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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)

**MAJOR TRANSACTION
IN RELATION TO
FINANCE LEASE AGREEMENTS**

29 September 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“Board”	the board of Directors;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“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)”	director(s) of the Company;
“Finance Lease Agreement(s)”	individually or collectively, as the case may be, the nine finance lease agreement(s) 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 four effective as of 10 August 2015, 12 August 2015, 13 August 2015 and 17 August 2015 respectively, pursuant to which Shanghai Concords purchased Machinery and Equipment from Kinetic Coal at a total consideration of RMB650,000,000, which were respectively leased back to Kinetic Coal for a term of one year;
“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;
“Latest Practicable Date”	23 September 2015 being the latest practicable date for ascertaining certain information contained in this Circular prior to its publication;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Machinery and Equipment”	certain machinery and equipment used at the Group’s Dafanpu Coal Mine and the subject matter of the Finance Lease Agreements including but not limited to: (i) coal washing plant; (ii) underground mining structure and conveyer belt system; and (iii) trucks;
“PBOC”	the People’s Bank of China;
“PRC” or “China”	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;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“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;
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules;
“Supplemental Agreement(s)”	has the meaning ascribed to this under the section headed “Letter from the Board — Finance Lease Agreements — Lease Payments”;
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Li (*Chairman*)
Mr. Gu Jianhua (*Chief Executive Officer*)
Mr. Zhang Liang, Johnson

Non-executive Director:

Ms. Zhang Lin

Independent non-executive Directors:

Mr. Shi Xiaoyu
Ms. Liu Peilian
Mr. Zheng Ercheng

Registered office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Headquarters and Principal place
of business in the PRC:*

Dafanpu Coal Mine
Majiata Village
Xuejiawan Town
Zhunge'er Banner, Erdos City
Inner Mongolia
China

*Principal place of business
in Hong Kong:*

Unit B, 20th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

29 September 2015

To: the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
FINANCE LEASE AGREEMENTS**

INTRODUCTION

Reference is made to the announcements made by the Company on 7 July 2015, 12 August 2015, 14 August 2015 and 20 August 2015 in relation to certain notifiable transactions entered into by Kinetic Coal, an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

As disclosed in the Company's announcements dated 7 July 2015, 12 August 2015, 14 August 2015 and 20 August 2015, Kinetic Coal entered into the Finance Lease Agreements with Shanghai Concords, an Independent Third Party, pursuant to which Shanghai Concords purchased Machinery and Equipment from Kinetic Coal for a total consideration of RMB650,000,000, which were respectively leased back to Kinetic Coal for terms of one year.

As the entering into of the Finance Lease Agreements are within a 12 month period, the Finance Lease Agreements should be aggregated 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, are more than 25% but less than 75%, the Finance Lease Agreements, when aggregated, constitute a major transaction of the Company and are 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 or its close associate(s) 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, a substantial shareholder of the Company holding 5,307,450,000 Shares representing approximately 62.96% of the issued share capital of the Company as at the date of this circular. King Lok Holdings Limited is wholly-owned and controlled by Mr. Zhang Liang, Johnson, a Director and substantial shareholder of the Company. Therefore, no general meeting will be convened to consider and approve the Finance Lease Agreements pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the Finance Lease Agreements; and (ii) other information as required under the Listing Rules.

FINANCE LEASE AGREEMENTS

Reference is made to the announcements made by the Company on 7 July 2015, 12 August 2015, 14 August 2015 and 20 August 2015 in relation to certain notifiable transactions entered into between Kinetic Coal and Shanghai Concords. The Finance Lease Agreements were entered into on substantially similar terms and conditions. The principal terms of the Finance Lease Agreements are set out below.

Date

The parties entered into nine Finance Lease Agreements, five of which were entered into during the period from 20 May 2015 to 28 May 2015, with the remaining four becoming effective as of 10 August 2015, 12 August 2015, 13 August 2015 and 17 August 2015 respectively.

LETTER FROM THE BOARD

Parties

Purchaser/Lessor: Shanghai Concords
Vendor/Lessee: Kinetic Coal

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, Shanghai Concords and its ultimate beneficial owner(s) are Independent Third Parties.

The Finance Lease Agreements comprised (i) the sale and purchase of Machinery and Equipment and (ii) the lease back of 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 of the five Finance Lease Agreements entered into during the period from 20 May 2015 to 28 May 2015, was RMB50,000,000 respectively, while the consideration in respect of each of the remaining four Finance Lease Agreements, effective between the period from 10 August 2015 to 17 August 2015, was RMB100,000,000 respectively. The total consideration of the Finance Lease Agreements was RMB650,000,000, and the consideration for each Finance Lease Agreement 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 circular, the payments of consideration had already been satisfied by cash 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 respective terms 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 total net book value of the machinery and equipment under the Finance Lease Agreements is approximately RMB669,600,000 as at 31 August 2015.

