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KINETIC MINES AND ENERGY LIMITED

力量礦業能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

DISCLOSEABLE TRANSACTIONS FINANCE LEASE AGREEMENTS

During the period from 20 May 2015 to 28 May 2015, Kinetic Coal, an indirect wholly-owned subsidiary of the Company, entered into five Finance Lease Agreements with Shanghai Concords, an Independent Third Party, pursuant to which Shanghai Concords purchased Machinery and Equipment from Kinetic Coal at a total consideration of RMB250,000,000 and which were leased back to Kinetic Coal for a term of one year.

When the Company reviewed the Finance Lease Agreements entered into by Kinetic Coal, it regrettably noted that the transactions contemplated thereunder constituted discloseable transactions of the Company. As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreements are more than 5% but less than 25%, the Finance Lease Agreements constitute discloseable transactions for the Company and are subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules. The Company admits the failure to comply with the above requirements on a timely basis constituted a breach of the Listing Rules and has forthwith notified the Stock Exchange and taken steps to rectify the breach as soon as practicable, including the issuance of this announcement.

The Board announces that during the period from 20 May 2015 to 28 May 2015, Kinetic Coal, an indirect wholly-owned subsidiary of the Company, and Shanghai Concords entered into the Finance Lease Agreements. The principal terms of the Finance Lease Agreements are set out below.

FINANCE LEASE AGREEMENTS

Dates

The parties entered into five Finance Lease Agreements, of which three were dated 20 May 2015, and the other two were dated 24 May 2015 and 28 May 2015 respectively. The five Finance Lease Agreements were entered into on substantially the same terms and conditions.

Parties

Purchaser/Lessor: Shanghai Concords

Vendor/Lessee: Kinetic Coal

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Shanghai Concords and its ultimate beneficial owners are Independent Third Parties.

The Finance Lease Agreements comprised (i) the sale and purchase of the Machinery and Equipment and (ii) the lease back of the Machinery and Equipment to Kinetic Coal, details of which are discussed below.

Sale and purchase arrangement

Pursuant to the Finance Lease Agreements, Shanghai Concords purchased the Machinery and Equipment from Kinetic Coal as specified in the respective Finance Lease Agreements for a total consideration of RMB250,000,000. The consideration in respect of the sale and purchase of the Machinery and Equipment was determined after arm's length negotiations between the parties to the Finance Lease Agreements by reference to the prevailing market price of the Machinery and Equipment. As at the date of this announcement, the payment of the consideration has already been satisfied by Shanghai Concords.

Lease back arrangement

Pursuant to the Finance Lease Agreements, Shanghai Concords agreed to lease the Machinery and Equipment back to Kinetic Coal for a term of one year, each commencing from the date when the respective payments of the consideration for the Machinery and Equipment under the relevant Finance Lease Agreement was made.

Subject matter of the lease

The Machinery and Equipment comprised certain machinery and equipment owned by Kinetic Coal and used at the Group's Dafanpu Coal Mine.

Lease payments

Pursuant to each Finance Lease Agreement, the lease rent to be paid by Kinetic Coal to Shanghai Concords was calculated based on the principal lease cost and the lease interest rate. The total principal lease costs under the Finance Lease Agreements was

RMB250,000,000. Pursuant to the Finance Lease Agreements, Kinetic Coal will repay the principal lease cost under each Finance Lease Agreement to Shanghai Concords at the end of the respective lease periods.

The lease rent is calculated at the interest rate of 3.6% per annum during the lease term. Based on the aforementioned interest rate, the total lease rents payable by Kinetic Coal under the Finance Lease Agreements will be RMB9,125,000. In accordance with the Finance Lease Agreements, the lease rent will be payable by Kinetic Coal quarterly in four installments in accordance with the repayment schedule set out in the respective Finance Lease Agreements. For the first, second, third and fifth Finance Lease Agreements, the lease rent payment date will commence on 21 September 2015, followed by two lease rent payments to be paid on a quarterly basis, and the last lease rent payment to be made at the end of the respective lease periods.

Two supplemental agreements were entered into among Kinetic Coal, Shanghai Concords and Shanghai Minsheng Bank, an Independent Third Party, on 12 June 2015 (the “**Supplemental Agreement(s)**”), pursuant to which Shanghai Concords agreed to transfer its rights to receive repayments of the principal lease costs and payments of the lease rents under the fourth and the fifth Finance Lease Agreements to Shanghai Minsheng Bank. Moreover, certain terms under the fourth Finance Lease Agreement were amended. In accordance with the terms of the related Supplemental Agreement and the fourth Finance Lease Agreement, the lease rent payment date of the fourth Finance Lease Agreement will commence on 21 August 2015, followed by three lease rent payments to be made by Kinetic Coal to Shanghai Minsheng Bank on a quarterly basis, and the last lease rent payment at the end of the lease period.

The lease rent was determined after arm’s length negotiations between the parties to the Finance Lease Agreements by reference to the principal amounts of the leases and the prevailing market interest rate for finance leases of comparable machines and equipment.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, Shanghai Minsheng Bank and its ultimate beneficial owners are Independent Third Parties.

Lessee’s option to purchase

The legal titles of the Machinery and Equipment under the Finance Lease Agreements will vest in Shanghai Concords throughout the respective lease periods. At the end of the respective lease periods and subject to payment by Kinetic Coal of all amounts due under the respective Finance Lease Agreements, Kinetic Coal will have the right to purchase the Machinery and Equipment as specified in the respective Finance Lease Agreements at a nominal purchase price of RMB1.

REASONS FOR THE FINANCE LEASE AGREEMENTS

The principal activities of the Group are the extraction and sales of coal products. Kinetic Coal is an indirectly wholly-owned subsidiary of the Company and is principally engaged in coal mining and sales of mineral products.

The Directors are of the view that the entering into the Finance Lease Agreements will provide the Group with additional working capital to support its business and operational activities. The Directors believe that the terms of the Finance Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FURTHER INFORMATION

As the applicable ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreements are more than 5% but less than 25%, the Finance Lease Agreements constitute discloseable transactions for the Company and are subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	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 persons”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	directors of the Company;
“Finance Lease Agreements”	individually or collectively, as the case may be, the finance lease agreement(s) entered into between Kinetic Coal and Shanghai Concords during the period from 20 May 2015 to 28 May 2015;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons;
“Kinetic Coal”	內蒙古准格爾旗力量煤業有限公司 (Inner Mongolia Zhunge’er Kinetic Coal Limited*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Machinery and Equipment”	certain machinery and equipment owned by Kinetic Coal and used at the Group’s Dafanpu Coal Mine;

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Concords”	上海康信融資租賃有限公司 (Shanghai Concords Financial Leasing Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party;
“Shanghai Minsheng Bank”	中國民生銀行股份有限公司上海自貿試驗區分行 (China Minsheng Banking Corp., Ltd., Shanghai Pilot Free Trade Zone branch*) and an Independent Third Party;
“Shareholder(s)”	holder(s) of share(s) of USD0.001 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

By Order of the Board
Kinetic Mines and Energy Limited
Zhang Li
Chairman and Executive Director

Hong Kong, 7 July 2015

As at the date of this announcement, the board of directors of the Company comprises seven directors, of whom three are executive directors, namely Mr. Zhang Li (Chairman), Mr. Gu Jianhua (Chief Executive Officer) and Mr. Zhang Liang, Johnson; one is a non-executive director, namely Ms. Zhang Lin, and three are independent non-executive directors, namely Mr. Shi Xiaoyu, Ms. Liu Peilian and Mr. Zheng Ercheng.

* *For identification purposes only*