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)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by 147.4% to RMB737.5 million.
- Gross profit margin increased to 40.3%.
- Net profit amounted to RMB185.1 million.
- EBITDA reached RMB345.8 million.
- Net debt reduced to RMB798.2 million.
- Gearing ratio decreased to 43.9%.
- Basic earnings per share amounted to RMB 0.022.
- An interim dividend proposed at HK$0.01 per share.

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 2017, together with the comparative figures for the corresponding period ended 30 June 2016 as follows:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**737,529**	298,113
Cost of sales		**(440,255)**	(278,986)
Gross profit		**297,274**	19,127
Other income and gains	*5*	**14,299**	2,113
Selling expenses		**(3,673)**	(3,503)
Administrative expenses		**(44,085)**	(39,634)
Operating profit/(loss)		**263,815**	(21,897)
Share of profit/(loss) of an associate		**4,741**	(365)
Finance costs	*7*	**(26,503)**	(33,547)
Profit/(Loss) before tax	*6*	**242,053**	(55,809)
Income tax (expenses)/credit	*8*	**(56,962)**	11,222
Profit/(Loss) for the period		**185,091**	(44,587)
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of operations outside the PRC		**1,438**	172
Total comprehensive income/(loss) for the period		**186,529**	(44,415)
Basic and diluted earnings/(loss) per share (RMB)	*9*	**0.022**	0.0053
Interim dividend per share (HKD)	*18*	**0.01**	–

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017 — unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	10	**1,198,906**	1,232,019
Land lease prepayments	11	**21,311**	20,844
Intangible assets	12	**658,866**	667,092
Interest in an associate		**59,957**	55,216
Deferred tax assets		**24,323**	33,371
		1,963,363	2,008,542
Current assets			
Inventories	13	**72,464**	50,712
Trade and other receivables	14	**60,309**	50,339
Pledged deposits	15	**155,101**	25,101
Cash and cash equivalents		**115,303**	85,742
		403,177	211,894
Current liabilities			
Trade and other payables	16	**237,064**	201,795
Bank loans	17	**560,000**	579,540
Income tax payable		**41,787**	23,070
		838,851	804,405
Net current liabilities		**435,674**	592,511
Total assets less current liabilities		**1,527,689**	1,416,031
Non-current liabilities			
Accrual for reclamation costs		**2,314**	2,247
Bank loans	17	**503,549**	429,993
Net assets		**1,021,826**	983,791
Equity			
Share capital		**54,293**	54,293
Reserves		**967,533**	929,498
Total equity		**1,021,826**	983,791

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

1 CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 July 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is Clifton House, 75 Fort Street, 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 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have 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* ("Listing Rules"), including compliance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34").

The preparation of an interim financial statements 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 statements 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 Kinetic Mines and Energy Limited (the "Company") and its subsidiaries (the "Group") since the 2016 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

As at 30 June 2017, the Group had net current liabilities balance of RMB435,674,000 (unaudited) (31 December 2016: RMB592,511,000). The Group's ability to repay its debts when they fall due heavily relies on its future operating cashflows and its ability to renew the bank loans.

In view of the above, the directors of the Company have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group in the foreseeable future from the end of the current reporting period; (ii) the revolving bank facilities of RMB700,000,000 which will not expire until November 2017; and (iii) an undertaking of Mr. Zhang Li, a shareholder and director of the Company, to provide financial support to the Group and to provide personal guarantees for any new loan facilities when necessary. Together with the fact that part of the bank loans are secured by pledge of the Group's assets, the directors of the Company consider that it is highly probable that the bank loans can be renewed in the next twelve months.

On the basis of the above considerations, the directors of the Company believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

3 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new and revised standards effective as of 1 January 2017, noted below.

Amendments to HKFRS 10 and HKFRS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to a number of HKFRSs*

The adoption of these new and revised HKFRSs did not have any significant effect on the financial position or performance of the Group.

4 SEGMENT REPORTING

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 sale 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").

