

*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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2021</b>	<b>2020</b>	
	<i>RMB' million</i>	<i>RMB' million</i>	
<b>Revenue</b>	<b>2,285.8</b>	1,297.0	+76.2%
<b>Gross profit</b>	<b>1,295.2</b>	510.7	+153.6%
<b>Gross profit margin</b>	<b>56.7%</b>	39.4%	+17.3p.p.
<b>Profit attributable to equity shareholders of the Company</b>	<b>922.3</b>	348.7	+164.5%
<b>Net profit margin</b>	<b>40.3%</b>	26.9%	+13.4p.p.
<b>Earnings per share</b>			
— <b>Basic and Diluted</b>	<b>10.94 RMB cents</b>	4.14 RMB cents	
<b>Interim dividend per share</b>	<b>5.5 HK cents</b>	1.5 HK cents	

The board of directors (the “Board”) of Kinetic Mines and Energy Limited (the “Company”) announces the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period ended 30 June 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021 – unaudited*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	4	<b>2,285,840</b>	1,297,041
Cost of sales		<u>(990,608)</u>	<u>(786,356)</u>
<b>Gross profit</b>		<b>1,295,232</b>	510,685
Other incomes and losses, net	5	<b>62,972</b>	50,511
Selling expenses		<b>(4,541)</b>	(4,425)
Administrative expenses		<u>(80,147)</u>	<u>(74,746)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>1,273,516</b>	482,025
Share of profits of an associate		<b>14,344</b>	11,572
Finance costs	7	<u>(3,829)</u>	<u>(8,190)</u>
<b>PROFIT BEFORE TAXATION</b>	6	<b>1,284,031</b>	485,407
Income tax expense	8	<u>(361,699)</u>	<u>(136,743)</u>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<u><b>922,332</b></u>	<u>348,664</u>
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of operations outside Mainland China		<u><b>4,515</b></u>	<u>(15,395)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>926,847</b></u>	<u>333,269</u>
Attributable to:			
Equity shareholders of the Company		<u><b>926,847</b></u>	<u>333,269</u>
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	9	<u><b>10.94</b></u>	<u>4.14</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 – unaudited

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,193,957	1,219,320
Right-of-use assets	11	21,893	19,778
Intangible assets	12	553,319	568,634
Interest in an associate		79,631	86,154
Deferred tax assets		175	2,581
Other non-current assets		100,308	68,145
		<hr/>	<hr/>
Total non-current assets		1,949,283	1,964,612
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	13	404,030	465,787
Inventories	14	55,327	73,027
Trade and other receivables	15	172,722	108,681
Time, pledged and restricted deposits	16	1,612,966	57,003
Cash at bank	16	522,531	877,745
Current portion of other non-current assets		107,000	125,795
		<hr/>	<hr/>
Total current assets		2,874,576	1,708,038
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	279,714	263,953
Contract liabilities		419,245	139,224
Bank loans	18	280,577	210,410
Income tax payable		363,077	241,063
		<hr/>	<hr/>
Total current liabilities		1,342,613	854,650
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>NET CURRENT ASSETS</b>		<b>1,531,963</b>	<b>853,388</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,481,246</b>	<b>2,818,000</b>
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		762	–
Provision for reclamation costs		5,169	4,899
Long-term payables		25,696	25,001
Deferred tax liabilities		43,629	28,380
		<hr/>	<hr/>
Total non-current liabilities		75,256	58,280
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net assets</b>		<b>3,405,990</b>	<b>2,759,720</b>
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>EQUITY</b>			
Share capital		54,293	54,293
Reserves		3,351,697	2,705,427
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,405,990</b>	<b>2,759,720</b>
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

# NOTES TO THE FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2021*

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 July 2010 under the Companies Law of the Cayman Islands (as revised from time to time). The Company's registered office address is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the extraction and sale of coal products. There has been no significant change in the Group's principal activities during the period.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is King Lok Holdings Limited, which was incorporated in the British Virgin Islands with limited liability.

