

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION FINANCE LEASE AGREEMENTS

Reference is made to the announcements made by the Company on 7 July 2015 and 12 August 2015 in relation to certain discloseable transactions entered into by Kinetic Coal, an indirect wholly-owned subsidiary of the Company.

The Company announces that Kinetic Coal has entered into two further finance lease agreements, effective as of 12 August 2015 and 13 August 2015 respectively with Shanghai Concords, an Independent Third Party, pursuant to which Shanghai Concords purchased Machinery and Equipment from Kinetic Coal at a total consideration of RMB200,000,000, which were leased back to Kinetic Coal for a term of one year (the “**Finance Lease Agreements**”, and each a “**Finance Lease Agreement**”).

As disclosed in the Company’s announcements dated 7 July 2015 and 12 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 Agreements for a total consideration of RMB350,000,000, 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 relation to each Finance Lease Agreement were less than 5% at the respective effective dates, the transactions contemplated thereunder did not constitute notifiable transactions of the Company. However, as the entering into of the Previous Agreements and the Finance Lease Agreements are within a 12 month period, the Finance Lease Agreements should be aggregated with the Previous Agreements in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purposes of the Listing Rules.

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, when aggregated with those under the Previous Agreements, are more than 25% but less than 75%, the Finance Lease Agreements, when aggregated with the Previous Agreements constitute a major transaction of the Company and is therefore subject to the notification, announcement and circular requirements set out in Rule 14.33 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Agreements. Written approval for the Finance Lease Agreements and the transactions contemplated thereunder has been obtained from King Lok Holdings Limited, holding 5,307,450,000 Shares representing approximately 62.96% of the issued share capital of the Company as at the date of this announcement. Therefore, no general meeting will be convened to consider and approve the Previous Agreements and the Finance Lease Agreements pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further particulars of the Finance Lease Agreements and the Previous Agreements will be despatched to the Shareholders on or before 7 September 2015.

Reference is made to the announcements made by the Company on 7 July 2015 and 12 August 2015 in relation to certain discloseable transactions entered into by Kinetic Coal.

The Company announces that further to the Previous Agreements, Kinetic Coal, an indirect wholly-owned subsidiary of the Company, and Shanghai Concords entered into the Finance Lease Agreements, effective as of 12 August 2015 and 13 August 2015 respectively. The principal terms of the Finance Lease Agreements are set out below.

FINANCE LEASE AGREEMENTS

Date

The parties entered into two Finance Lease Agreements, effective as of 12 August 2015 and 13 August 2015 respectively. The two 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 Machinery and Equipment from Kinetic Coal as specified in each Finance Lease Agreement. The consideration in respect of each Finance Lease Agreement, 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, being RMB100,000,000, and the total consideration of the Finance Lease Agreements is RMB200,000,000. As at the date of this announcement, the payment of the consideration had 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 consideration for the Machinery and Equipment under the Finance Lease Agreements were 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. The book value of the Machinery and Equipment under each of the Finance Lease Agreements is approximately RMB100,000,000 as at the date of this announcement.

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 principal lease cost under each Finance Lease Agreement was RMB100,000,000 and the total principal lease costs under the Finance Lease Agreements amounted to RMB200,000,000. Pursuant to the Finance Lease Agreements, Kinetic Coal will repay the principal lease costs under each Finance Lease Agreement to Shanghai Concords at the end of the respective lease periods.

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 Agreements will be RMB9,011,000. In accordance with the Finance Lease Agreements, 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 Agreements by reference to the principal amounts of the leases 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 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 each Finance Lease Agreement, Kinetic Coal will have the right to purchase the Machinery and Equipment as specified in each respective Finance Lease Agreement at a nominal purchase price of RMB1.

INFORMATION ON THE GROUP

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.

INFORMATION ON SHANGHAI CONCORDS

Shanghai Concords is a company incorporated in the PRC and is a company principally engaged in the business of financial leasing.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE AGREEMENTS

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, and the funds received under the Finance Lease Agreements will be used for repayment of existing bank borrowings of the Group. 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.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in relation to each Finance Lease Agreement were less than 5% at the respective effective dates, the transactions contemplated thereunder did not constitute notifiable transactions of the Company. However, as the entering into of the Previous Agreements and the Finance Lease Agreements are within a 12 month period, the Finance Lease Agreements should be aggregated with the Previous Agreements in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purposes of the Listing Rules.

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, when aggregated with those under the Previous Agreements, are more than 25% but less than 75%, the Finance Lease Agreements, when aggregated with the Previous Agreements constitute a major transaction of the Company and is therefore subject to the notification, announcement and circular requirements set out in Rule 14.33 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Agreements. Written approval for the Finance Lease Agreements and the transactions contemplated thereunder has been obtained from King Lok Holdings Limited, holding 5,307,450,000 Shares representing approximately 62.96% of the issued share capital of the Company as at the date of this announcement. Therefore, no general meeting will be convened to consider and approve the Agreement pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further particulars of the Finance Lease Agreements and the Previous Agreements will be despatched to the Shareholders on or before 7 September 2015.

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(s)”	individually or collectively, as the case may be, the two finance lease agreement(s) entered into between Kinetic Coal and Shanghai Concords, effective as of 12 August 2015 and 13 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 six 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 last one becoming effective as of 10 August 2015;
“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, 14 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*