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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 SUBSCRIPTION OF TRUST PRODUCTS

SUBSCRIPTION OF TRUST PRODUCT I

The Board announces that on 25 December 2020, Kinetic (Qinhuangdao), an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement I with Northern Trust to subscribe for the Trust Product I in the subscription amount of RMB250 million (equivalent to approximately HK\$297 million). The Group utilised its temporarily idle funds for the payment of the subscription amount under the Subscription Agreement I.

SUBSCRIPTION OF TRUST PRODUCT II

The Board announces that on 28 December 2020, Kinetic Coal, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement II with Beijing Trust to subscribe for the Trust Product II in the subscription amount of RMB150 million (equivalent to approximately HK\$178 million). The Group utilised its temporarily idle funds for the payment of the subscription amount under the Subscription Agreement II.

LISTING RULES IMPLICATION

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of each of the Subscription Agreement I and the Subscription Agreement II are more than 5% but less than 25%, the transaction contemplated under each of the Subscription Agreement I and the Subscription Agreement II constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION AGREEMENT I

The principal terms of the Subscription Agreement I are set out below.

- Date:** 25 December 2020
- Parties:** (i) Kinetic (Qinhuangdao), as the subscriber and beneficiary;
and
(ii) Northern Trust, as the trustee

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Northern Trust and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter: Pursuant to the Subscription Agreement I, Kinetic (Qinhuangdao) agreed to subscribe for the Trust Product I in the subscription amount of RMB250 million (equivalent to approximately HK\$297 million) for a term of one year commencing from the establishment date of the Trust Product I.

Subscription amount: RMB250 million (equivalent to approximately HK\$297 million)

Establishment date: 24 December 2020

Investment term: The investment term of the Trust Product I is one year commencing from its establishment date, which can be early terminated upon mutual consent between Northern Trust and Kinetic (Qinhuangdao).

Estimated return: Floating return

Characteristics of risk and return: The Trust Product I does not guarantee to capital protection and minimum return.

Custodian: Guangfa Bank

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Guangfa Bank and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Trust management fee: Daily trust management fee to be provided = trust principal amount under the Trust Product I on such day $\times 0.3\% \div 365$. If the investment term of the Trust Product I is less than one year, the trust management fee will be charged for a full year.

Custodian fee: Daily custodian fee to be provided = trust principal amount under the Trust Product I on such day $\times 0.01\% \div 365$.

Investment scope: The trust funds under the Trust Product I will be invested in money market instruments, fixed-income securities, trust industry protection funds and other investment products confirmed by Kinetic (Qinhuangdao) and Northern Trust in writing.

THE SUBSCRIPTION AGREEMENT II

The principal terms of the Subscription Agreement II are set out below.

Date: 28 December 2020

Parties: (i) Kinetic Coal, as the subscriber and beneficiary; and
(ii) Beijing Trust, as the trustee

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Beijing Trust and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter: Pursuant to the Subscription Agreement II, Kinetic Coal agreed to subscribe for the Trust Product II in the subscription amount of RMB150 million (equivalent to approximately HK\$178 million) for a term of one year commencing from the establishment date of the Trust Product II.

Subscription amount: RMB150 million (equivalent to approximately HK\$178 million)

Establishment date: 28 December 2020

Investment term: The investment term of the Trust Product II is one year commencing from its establishment date, which can be early terminated pursuant to the Subscription Agreement II.

Estimated return: Floating return

Characteristics of risk and return: The Trust Product II does not guarantee to capital protection and minimum return.

Custodian: Industrial Bank Chengdu Branch

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Industrial Bank Chengdu Branch and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Trust management fee: Daily trust management fee to be provided = trust principal amount under the Trust Product II on such day x 0.2%÷365. The trust management fee rate may be adjusted pursuant to the Subscription Agreement II. If the trust management fee as calculated according to the above formula does not exceed RMB500,000, the trust management fee to be payable by Kinetic Coal to Beijing Trust shall be RMB500,000.

Investment scope: The trust funds under the Trust Product II will be invested in standardized creditor's rights assets, bond reverse repurchase, cash, interbank deposits, call deposits, bank time deposits, agreement deposits, certificates of deposit, money market funds, trust industry protection funds, and other financial instruments or financial products permitted by regulatory authorities in compliance with laws and regulations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT I AND THE SUBSCRIPTION AGREEMENT II

The Group has been constantly looking for opportunities to enhance the Shareholders' value. In light of the current low interest rates on bank deposit, the Directors are of the view that the subscription of the Trust Product I and the Trust Product II is an ideal short-term investment opportunity for the Group as it allows the Group to utilise its surplus cash more efficiently and is in line with the investment policy of the Group. The terms and conditions of each of the Subscription Agreement I and the Subscription Agreement II are negotiated on an arm's length basis between both parties with reference to the normal prevailing commercial practice.