## 2.1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 19 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on those financial statements in the report dated 22 March 2021.

## 2.2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

Other than the amendment to HKFRS 16, the Group has not applied amendments that is not yet effective for the current accounting period. The adoption of these amendments does not have any material impact on the financial position and financial results of the Group.

## 3. OPERATING SEGMENT INFORMATION

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group’s activities are considered to be primarily dependent on the performance of the extraction and sales of coal products. Therefore, the Group’s management considers that there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented for the period.

No geographic information is shown as the Group’s operating results is entirely derived from its business activities in the People’s Republic of China (the “PRC”).

#### 4. REVENUE

The principal activities of the Group are the extraction and sale of coal products. Revenue represents the sales value of goods supplied to customers, excluding value added taxes or any trade discounts.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>		
Sale of coal products	<b>2,285,840</b>	1,297,041

#### 5. OTHER INCOMES AND LOSSES, NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	57,345	25,531
Foreign exchange differences, net	(2,809)	6,414
Interest income	7,606	22,414
Others	830	(3,848)
	<b>62,972</b>	50,511

#### 6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of sales		
– Transportation and storage costs	623,217	526,973
– Cost of inventories sold	367,391	259,383
	<b>990,608</b>	786,356
Depreciation	45,897	43,510
Amortisation of intangible assets	15,315	13,365
Amortisation of right-of-use assets	231	218
Staff costs:		
Salaries, wages, bonuses and benefits	126,195	106,090
Contribution to defined contribution plans	4,414	860
	<b>130,609</b>	106,950

Cost of inventories sold for the six months ended 30 June 2021 included RMB124,968,000 (six months ended 30 June 2020: RMB102,962,000) relating to staff costs, depreciation and amortisation, which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

## 7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expenses	2,324	6,054
Unwinding of discount	1,505	2,136
	<u>3,829</u>	<u>8,190</u>

## 8. INCOME TAX EXPENSE

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax – Mainland China	344,044	133,873
Deferred income tax		
Origination of temporary differences	17,655	2,870
<b>Total tax expense for the period</b>	<b><u>361,699</u></b>	<b><u>136,743</u></b>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and its subsidiary, Blue Gems Worldwide Limited are not subject to any income tax in the Cayman Islands and BVI respectively.
- (b) PRC corporate income tax was provided at a rate of 25% (2020: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.
- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. During the period, the Group provided for and paid withholding tax subject to a tax rate of 10%.

## 9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit for the period of RMB922,332,000 and the 8,430,000,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit for the period of RMB348,664,000 and the 8,430,000,000 shares in issue during the period.

There were no dilutive potential ordinary shares during the six-month periods ended 30 June 2021 and 2020, and therefore, diluted earnings per share is the same as the basic earnings per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2021	1,219,320
Additions	20,534
Depreciation	<u>(45,897)</u>
At 30 June 2021	<u>1,193,957</u>

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB285,047,000 (31 December 2020: RMB288,248,000) as at 30 June 2021. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

## 11. RIGHT-OF-USE ASSETS

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2021	19,778
Additions	2,346
Amortisation during the period	<u>(231)</u>
At 30 June 2021	<u>21,893</u>

## 12. INTANGIBLE ASSETS

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2021	568,634
Amortised during the period	<u>(15,315)</u>
At 30 June 2021	<u>553,319</u>



### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Trust wealth management investments	<b>404,030</b>	465,787

On 25 December 2020, the Group entered into a subscription agreement with Northern International Trust Co., Ltd. (“Northern Trust”) to subscribe a trust wealth management investment amounting to RMB252,530,000 for a period of 1 year, which is redeemable on demand. Northern Trust’s investment portfolio is on money market instruments, fixed-income securities and other investment products.