5 REVENUE, OTHER INCOME AND GAINS

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, other sales taxes or any trade discounts.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of coal products	**737,529**	298,113
Other income and gains		
Government grants	**13,189**	2,098
Others	**1,110**	15
	14,299	2,113

6 PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories	**171,228**	89,614
Depreciation	**68,851**	52,329
Amortisation of intangible assets	**8,226**	5,408
Amortisation of land lease prepayments	**216**	141
Operating lease charges	**708**	875
Staff costs:		
Salaries, wages, bonuses and benefits	**69,092**	42,938
Contribution to defined contribution plans	**2,987**	1,922
	72,079	44,860

Cost of inventories for the six months ended 30 June 2017 included RMB111,185,000 (unaudited) (six months ended 30 June 2016: RMB70,246,000) 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on bank loans and other borrowings	**26,503**	33,547

8 INCOME TAX

The major components of income tax expenses/(credit) in the consolidated statement of profit or loss are:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax — Mainland China	**47,914**	–
Deferred tax		
Origination and reversal of temporary differences	**9,048**	(11,222)
Total tax expenses/(credit) for the period	**56,962**	(11,222)

(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) No provision has been made for Hong Kong profits tax as the Group did not generate any assessable profits (unaudited) subject to Hong Kong profits tax for the six months ended 30 June 2017 (six months ended 30 June 2016: nil (unaudited)).

(c) The Group's subsidiaries in the PRC are subject to corporate income tax at a rate of 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 25%).

9 BASIS AND DILUTED EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit for the period of RMB185,091,000 (unaudited) and the 8,430,000,000 (unaudited) shares in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss for the period of RMB44,587,000 (unaudited) and the 8,430,000,000 (unaudited) shares in issue during the period.

There were no dilutive potential ordinary shares during the six-month periods ended 30 June 2017 and 2016, and therefore, diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

10 PROPERTY, PLANT AND EQUIPMENT

	Carrying amount of property, plant and equipment *RMB'000*
At 1 January 2017	1,232,019
Additions	35,763
Disposal	(25)
Depreciation	(68,851)
At 30 June 2017 (Unaudited)	1,198,906

The Group is in the process of applying for the title certificates of certain properties with carrying value of RMB309,711,000 (31 December 2016: RMB316,930,000) as at 30 June 2017. 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 LAND LEASE PREPAYMENTS

	2017
	RMB'000
At 1 January	**20,844**
Additions	**683**
Amortised during the period	**(216)**
Carrying amount:	
At 30 June 2017 (Unaudited)	**21,311**

12 INTANGIBLE ASSETS

The mining rights with carrying value of RMB658,866,000 (unaudited) (31 December 2016: RMB667,092,000) were pledged as security for bank loans of the Group as at 30 June 2017 (note 17).

13 INVENTORIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
Coal products	**38,987**	22,788
Raw materials, accessories and chemicals	**33,477**	27,924
	72,464	50,712

During the six months ended 30 June 2017, there were no write down of inventories.

14 TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**7,900**	13,990
Prepayments and deposits	**19,324**	18,082
Other receivables	**33,085**	18,267
	60,309	50,339

(a) Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 6 months	**7,900**	13,990

Trade debtors and bills receivable are generally due within 30 to 180 days from the date of billing.

(b) Trade debtors and bills receivable that are not impaired:

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Neither past due nor impaired	**7,900**	13,990

Trade debtors and bills receivable that were neither past due nor impaired relate to customers for whom there was no recent history of default.

15 PLEDGED DEPOSITS

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Pledged for bank loans	**150,000**	20,000
Pledged to comply with government regulations	**5,101**	5,101
	155,101	25,101

In 2017, Inner Mongolia Zhunge'er Kinetic Coal Limited entered into guarantee agreement with a bank in Mainland China and RMB150,000,000 was deposited as guarantee fund for the Company to obtain bank loan of HK$149,264,000 from a bank in Macau. As at 31 December 2016, RMB20,000,000 was deposited with a creditworthy bank with no recent history of default as guarantee fund to obtain bank loans for the Group's daily operation.