Taking into account that (i) the subscription of the Trust Product I and the Trust Product II would be funded from the Group's temporarily idle funds, which would not affect the working capital or daily operation of the Group; and (ii) the expected return to be generated from the Trust Product I and the Trust Product II would increase the Group's earnings, the Directors (including the independent non-executive Directors) consider that each of the Subscription Agreement I and the Subscription Agreement II is entered into on normal commercial terms, and the transaction contemplated under each of the Subscription Agreement I and the Subscription Agreement II is 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 respect of each of the Subscription Agreement I and the Subscription Agreement II are more than 5% but less than 25%, the transaction contemplated under each of the Subscription Agreement I and the Subscription Agreement II constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The Group is principally engaged in the extraction and sales of coal products.

Kinetic (Qinhuangdao) is principally engaged in the wholesale and retail of coal products.

Northern Trust is a licensed trust company established under the laws of the PRC and is principally engaged in the funds trust, movable property trust, immovable property trust, securities trust and other property or property right trust. To the best of the Directors' knowledge, Northern Trust is owned by various shareholders and is ultimately controlled by 天津市國有資產監督管理委員會 (Tianjin State-owned Assets Supervision and Administration Commission).

Guangfa Bank is a licensed bank established under the laws of the PRC and is principally engaged in the provision of banking and other financial services.

Kinetic Coal is principally engaged in the production, processing, washing and sale of coal.

Beijing Trust is a licensed trust company established under the laws of the PRC and is principally engaged in the funds trust, movable property trust, immovable property trust, securities trust and other property or property right trust. To the best of the Directors' knowledge, Beijing Trust is owned by various shareholders and is ultimately controlled by 北京市人民政府 (Beijing Municipal People's Government).

Industrial Bank Chengdu Branch is a branch of 興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a licensed bank established under the laws of the PRC and listed on the Shanghai Stock Exchange, and is principally engaged in the provision of banking and other financial services.

DEFINITIONS

“Beijing Trust”	北京國際信託有限公司 (Beijing International Trust Co., Ltd.), a company incorporated in the PRC with limited liability on 5 October 1984;
“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 person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guangfa Bank”	廣發銀行股份有限公司 (China Guangfa Bank Co., Ltd.), a licensed bank incorporated in the PRC with limited liability on 8 July 1988;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Industrial Bank Chengdu Branch”	興業銀行股份有限公司成都分行 (Chengdu Branch of Industrial Bank Co., Ltd.), a branch of 興業銀行股份有限公司 (Industrial Bank Co., Ltd.) established in the PRC on 23 April 2003;
“Kinetic Coal”	內蒙古准格爾旗力量煤業有限公司 (Inner Mongolia Zhunge'er Kinetic Coal Co., Ltd.), a company incorporated in the PRC with limited liability on 22 December 2006 and an indirect wholly-owned subsidiary of the Company;
“Kinetic (Qinhuangdao)”	力量(秦皇島)能源有限公司 (Kinetic (Qinhuangdao) Energy Co., Ltd.), a company incorporated in the PRC with limited liability on 4 August 2011 and an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Northern Trust”	北方國際信託股份有限公司 (Northern International Trust Co., Ltd.), a company incorporated in the PRC with limited liability on 13 October 1987;
“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;
“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;
“Subscription Agreement I”	the subscription agreement entered into between Kinetic (Qinhuangdao) and Northern Trust on 25 December 2020 in relation to the subscription of the Trust Product I;
“Subscription Agreement II”	the subscription agreement entered into between Kinetic Coal and Beijing Trust on 28 December 2020 in relation to the subscription of the Trust Product II;
“Trust Product I”	the trust product under 永航債券投資集合資金信託計劃 (Yonghang Bonds Investment Pooled Funds Trust Scheme) managed by Northern Trust;

“Trust Product II” the trust product under 北京信託合利穩健資本092號集合資金信託計劃 (Beijing Trust Heli Steady Capital No. 092 Pooled Funds Trust Scheme) managed by Beijing Trust;

“%” per cent.

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.186. Such translations should not be construed as a presentation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

Hong Kong, 28 December 2020

As at the date of this announcement, the Board comprises seven directors, of whom three are executive directors, namely Mr. Zhang Li (Chairman), Mr. Zhang Liang, Johnson and Mr. Ju Wenzhong (Chief Executive Officer); one is a non-executive director, namely Ms. Zhang Lin and three are independent non-executive directors, namely Ms. Liu Peilian, Mr. Zheng Ercheng and Ms. Xue Hui.