On 28 December 2020, the Group entered into a subscription agreement with Beijing International Trust Co., Ltd. (“Beijing Trust”) to subscribe a trust wealth management investment amounting to RMB151,500,000 for a period of 10 years, which is redeemable on demand. Beijing Trust’s investment portfolio is mainly on standardized creditor’s rights assets and deposits.

On 30 December 2020, the Group entered into a subscription agreement with Guangdong Yuecai Trust Co., Ltd. (“Guangdong Trust”) to subscribe a trust wealth management investment amounting to RMB61,757,000, which is redeemable on demand. Guangdong Trust’s portfolio is mainly on creditor instruments and bank deposits. In February 2021, the investment has been fully redeemed.

### 14. INVENTORIES

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Coal products	<b>5,003</b>	18,276
Raw materials, accessories and chemicals	<b>50,324</b>	54,751
	<b>55,327</b>	73,027

During the six months ended 30 June 2021, there were no write down of inventories.

### 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Trade debtors	<b>8,862</b>	4,151
Other receivables	<b>62,120</b>	42,302
Prepayments and deposits	<b>101,740</b>	62,228
	<b>172,722</b>	108,681

As at the end of the reporting period, the aging analysis of trade debtors, based on the invoice date and net of provisions is as follows:

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Within 6 months	<b>8,862</b>	4,151

Trade debtors are generally due within 30 to 90 days from the date of billing.

The allowances for trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the directors of the Company are of opinion that the amount of expected credit losses is minimal, no loss allowance for trade and other receivables recognised as at 30 June 2021 under HKFRS 9.

#### 16. CASH AT BANK AND TIME, PLEDGED AND RESTRICTED DEPOSITS

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Cash and bank balances	<b>522,531</b>	877,745
Restricted deposits	<b>33,064</b>	4,400
Pledged deposits	<b>98,202</b>	52,603
Time deposits	<b>1,481,700</b>	–
	<b>2,135,497</b>	934,748
Less:		
Pledged for bank loans	<b>98,202</b>	52,603
Restricted deposits	<b>33,064</b>	4,400
Time deposits	<b>1,481,700</b>	–
Cash and cash equivalents	<b>522,531</b>	877,745

As at 30 June 2021, the Group's bank balances of approximately RMB33,064,000 (31 December 2020: nil) were deposited with reputable banks with no recent history of default as a mine environment restoration guarantee fund pursuant to the related government regulations.

As at 30 June 2021, the Group's bank balances of RMB98,202,000 (31 December 2020: RMB52,603,000) were deposited as guarantee fund for the Group to obtain bank loan of RMB280,577,000 (31 December 2020: RMB210,410,000).

## 17. TRADE AND OTHER PAYABLES

		<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
	<i>Notes</i>		
Payables for material and construction	<i>(a)</i>	<b>97,476</b>	83,996
Other payables and accruals	<i>(b)</i>	<b>174,683</b>	171,901
Amounts due to related parties		<b>7,555</b>	8,056
		<b>279,714</b>	<b>263,953</b>

*Notes:*

- (a) Payables for material and construction are non-interest-bearing.

An aging analysis of the payables for material and construction as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Within 1 year	<b>62,773</b>	38,929
1 to 2 years	<b>12,239</b>	23,060
Over 2 years	<b>22,464</b>	22,007
	<b>97,476</b>	<b>83,996</b>

- (b) Other payables and accruals are non-interest-bearing, which are expected to be settled within one year or repayable on demand.

## 18. BANK LOANS

As at 30 June 2021 and 31 December 2020, the Group's bank loans were repayable within 1 year.

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Current:		
Bank loans – secured	<b>280,577</b>	210,410

As at 30 June 2021, the Group's bank loans amounting to RMB280,577,000 are secured by the Group's pledged deposits amounting to RMB98,202,000 (As at 31 December 2020, the Group's bank loans amounting to RMB210,410,000 are secured by the Group's pledged deposits amounting to RMB52,603,000).

As at 30 June 2021, Mr. Zhang Li and Mr. Zhang Liang, Johnson have guaranteed the Group's bank loans amounting to RMB280,577,000 (31 December 2020: RMB210,410,000).