16 TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Payables for construction	**134,698**	129,852
Other payables and accruals	**82,013**	54,150
Amounts due to related parties	**20,353**	17,793
	237,064	201,795

17 BANK LOANS

As at 30 June 2017 and 31 December 2016, the Groups bank loans were repayable within 3 years. The Group's secured and unsecured bank loans were as follows:

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Current:		
Bank loans — unsecured	**–**	404,000
Bank loans — secured	**450,000**	65,540
Current portion of long term bank loan — secured	**110,000**	110,000
	560,000	579,540
Non-current:		
Bank loans — secured	**503,549**	429,993
	1,063,549	1,009,533

Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB150,000,000 (31 December 2016: RMB20,000,000); and

(ii) the securities of Inner Mongolia Zhunge'er Kinetic Coal Limited held by the Group; and

(iii) the mining rights of Inner Mongolia Zhunge'er Kinetic Coal Limited.

In addition, the Company, Mr. Zhang Li and Mr. Zhang Liang, Johnson have guaranteed certain of the Group's bank loans up to RMB934,000,000 (31 December 2016: RMB989,993,000) as at the end of the reporting period.

18 DIVIDENDS

On 21 August 2017, the board of directors proposed the payment of an interim dividend of HK$0.01 per share in share premium account for the six months ended 30 June 2017 (six months ended 30 June 2016: nil), payable to shareholders of the Company. It is subject to the approval at the extraordinary general meeting of the Company. 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.

19 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Market Review

During the first half of 2017, the Chinese economy continued to develop steadily in a favourable momentum. According to the National Bureau of Statistics of China, China achieved a gross domestic product ("GDP") aggregating RMB38.1 trillion in the first half of 2017, with a better-than-expected increase of 6.9% period-on-period based on comparable prices. By quarters, the first quarter recorded a period-on-period increase of 6.9%, with a rise of 6.9% in the second quarter. During the first half of 2017, China's fixed asset investments (excluding rural households) amounted to approximately RMB28.1 trillion, representing a rise of 8.6% over the previous period.

During the first half of 2017, the economic situation in the coal sectors has experienced an overall stability. Coal prices slightly decreased but stabilized within a reasonable range, while the performance of the economic situation saw a stable upturn. Sizeable coal enterprises in China produced approximately 1,710 million tonnes of raw coal, up 5.0% from the corresponding period last year. On the pricing front, the China Coal Price Index (CCPI) was 154 points at the end of the first half of 2017, representing a moderate decrease of 5.5 points from the beginning of the year.

China imported a total of approximately 133 million tonnes of coal during the first half of 2017, up 23.5% from the corresponding period last year, while China exported 5.4 million tonnes of coal, up 15.1% compared with the corresponding period last year. During the six months period ended 30 June 2017, an aggregated total coal output of 1.06 billion tonnes was transported by rail in China, up 17.1% period on period. Coal transported via major ports amounted to approximately 370 million tonnes, with a period-on-period increment of 16.8%.

According to the National Bureau of Statistics of China, the principal business income from coal mining and coal washing industries in China amounted to approximately RMB1.3 trillion during the first half of 2017, up 37.6% period on period. Gross profit from coal mining and coal washing industries was approximately RMB147.5 billion, up 1,968.3% from the corresponding period last year. Amongst the fixed asset investments in coal mining industries in the private sector, fixed asset investments in coal mining and coal washing industries amounted to RMB58.8 billion, down 10.3% period on period.

In conclusion, the coal market was affected by multiple factors in the first half of 2017, including the shortage in the supply of hydropower resulted from the continuous heavy rainstorms in South China, leading to a surging demand for thermal power. In the meantime, the consequences of stepped up efforts from the PRC government to accelerate the reform of supply-side structure in coal industry as well as policies on overcapacity elimination, inventories reduction and cost minimization were further achieved. Also, there were interim changes in energy structure, resulting in reduction in hydropower and significant increase in thermal power. Due to the implementation of supply-side structure reform, the coal industry will continue to recover and develop in a steady trend. With the solid foundation for favourable development of the coal industry, there will be better room for future development.

Business Review

As a leading coal enterprise in China, the Group's business activities cover coal production, washing, loading, transportation and coal trading. Thanks to the Group's substantial capital investments in previous years, its Dafanpu Coal Mine is built as one of the best coal mines in terms of safety and efficiency in China. By leveraging the competitive edge of low cost and well-developed industry chain, the Group is able to generate a strong cash flow and profit under the current coal market.

