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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)

CONNECTED TRANSACTION LOAN AGREEMENT

ENTERING INTO THE LOAN AGREEMENT

The Board announces that on 13 December 2019, Kinetic (Qinhuangdao), an indirect wholly-owned subsidiary of the Company, and Guizhou Liliang entered into the Loan Agreement, pursuant to which the Lender agreed to provide a loan to the Borrower in the principal amount of RMB50 million (equivalent to approximately HK\$55 million) for a term of 2 years commencing from the Interest Calculation Date.

LISTING RULES IMPLICATION

As of the date of this announcement, the Borrower is indirectly held as to 100% by Mr. Zhang, an executive Director, the chairman and substantial shareholder of the Company. Therefore, the Borrower is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Connected Transaction are more than 0.1% but less than 5%, the Connected Transaction is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below.

- Date:** 13 December 2019
- Parties:** (i) Kinetic (Qinhuangdao), as the Lender;
(ii) Guizhou Liliang, as the Borrower
- Subject matter:** Pursuant to the Loan Agreement, the Lender agreed to provide a loan to the Borrower in the principal amount of RMB50 million (equivalent to approximately HK\$55 million) for a term of 2 years commencing from the Interest Calculation Date.
- Principal amount:** RMB50 million (equivalent to approximately HK\$55 million)
- Term of the Loan:** 2 years commencing from the Interest Calculation Date
- Interest:** The Loan shall bear interest from and including the Interest Calculation Date at 2% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. The interest shall be paid once annually.
- Purpose:** The Loan shall be used by the Borrower for operation needs, repayment of borrowings and replenishment of working capital.
- Repayment:** The principal amount of the Loan together with all the outstanding interest accrued thereon shall be repayable in full by the Borrower to the Lender upon expiration of the term of the Loan.
- During the term of the Loan, the Borrower may prepay the Loan provided that the Borrower shall notify the Lender ten (10) business days in advance.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The terms and conditions of the Loan Agreement (including the interest rate) are negotiated on an arm's length basis between the Lender and Borrower with reference to the normal prevailing commercial practice. The Directors (including the independent non-executive Directors) consider that the Loan Agreement is entered into on normal commercial terms. Taking into account that (i) the Loan 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 Loan would increase the Group's earnings, the Directors (including the independent non-executive Directors) believe the transaction under the Loan Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole. Furthermore, entering into the Loan Agreement facilitates the Group and the Borrower to seek further business cooperation opportunities in the future if and when appropriate.

LISTING RULES IMPLICATIONS

As of the date of this announcement, the Borrower is indirectly held as to 100% by Mr. Zhang, an executive Director, the chairman and substantial shareholder of the Company. Therefore, the Borrower is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Connected Transaction are more than 0.1% but less than 5%, the Connected Transaction is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhang, Mr. Johnson Zhang and Ms. Zhang are interested in the Connected Transaction, they have abstained from voting on the relevant resolution of the Board approving the Loan Agreement.

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.

Guizhou Liliang is indirectly held as to 100% by Mr. Zhang and is principally engaged in the investment of mine products.

DEFINITIONS

“Board”	the board of Directors;
“Borrower” or “Guizhou Liliang”	貴州力量能源有限公司 (Guizhou Liliang Energy Co., Ltd.), a company incorporated in the PRC with limited liability on 27 September 2011;
“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;
“Connected Transaction”	the connected transaction contemplated under the Loan Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Interest Calculation Date”	the date when the Loan is remitted to the bank account of the Borrower by the Lender;
“Kinetic (Qinhuangdao)” or “Lender”	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;
“Loan”	a loan of RMB50 million (equivalent to approximately HK\$55 million) granted by the Lender to the Borrower pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between Kinetic (Qinhuangdao) and Guizhou Liliang on 13 December 2019, pursuant to which, the Lender agreed to provide a loan to the Borrower in the principal amount of RMB50 million (equivalent to approximately HK\$55 million) for a term of 2 years commencing from the Interest Calculation Date;
“Mr. Johnson Zhang”	Mr. Zhang Liang, Johnson, an executive Director and the substantial shareholder of the Company, he is the son of Mr. Zhang and the nephew of Ms. Zhang;
“Mr. Zhang”	Mr. Zhang Li, an executive Director and the chairman of the Company;
“Ms. Zhang”	Ms. Zhang Lin, a non-executive Director of the Company, she is the sister of Mr. Zhang and the aunt of Mr. Johnson Zhang;
“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;
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules;
“%”	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\$1.11. 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, 13 December 2019

As at the date of this announcement, the Board comprises seven directors, of whom three are executive directors, namely Mr. Zhang Li (Chairman), Mr. Gu Jianhua (Chief Executive Officer) and Mr. Johnson Zhang; 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.