## **19. DIVIDENDS**

The Board of Directors proposed an interim dividend of 5.5 HK cents per share, payable to shareholders of the Company on or before 29 October 2021. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately HKD463,650,000 (six months ended 30 June 2020: HKD126,450,000).

## **20. IMPACT OF COVID-19 PANDEMIC**

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place responsive measures. These responsive measures include safeguarding production to ensure the coal market supply in accordance with the arrangement of government authorities while maintaining strict disease monitoring and control and safety production measures, negotiating with customers on delivery schedule, and continuously monitoring the operations of our customers. As far as the Group's businesses are concerned, the COVID-19 pandemic did not have material negative impact on the Group's operation, the Group will keep its responsive measures under review as the situation evolves.

## **21. EVENTS AFTER REPORTING PERIOD**

After the end of the reporting period, the Board of Directors proposed an interim dividend, further details are disclosed in Note 19. Save as above, the Group had no significant non-adjusting events subsequent to 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

#### Market Review

In the first half of 2021, while the global economy progressively recovered as the pandemic situation gradually improved, it also faced tremendous challenges under the impact of uncertainties such as rising inflation and escalation of political and economic tensions. Confronting complex and fast-changing domestic and international environments, the PRC government continued to consolidate and expand the pandemic prevention and control measures as well as the economic outcomes of social development, and implemented macro-economic policies accurately. The economy achieved solid and stable development with an upward trend, while major economic indicators sustained strong growth. According to the data from the National Bureau of Statistics of China (“NBSC”), the gross domestic product of the PRC reached approximately RMB53.2 trillion in the first half of 2021, representing a year-on-year increase of approximately 12.7% and an average two-year increase of approximately 5.3%. Sizable nationwide industrial enterprises achieved operating income of approximately RMB59.3 trillion, representing a year-on-year increase of approximately 27.9% and an average two-year increase of approximately 20.6%. Sizable nationwide industrial enterprises achieved a total profit of approximately RMB4.2 trillion, up approximately 66.9% year-on-year.

In the first half of 2021, affected by factors such as the constraints on supply caused by safety supervision and environmental protection policies, the disappearance of the economic value of imported coal and the strong demand for electricity during the economic recovery period, domestic coal supply and demand continued to mismatch, whereas supply shortage continued. On the supply side, the total national coal supply was relatively stable in the first half of the year, with apparent contraction in coal imports. According to the data from the NBSC, the raw coal output of China’s sizable nationwide industrial enterprises amounted to approximately 1.95 billion tonnes in the first half of 2021, with a year-on-year increase of approximately 6.4% and an average two-year growth of approximately 3.5%. China imported approximately 140 million tonnes of coal during the same period, with a year-on-year decrease of approximately 19.7%. During the same period, the demand side showed a buoyant and upward trend in general amid continuous domestic economic recovery and sustained a rapid growth in the demand for downstream electricity production. According to data from the NBSC, the nationwide power generation in the first half of the year was approximately 3,871.7 billion kWh, with a year-on-year increase of approximately 13.7% and an average two-year growth of approximately 5.9%.

In the first half of 2021, coal prices demonstrated an overall N-shape trend, with the average price shifting significantly upward as compared to the previous year, reaching a high height in the recent 10 years. The high coal prices drove the industry’s overall growth in performance in the first half of the year. According to the data released by the NBSC, the principal business income of large-scale enterprises from the coal mining and coal washing industries in China amounted to approximately RMB1,215.95 billion in the first half of 2021, which was up approximately 30.9% year-on-year; while the total profit amounted to approximately RMB206.88 billion, which was up approximately 113.8% year-on-year.

In conclusion, due to the mismatch between coal supply and demand in the first half of 2021, coal prices continued to hike, leading to a doubled profit in the coal industry in general and an optimistic industry sentiment.