For the six months ended 30 June 2017, benefiting from the successful implementation of the PRC government's supply-side reform in the past two years, the overall coal industry saw a healthy development and the coal market demonstrated a stable performance during the reporting period. According to the statistics released on www.cqcoal.com, the average price of Bohai-rim 5,000 kcal steam coal remained stable at the range of approximately RMB500 to 550 per tonne (inclusive of value-added tax) during the first half of 2017.

During the first half of 2017, the Group sold a total of approximately 1.54 million tonnes of commercial coal, up 49.5% as compared with the corresponding period last year. The Group achieved a total revenue of RMB737.5 million, representing an increase of 147.4% compared with the same period last year. During the reporting period, the average selling price of coal products per tonne increased to RMB479 (net of value-added tax), up 65.7% period on period, resulting in a significant increase of gross profit margin to 40.3% as compared with 6.4% in the corresponding period of 2016.

For the six months ended 30 June 2017, the Group recorded a consolidated net profit of RMB185.1 million, (six months ended 30 June 2016: loss RMB44.6 million). The Group achieved a substantial increase in cash flow for the six months ended 30 June 2017, with an EBITDA reaching RMB345.8 million.

Prospects

The National Development and Reform Commission of the PRC stated that there would be further implementation of overcapacity elimination in the steel and coal industries. Looking ahead to the second half of 2017, the PRC government will continue to execute the plan of overcapacity elimination in coal at least over 39 million tonnes.

With continuous elimination of excessive production capacity and a stronger crackdown on illegal coal mines, there will be definitely an ongoing reduction in China's total coal output in coming years. In addition, since the optimization in coal industry environment remains the focus of China's coal industry in the foreseeable future, policies including environmental protection, safety, technology and scale will be increasingly stringent.

In the second half of 2017, it is expected that the peak season will drive up the electricity consumption, leading to the recovery of the industry. Inventories level will continue to decline while the demand-side will stay relatively stable. As a result, the coal prices is expected to be within a stable range in the near future.

The Group expects that the PRC government will continue to implement its policy on supply-side reform, and facilitate the healthy development of the overall coal industry and maintain coal prices at a reasonable range. With a stable and favourable prospect of the coal industry in China, leading coal enterprises in terms of environmental protection, safety, technology and scale as the Group will benefit from it. In the second half of 2017, the Group is expected to have a steady and favourable development in its businesses including coal production, sales and trading, so as to maintain a strong cash flow and profit.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased from RMB298.1 million for the six months ended 30 June 2016 to RMB737.5 million for the six months ended 30 June 2017.

The increase in the Group's revenue was largely in line with the increase in the Group's sales volume. The Group's coal sales volume increased from 1.03 million tonnes of commercial coal for the six months ended 30 June 2016 to 1.54 million tonnes of commercial coal for the six months ended 30 June 2017. In addition, the average selling price of the coal products increased from RMB289 (net of value added tax) per tonne for the six months ended 30 June 2016 to RMB479 (net of value added tax) per tonne for the six months ended 30 June 2017.

Cost of sales

For the six months ended 30 June 2017, the Group incurred cost of sales of RMB440.3 million. Cost of sales mainly comprises salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation, surcharges of mining operations and transportation costs. The increase in the Group's cost of sales was largely in line with the increase in sales volume.

Gross profit and gross profit margin

For the six months ended 30 June 2017, the Group recorded gross profit of RMB297.3 million and a gross profit margin of 40.3% as compared to the gross profit of RMB19.1 million and a gross profit margin of 6.4% for the six months ended 30 June 2016.

The increase in gross profit margin for the six months ended 30 June 2017 was mainly due to the increase in the average price of coal in the Group during the six months ended 30 June 2017.

Selling expenses

Selling expenses of the Group slightly increased from RMB3.5 million for the six months ended 30 June 2016 to RMB3.7 million for the six months ended 30 June 2017. The selling expenses mainly comprised salaries of sales staff and marketing related expenses.