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 of the five Finance Lease Agreements entered into during the period from 20 May 2015 to 28 May 2015, was RMB50,000,000 respectively, while the principal lease cost under each of the four Finance Lease Agreements, effective between the

LETTER FROM THE BOARD

period from 10 August 2015 to 17 August 2015 was RMB100,000,000 respectively. The total principal lease costs under the Finance Lease Agreements amounted to RMB650,000,000. 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 each lease period.

As disclosed in the Company's announcements dated 7 July 2015, 12 August 2015, 14 August 2015 and 20 August 2015, the lease rents for the Finance Lease Agreements are calculated at the interest rate of 3.6% to 4.5% 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 RMB27,159,600. In addition, there is a total handling fee and consultancy fee of approximately RMB10,419,000 involved in the Finance Lease Agreements. Save for the difference in repayment schedules under the Finance Lease Agreements, the terms and conditions of the Finance Lease Agreements are substantially similar. Further details of the differences in repayment schedules are as follows — for the first, second, third and fifth Finance Lease Agreements, in accordance with the respective Finance Lease Agreements, the lease rent will be payable by Kinetic Coal quarterly in four instalments in accordance with the repayment schedule set out in the respective 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. For the sixth, seventh, eighth and ninth Finance Lease Agreements, in accordance with the respective Finance Lease Agreements, the lease rent will be payable by Kinetic coal at the end of the lease period.

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 Agreements**”, each a “**Supplemental Agreement**”), 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 commenced on 21 August 2015, and will be 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. In addition, nine factoring cooperative agreements were entered into by the same parties during the period from 28 May 2015 to 17 August 2015, pursuant to which Shanghai Concords agreed to transfer its rights to receive payments of the principal lease costs and payments of the lease rents under the Finance Lease Agreements to Shanghai Minsheng Bank.

The lease rent was determined after arm's length negotiations between the parties to the Finance Lease Agreements by reference to the principal amounts under the Finance Lease Agreements, the prevailing market interest rate for (i) comparable finance leases; and (ii) alternative sources of financing arrangements available to the Company, including bank loans. The Group had consulted various PRC banks and had been quoted interest rates of up to approximately 40% above the one-year benchmark interest rates as announced by the PBOC in May and August 2015 respectively. The lease rent was determined after also having considered

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various characteristics of the relevant Machinery and Equipment, including without limitation the nature of the Machinery and Equipment, years of use, original purchase costs, historical prices and current condition.

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 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 Company is an exempted company incorporated in the Cayman Islands with limited liability on 27 July 2010 under the Companies Law (2010 Revision) of the Cayman Islands.

The Company is an investment holding company and the principal activities of the Group are the extraction and sale 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.

Shanghai Concords was introduced to the Company by China Minsheng Banking Corp., Ltd, an Independent Third Party and also the principal banker of the Company. The terms and conditions offered by Shanghai Concords under the Finance Lease Agreements were on a whole more attractive to the Company, as compared to the terms and conditions under existing bank borrowings or available alternative financing arrangements (including finance leases from other counterparts), taking into consideration interest rates and the required security package. Accordingly, having taken into account the factors as set out above, the Directors considered that the terms of the Finance Lease Agreements were favorable to the Company and its Shareholders as a whole.

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

LETTER FROM THE BOARD

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.

FINANCIAL IMPACT OF THE FINANCE LEASE AGREEMENTS AND INTENDED USE OF PROCEEDS

Upon completion of the transactions contemplated under the Finance Lease Agreements, it is expected that (i) the total assets of the Group will increase to reflect the sale proceeds of the Machinery and Equipment and there will be no financial impact on the fixed assets of the Group; and (ii) the total liabilities of the Group will increase to reflect the payment obligation of the Group under the Finance Lease Agreements. While the Company considers that there is no immediate material impact on the earnings of the Group as a result of the Finance Lease Agreements, the lease rents of RMB27,159,600 and a total handling fee and consultancy fee of approximately RMB10,419,000 will be charged to the income statement of the Group over the lease period. The Directors consider that the consideration received for the Machinery and Equipment will improve the liquidity of the Group.

The total net book value of the Machinery and Equipment as at 31 August 2015 was approximately RMB669,600,000. The consideration of RMB650,000,000 represents a deficit of approximately RMB19,600,000 to the net book value of the Machinery and Equipment as at 31 August 2015. It is expected that it will not have any material impact on the earnings of the Group.

Save as described above, it is not expected that there will be any material impact on the earnings and assets and liabilities of the Group as a result of Finance Lease Agreement.

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

GENERAL

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Finance Lease Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

Hong Kong, 29 September 2015

LETTER FROM THE BOARD

As at the date of this circular, 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.

1. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial information of the Group for the years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports of the Company (i) for the year ended 31 December 2012 published on 29 April 2013, on pages 43–88; (ii) for the year ended 31 December 2013 published on 30 April 2014, on pages 43–90; and (iii) for the year ended 31 December 2014 published on 27 April 2015, on pages 45–96, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.kineticme.com).

2. 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 Company since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

3. INDEBTEDNESS STATEMENT OF THE GROUP

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Bank Borrowings

As at the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of the circular, the Group had outstanding unsecured bank loans of approximately RMB500,000,000 which were guaranteed by the Company and Mr. Zhang Li.

Obligations under finance leases

As at 31 August 2015, the Group had obligations under finance leases repayable as follows:

	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within one year	650,000	684,974
Less: total future interest expenses		<u>(34,974)</u>
Present value of lease obligations		<u><u>650,000</u></u>

Contingent Liabilities

As at the Latest Practicable Date, none of the companies in the Group had material contingent liabilities.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 August 2015.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 August 2015 and up to the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

The directors of the Company are of the opinion that taking into account the available internal resources, cash flow generated from operations, undertakings from substantial shareholder and the existing banking facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Due to the slowdown in coal demand, inability to utilise excess capacity, mounting difficulties in controlling the total coal output and the drop in international energy prices, the coal market in the PRC is still in a critical position.

Coal consumption in the PRC coal market will gradually decrease due to the impact brought on by a slowdown in macroeconomic growth, energy structural adjustments and air pollution control. As a result of overcapacity, industry players are encountering greater difficulties with coal sales and prices are under immense downward pressure. Consequently, oversupply in the PRC coal market is hard to turn around in the near term and the downward price pressure will remain substantial.

From a demand perspective, the decline in the market demand of coal has become a new normal, thus coal prices may remain in a prolonged down cycle. At present, the market expects that major coal mines and large-scale coal enterprises will reduce their output as planned so that the balance of demand and supply of coal can be restored. Only until then is there a possibility of the coal market in the PRC recovering in the second half of 2015.

The entering into of the Financial Lease Agreements will provide the Group with additional working capital to support its business and operational activities.

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

(a) Directors' interests in the Company

At the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the 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 Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/Type of interest	Number of Shares	Approximate total percentage of shareholding
Mr. Zhang Li	Personal and family interests	476,932,000 ¹	5.66%
Mr. Zhang Liang, Johnson	Corporate interests	5,307,450,000	62.96%
Mr. Gu Jianhua	Personal interests	952,219	0.01%

Note 1: Madam Liao Dong Fen is the spouse of Mr. Zhang Li. Her long position in 2,800,000 Shares of the Company is deemed to be family interests of Mr. Zhang Li.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares and 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required

pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders

Other than the interests disclosed under the heading “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of substantial shareholder	Capacity/Type of Interest	Total number of Shares	Approximate percentage of shareholding
Mr. Zhang Li	Beneficial interests	476,932,000	5.66%
Mr. Zhang Liang, Johnson	Interest in a controlled corporation ¹	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests ¹	5,307,450,000	62.96%

Note 1: King Lok Holdings Limited is wholly-owned and controlled by Mr. Zhang Liang, Johnson and Mr. Zhang Liang, Johnson is therefore deemed to be interested in the Shares held by King Lok Holdings Limited.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

(c) Directors’ interests in assets and contracts of the Group

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

(d) Directors' service contracts

Each executive Director has entered into a service contract with the Company 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 Company.

Save as disclosed above, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(e) Competing interests

As at the Latest Practicable Date, Mr. Zhang Li, the Chairman and an Executive Director of the Company, had controlling equity interests in an entity which is engaged in the coal mining business. The entity has an untapped coal mine with an exploration area of 12.48 km² located in Guizhou Province, the PRC. Moreover, Mr. Zhang Li also had a 85% interest in an anthracite coal mine (Yangmei Longtai Coal Mine) in Guizhou Province, the PRC. Based on the information available to the Group, Yangmei Longtai Coal Mine is still in the process of obtaining a mining permit and construction has not yet commenced.

Save as disclosed above, none of the Directors or their close associate(s) has any interest in a business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

3. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular:

- (a) the Finance Lease Agreements.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any members of the Group.

5. GENERAL

- (a) The company secretary of the Company is Mr. Chan Kwok Wai Danny, a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (c) The headquarters of the Company is located at Dafanpu Coal Mine, Majiata Village, Xuejiawan Town, Zhunge'er Banner, Erdos City, Inner Mongolia, China.
- (d) The principal place of business of the Company in Hong Kong is located at Unit B, 20th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer of the Company is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Unit B, 20th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong from the date of this circular for a period of 14 days:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the service contract of each Director referred to under the paragraph headed "Disclosure of Interests — Directors' service contracts" in this appendix;
- (c) the Finance Lease Agreements;
- (d) the annual reports of the Company for each of the three years ended 31 December 2014; and
- (e) this circular.