## **Business Review**

As a leading integrated coal enterprise in China, the Group's business activities operate through the whole coal industry chain, covering coal production, washing, loading, transportation and trading.

During the reporting period, the Group kept abreast of the trend in the coal market with scientific approach and continued to boost development of end customers by using its own low-sulphur, high-quality brand products "Kinetic 2". Through a combination of approaches such as Free on Board, Delivered Ex Quay and local sales, the downstream influence of the Group's brand "Kinetic 2" was effectively extended. In addition to self-produced coal, the Group also further improved its railway transportation capacity and optimized its product structure through its purchased coal business. In the first half of the year, the Group exceeded its target in sales volume and revenue. For the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB2,285.8 million, representing an increase of approximately 76.2% as compared with the same period last year.

During the reporting period, coal prices remained high amid fluctuations. The Group made stringent evaluation of coal prices, and secured mid-to-long term sales profit by a combination of spot sales at port and presales at high coal prices to avoid market risks effectively. In May of this year, the Group established the sales risk control team, responsible for formulating risk control plans and safeguarding the Group's business operation in the fast-changing market environment. In the first half of the year, the average selling price of the Group's 5,000 Kcal low-sulphur eco thermal coal per tonne amounted to approximately RMB664, representing an increase of approximately 38.6% year-on-year.

During the reporting period, the Group continued to implement refined management, formulated and optimized the systems in various operational aspects, and strived to control various management expenses and costs. For the six months ended 30 June 2021, the Group achieved a gross profit margin of approximately 56.7%, maintaining an above average standard in the industry.

Combining the above business strategies, the Group's business was able to achieve a breakthrough in the first half of the year, bringing considerable profit for the shareholders. For the six months ended 30 June 2021, the Group achieved a consolidated net profit of approximately RMB922.3 million, up approximately 164.5% year-on-year. The Group's EBITDA reached approximately RMB1,349.3 million, up approximately 145.0% year-on-year.

Furthermore, the Group has always been adhering to safe and efficient production. During the period, the coal mine integrated automation platform was put into operation and no accident involving personal injury occurred. The Group's Dafanpu Coal Mine in Inner Mongolia maintained the highest accolades of "Class A Coal Mine", "National Class 1 Safe Production Standardized Mine" and "National Premium Safe and Efficient Mine" for six consecutive years. The Group has been highly recognized by the public for its unsparing contributions to social responsibilities and environmental policies. In July of this year, the Group's Dafanpu Coal Mine successfully passed the acceptance of the green mines list in China, which fully reflected the Group's comprehensive ability in the mining industry in terms of sustainable development.

## **Future Prospects**

Looking forward to the second half of 2021, the development of the pandemic remains as the most major uncertainty, which, coupled with the increasing geo-political risks, is expected to disturb the recovery of the global economy. The World Economic Outlook Report released by the International Monetary Fund in April 2021 predicted that the global economy will increase by 6% in 2021, but the path of recovery will be differentiated and involve significant uncertainty. The PRC government is expected to maintain healthy and sound macroeconomic policies, continue its support for the real economy and stimulate domestic driving force, with a view to attaining a stable recovery of the domestic economy.

In terms of the coal market, supply is anticipated to catch up gradually under the supply guarantee policy, but the shortage of supply is not expected to change overnight. Underpinned by the increasing demand for coal upon domestic economic recovery, the coal industry is expected to sustain a boom. In addition, it is expected that safety and environmental protection will remain a stern focus for coal mines, which highlights quality development in the industry. Under this background, the position of high-quality coal companies in the industry is expected to be further enhanced under the influence of favourable factors such as increase in output and effective cost control, and the high coal prices will drive the rapid growth of their annual performance.

