and

- (f) a sub-sub-sub-lease security assignment entered into between Kinetic (Asia) and Kinetic (Qinhuangdao), pursuant to which Kinetic (Qinhuangdao) has agreed to assign its rights to the benefits accruing from the insurance and the requisition proceeds by way of security to and in favor of Kinetic (Asia).

## **INFORMATION OF PARTIES INVOLVED**

The Group principally engages in the extraction and sales of coal products. The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange.

Wealth Galaxy is an investment holding company incorporated with limited liability under the laws of the British Virgin Islands.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AIRCRAFT SUB-SUB-LEASE AGREEMENT**

As the Company looks to diversify its portfolio beyond the current coal mine in the PRC and make significant investments overseas, it is expected the Directors and the management will need to travel more frequently, particularly to areas with limited commercial flight options, in order to conduct on-site inspection of the mines in operation and also to carry out due diligence exercises by way of on-site investigation of mines. Renting a private jet will save valuable time by allowing direct flights, flexible schedules, and access to smaller airports, reducing reliance on commercial airlines. Additionally, private jets offer greater privacy and safety, which are essential for sensitive negotiations. The leasing of the Aircraft will help the Company efficiently pursue its strategic goals without being hindered by travel limitations.

The terms and conditions of the Aircraft Sub-Sub-Lease Agreement, including the amount of the Fixed Rent, are negotiated on an arm's length basis between the Lessor and the Lessee with reference to the value and fair rent of the Aircraft with the amount of USD5,639,000 based on the valuation report as at 30 June 2024 by Win Bailey Valuation and Advisory Limited, an independent valuer engaged by the Company. The Directors (including the independent non-executive Directors) consider that although the leasing of aircrafts is not in the ordinary and usual course of business of the Group, the Aircraft Sub-Sub-Lease Agreement is entered into on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Ms. Zhang Lin, a non-executive Director, being an associate to Mr. Zhang Liang, Johnson who has material interest under the Aircraft Sub-Sub-Lease Agreement, had abstained from voting at the Board meeting approving the Aircraft Sub-Sub-Lease Agreement and the transactions thereunder.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, the Lessor is directly wholly-owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% Shares held by King Lok Holdings Limited, the entire issued share capital of which were held by the Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members. King Lok Holdings Limited is the controlling shareholder of the Company. As such, the Lessor is the associate of Mr. Zhang Liang, Johnson thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Aircraft Sub-Sub-Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) for the transaction contemplated under the Aircraft Sub-Sub-Lease Agreement is more than 0.1% but less than 5%, the above transaction is subject to the annual reporting and the announcement requirements but exempted from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Aircraft Head Lease Agreement”	the aircraft head lease agreement dated 26 September 2018 entered into between CAVIC and TVPX in relation to the leasing of the Aircraft;
“Aircraft Sub-Lease Agreement”	the aircraft sub-lease agreement dated 15 November 2018 entered into between TVPX and Wealth Galaxy in relation to the sub-leasing of the Aircraft;
“Aircraft Sub-Sub-Lease Agreement”	the aircraft sub-sub-lease agreement dated 2 August 2024 between Wealth Galaxy and Kinetic (Asia) in relation to the sub-sub-leasing of the Aircraft;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“CAVIC”	CAVIC 29 DESIGNATED ACTIVITY COMPANY, a designated activity company incorporated and existing under the Laws of Ireland;
“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;
“Delivery Date”	the date on which the delivery of the Aircraft takes place in accordance with the Aircraft Sub-Sub-Lease Agreement;
“Delivery Location”	means Little Rock, State of Arkansas, United States of America or such other location as the parties may agree in writing;
“Directors”	the director(s) of the Company;
“Global Deed of Release and Termination”	the global deed of release and termination dated 2 August 2024 entered into between Original Parties;
“Group”	the Company and its subsidiaries;
“Head Lease Deed of Amendment”	the head lease deed of amendment dated 2 August 2024 entered into between CAVIC and TVPX in relation to amendments to the Aircraft Head Lease Agreement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Kinetic (Asia)” or “New Sub-Sub-Lessee”	KINETIC (ASIA) LIMITED (力量(亞洲)有限公司), a company incorporated in accordance with the laws of Hong Kong and the Company’s indirectly wholly-owned subsidiary;
“Kinetic (Qinhuangdao)” or “Sub-Sub-Sub-Lessee”	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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;



“Original Aircraft Management Agreement”	the aircraft management agreement dated 29 April 2020 entered into between Xue Zhong Tan and Sino Jet in relation to the management and operation of the Aircraft, which was terminated pursuant to the Global Deed of Release and Termination;
“Original Sub-Sub-Lease Agreement”	the sub-sub-lease agreement dated 29 April 2020 entered into between Wealth Galaxy and Xue Zhong Tan in related to the sub-sub-leasing of the Aircraft, which was terminated pursuant to the Global Deed of Release and Termination;
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Scheduled Delivery Date”	the date as mutually agreed in writing between the Head Lessor, the Head Lessee, the Lessor and the Lessee;
“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;
“Sino Jet” or “Manager”	SINO JET (BEIJING) CO., LTD. (北京華龍商務航空股份有限公司), a company incorporated in accordance with the laws of People’s Republic of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-Lease Deed of Amendment”	the sub-lease deed of amendment dated 2 August 2024 entered into between TVPX and Wealth Galaxy in relation to amendments to the Aircraft Sub-Lease Agreement;
“TVPX” or “Head Lessee”	TVPX AIRCRAFT SOLUTIONS INC., a corporation incorporated and existing under the laws of the State of Utah;

“Wealth Galaxy”, “Lessor” or “Sub-Lessee” WEALTH GALAXY LIMITED, a company incorporated with limited liability under the laws of the British Virgin Islands and is directly wholly-owned by Mr. Zhang Liang, Johnson;

“Xue Zhong Tan” or “Original Sub-Sub-Lessee” GUANGZHOU XUE ZHONG TAN CULTURE COMMUNICATION CO., LTD. (廣州雪中炭文化傳播有限公司), a company incorporated in accordance with the laws of the People’s Republic of China;

“%” per cent.

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

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

Hong Kong, 2 August 2024

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