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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 TRANSACTION FINANCE LEASE AGREEMENT**

Reference is made to the announcements made by the Company on 7 July 2015, 12 August 2015 and 14 August 2015 in relation to certain notifiable transactions of the Company.

The Company announces that Kinetic Coal, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Shanghai Concords, an Independent Third Party, effective as of 17 August 2015. Pursuant to the Finance Lease Agreement, Shanghai Concords purchased the Machinery and Equipment from Kinetic Coal at a total consideration of RMB100,000,000, which were leased back to Kinetic Coal for a term of one year.

As disclosed in the Company's announcements dated 7 July 2015, 12 August 2015 and 14 August 2015, Kinetic Coal entered into the Previous Agreements with Shanghai Concords, pursuant to which Shanghai Concords purchased Machinery and Equipment from Kinetic Coal on substantially similar terms to the Finance Lease Agreement for a total consideration of RMB550,000,000, which were leased back to Kinetic Coal for a term of one year.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules. However, as the entering into of the Previous Agreements and the Finance Lease Agreement are within a 12 month period, the Finance Lease Agreement should be aggregated with the Previous Agreements, and therefore the circular to be despatched to the Shareholders on or before 7 September 2015 will contain further particulars of the Finance Lease Agreement in addition to the Previous Agreements.

The Board announces that Kinetic Coal, an indirect wholly-owned subsidiary of the Company, and Shanghai Concords entered into the Finance Lease Agreement, effective as of 17 August 2015. The principal terms of the Finance Lease Agreement are set out below.

## **FINANCE LEASE AGREEMENT**

### **Date**

Effective 17 August 2015

### **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 Agreement 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 Agreement, Shanghai Concords purchased the Machinery and Equipment from Kinetic Coal as specified in the Finance Lease Agreement for a total consideration of RMB100,000,000. 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 Agreement 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 Agreement, Shanghai Concords agreed to lease the Machinery and Equipment back to Kinetic Coal for a term of one year, commencing from the date when payment of consideration for the Machinery and Equipment under the 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 the 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 cost under the Finance Lease Agreement was RMB100,000,000. Pursuant to the Finance Lease Agreement, Kinetic Coal will repay the principal lease cost under the Finance Lease Agreement to Shanghai Concords at the end of the lease period.

The lease rent for each Finance Lease Agreement is calculated at the interest rate of 4.45% per annum during the lease term. Based on the aforementioned interest rate, the total lease rents payable by Kinetic Coal under the Finance Lease Agreement will be RMB4,511,800. In accordance with the Finance Lease Agreement, the lease rent will be payable by Kinetic Coal at the end of the lease period.

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

## **Lessee's option to purchase**

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

## **REASONS FOR THE FINANCE LEASE AGREEMENT**

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 Agreement will provide the Group with additional working capital to support its business and operational activities, and the funds received under the Finance Lease Agreement will be used for repayment of existing bank borrowings of the Group. The Directors believe that the terms of the Finance Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FURTHER INFORMATION**

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules. However, as the entering into of the Previous Agreements and the Finance Lease Agreement are within a 12 month period, the Finance Lease

Agreement should be aggregated with the Previous Agreements, and therefore the circular to be despatched to the Shareholders on or before 7 September 2015 will contain further particulars of the Finance Lease Agreement in addition to the Previous Agreements.

## DEFINITIONS

“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 Agreement”	the finance lease agreement entered into between Kinetic Coal and Shanghai Concords, effective as of 17 August 2015;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Independent Third Part(y)(ies)”	part(y)(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;
“Previous Agreements”	the eight finance lease agreements entered into between Kinetic Coal and Shanghai Concords, five of which were entered into during the period from 20 May 2015 to 28 May 2015, with the remaining three becoming effective as of 10 August 2015, 12 August 2015 and 13 August 2015 respectively;
“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;
“Shareholders”	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, 20 August 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*