Looking forward to the second half of 2021, the Group will continue to adhere to its development philosophy of dual emphasis on safety and efficiency, further implement refined operation strategy and maintain and develop diversified sales models in light of market trends with the competitive advantages of its high-standard and high-quality products. The Group will also flexibly adjust the pace and strategy of sales, so as to effectively enhance the Group's operating efficiency. Meanwhile, the Group will pursue strategic mergers and acquisitions as the opportunities arise, strive for breakthroughs and create greater value for the society and shareholders. The Group will also adhere to its environmental and social responsibilities to make contributions to the sustainable development of the coal industry.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group increased from approximately RMB1,297.0 million for the six months ended 30 June 2020 to approximately RMB2,285.8 million for the six months ended 30 June 2021, representing an increase of approximately 76.2% as compared with the corresponding period last year.

The increase in the Group's revenue was mainly due to the increase in both the Group's sales volume and selling price of the coal. The Group's sales volume of coal for the six months ended 30 June 2021 increased by approximately 23.7% as compared with the corresponding period last year, and the average selling price of the Group's 5,000 kcal coal products increased by approximately 38.6% for the six months ended 30 June 2021 as compared with the same period last year.

### **Cost of sales**

For the six months ended 30 June 2021, the Group incurred cost of sales of approximately RMB990.6 million as compared to the Group's cost of sales of approximately RMB786.4 million for the six months ended 30 June 2020. The cost of sales of the Group mainly comprised transportation costs, salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation and surcharges of mining operations. The increase in the Group's cost of sales was mainly attributable to the increase in sales volume.

### **Gross profit and gross profit margin**

For the six months ended 30 June 2021, the Group recorded a gross profit of approximately RMB1,295.2 million and a gross profit margin of approximately 56.7% as compared to the gross profit of approximately RMB510.7 million and the gross profit margin of approximately 39.4% for the six months ended 30 June 2020.

The increase in Group's gross profit margin for the six months ended 30 June 2021 was mainly attributable to the increase in the average selling price of the Group's coal products over the same period last year.

### **Selling expenses**

The selling expenses of the Group was approximately RMB4.5 million for the six months ended 30 June 2021 and it increased by approximately 2.6% as compared with the same period in 2020. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses.

### **Administrative expenses**

The Group's administrative expenses increased from approximately RMB74.7 million for the six months ended 30 June 2020 to approximately RMB80.1 million for the six months ended 30 June 2021. The increase in the Group's administrative expenses was mainly attributable to the increase in staff cost during the reporting period. The Group's administrative expenses mainly comprised salaries and related personnel expenses of the administrative, finance and human resources departments, consultancy fees and other incidental administrative expenses.



## Finance costs

The Group's finance costs decreased from approximately RMB8.2 million for the six months ended 30 June 2020 to approximately RMB3.8 million for the six months ended 30 June 2021. The decrease in the Group's finance costs was mainly attributable to decrease in average borrowing balance and decrease in interest rate during the period.

## Income tax

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax – Mainland China	344,044	133,873
Deferred income tax		
Origination of temporary differences	17,655	2,870
Total tax expense for the period	<u>361,699</u>	<u>136,743</u>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary, Blue Gems Worldwide Limited are not subject to any income tax in the Cayman Islands and BVI respectively.
- (b) PRC corporate income tax was provided at a rate of 25% (2020: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which were prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.
- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. During the period, the Group provided for and paid withholding tax subject to a tax rate of 10%.

## Profit for the period

As a result of the foregoing, the Group recorded a consolidated net profit of approximately RMB922.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: consolidated net profit approximately RMB348.7 million).

## Interim Dividends

The Board proposed an interim dividend of 5.5 HK cents per share, payable to the shareholders of the Company on or before 29 October 2021. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately HKD463,650,000 (six months ended 30 June 2020: HKD126,450,000).

## OTHER FINANCIAL INFORMATION

### Liquidity and Financial Resources

For the six months ended 30 June 2021, the Group's cash at bank was mainly used for the development of the Group's Dafanpu Coal Mine, as well as repaying the debts of the Group and funding the Group's working capital. The Group financed its funding requirements mainly through a combination of interest-bearing bank loans and cash generated from operating activities. The Group's gearing ratio was approximately  $-7.6\%$  as at 30 June 2021 as compared to the Group's gearing ratio of approximately  $-31.9\%$  as at 31 December 2020. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank. Capital is equivalent to the total equity.

As at 30 June 2021, the Group's cash at bank, amounting to approximately RMB522.5 million, were denominated in Renminbi (96.7%) and Hong Kong dollars (3.3%).

As at 30 June 2021 and 31 December 2020, the Group's bank loans were repayable within one year. The Group's secured bank loans were as follows:

	<b>30 June 2021</b>	31 December 2020
	<b>RMB'000</b>	RMB'000
Bank loan repayable:		
Within one year or on demand	<b>280,577</b>	210,410

As at 30 June 2021, the Group's bank loans amounting to approximately RMB280,577,000 are secured by the Group's pledged deposits amounting to RMB98,202,000 (As at 31 December 2020, the Group's bank loans amounting to approximately RMB210,410,000 are secured by the Group's pledged deposits amounting to approximately RMB52,603,000).

As at 30 June 2021, Mr. Zhang Li and Mr. Zhang Liang, Johnson have guaranteed the Group's bank loans amounting to approximately RMB280,577,000 (31 December 2020: approximately RMB210,410,000).

### Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB20.5 million for the six months ended 30 June 2021, which was mainly used for the purchase of machinery and equipment of the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2021 amounted to approximately RMB6.8 million which will be mainly used in the purchase of machinery and equipment of the Dafanpu Coal Mine.

## **Other commitment**

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, management of the Group have been liaising with those affected households for relocation request and provide monetary compensation. As of 30 June 2021, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB20,713,000 and corresponding payments are still in negotiation.

## **Events after the Reporting Period**

After the end of the reporting period, the Board of Directors proposed an interim dividend, further details are disclosed in Note 19 to the financial information extracted from unaudited interim financial report. Save as above, the Group had no significant non-adjusting events subsequent to 30 June 2021.

## **Financial Risk Management**

### *(a) Interest Rate Risk*

The Group's interest rate risk arises primarily from the bank loan with a floating interest rate. The bank loan with a floating interest rate exposes the Group to cash flow interest rate risk and borrowings issued at fixed rates exposes the Group to fair value interest rate risk. The Group did not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group did not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the end of the reporting period would affect profit or loss. The Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

### *(b) Foreign Currency Risk*

The Company and its subsidiaries now comprising the Group are not exposed to significant foreign currency risk since their transactions and balances are principally denominated in their respective functional currencies. The Group did not enter into any financial instruments to hedge against foreign currency risk for the six months ended 30 June 2021.

### *(c) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure the Group has sufficient cash to support its business and operational activities.

## **Human Resources and Emolument Policy**

As at 30 June 2021, the Group had a total of approximately 823 full-time employees in the Mainland China and Hong Kong, China. For the six months ended 30 June 2021, the total staff costs, including the directors' emoluments, amounted to RMB130.6 million.

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China and Hong Kong, China. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options. Appropriate training programs are also provided to employees by the Group in order to ensure continuous training and development of employees.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Code**

As the Company believes that good corporate governance is essential to the shareholders of the Company, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the shareholders of the Company as a whole.

The Board is of the view that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the six months ended 30 June 2021.

#### **Directors' and Relevant Employees' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions.

All the directors of the Company have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 June 2021.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees was identified by the Company.

## **Audit Committee**

The audit committee of the Company comprises two independent non-executive directors, namely Ms. Liu Peilian and Mr. Zheng Ercheng and one non-executive director, Ms. Zhang Lin. Ms. Liu Peilian is the chairman of the Audit Committee, who possesses the appropriate professional qualification on accounting or related financial management expertise. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal control system. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website at <http://www.kineticme.com>. The interim report for 2021 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

19 August 2021

*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. 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 Mr. Zheng Ercheng, Ms. Liu Peilian and Ms. Xue Hui.*