Administrative expenses

The Group's administrative expenses increased from RMB39.6 million for the six months ended 30 June 2016 to RMB44.1 million for the six months ended 30 June 2017. The administrative expenses mainly comprised of 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 RMB33.5 million for the six months ended 30 June 2016 to RMB26.5 million for the six months ended 30 June 2017. The decrease in the Group's finance costs was largely in line with the decrease in the average interest rate and total amount of the Group's bank loans.

Income tax

The Group recognised income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses/(credit) in the consolidated statement of profit or loss are:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax — Mainland China	**47,914**	–
Deferred tax		
Origination and reversal of temporary differences	**9,048**	(11,222)
Income tax expenses/(credit) for the period	**56,962**	(11,222)

(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) The Group's subsidiaries in the PRC are subject to corporate income tax rate of 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 25%).

(c) No provision has been made for Hong Kong Profits Tax as the Group did not generate any assessable profits subject to Hong Kong Profits Tax for the six month ended 30 June 2017 (six months ended 30 June 2016: nil).

Profit/(Loss) for the period

As a result of the foregoing, the Group recorded a consolidated net profit of RMB185.1 million (six months ended 30 June 2016: Consolidated net loss RMB44.6 million).

Dividends

On 21 August 2017, the board of directors proposed the payment of an interim dividend of HK$0.01 per share in share premium account for the six months ended 30 June 2017 (six months ended 30 June 2016: nil), payable to shareholders of the Company. It is subject to the approval at the extraordinary general meeting of the Company. 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.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 June 2017, the Group's cash and cash equivalents was mainly used in the development of the Group's Dafanpu Coal Mine, to serve the Group's indebtedness and to fund 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 decreased from 57.1% as at 30 June 2016 to 43.9% as at 30 June 2017. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank loans less cash and cash equivalents and pledged deposits for bank loans. Total capital is calculated as equity plus net debt.

As at 30 June 2017, the Group's cash and cash equivalents, amounting to RMB115.3 million, were denominated in Renminbi (90.6%) and Hong Kong dollars (9.4%).

As at 30 June 2017, the Group's interest-bearing bank loans were as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Current:		
Bank loans — unsecured	**–**	404,000
Bank loans — secured	**450,000**	65,540
Current portion of long term bank loan — secured	**110,000**	110,000
	560,000	579,540
Non-current:		
Bank loans — secured	**503,549**	429,993
	1,063,549	1,009,533

Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB150,000,000 (31 December 2016: RMB20,000,000); and

(ii) the securities of equity interest of Inner Mongolia Zhunge'er Kinetic Coal Limited held by the Group; and

(iii) the mining rights of Inner Mongolia Zhunge'er Kinetic Coal Limited.

In addition, the Company, Mr. Zhang Li and Mr. Zhang Liang, Johnson have guaranteed certain of the Group's bank loans up to RMB934,000,000 (31 December 2016: RMB989,993,000) as at the end of the reporting period.

Contingent Liabilities

The Group had no material contingent liability as at 30 June 2017.

Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB35.8 million for the six months ended 30 June 2017, which was mainly related to the maintenance and/or construction of coal shafts and conveyor system of the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2017 amounted to RMB59.5 million which were mainly related to the purchase of machinery and equipment and developmental activities of the Dafanpu Coal Mine.

Charge on Assets

As at 30 June 2017, the Group's mining rights for the Dafanpu Coal Mine with a carrying amount of RMB658,866,000 was pledged to a bank to secure banking facilities granted to the Group, the Group's bank loan of HK$149,264,000 from a bank in Macau was secured by the Group's pledged deposits amounting to RMB150,000,000 in Mainland China.

Financial Risk Management

(a) *Interest rate risk*

The Group's interest rate risk arises primarily from bank loans and obligations under finance leases. Bank loans and obligations under finance leases issued at variable rates expose the Group to cash flow interest rate risk, while bank loans and obligations under finance leases issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against its interest rate risk for the six months ended 30 June 2017 but the Board will continue to closely monitor the Group's interest rate profile in order to manage its interest rate risk exposure.

(b) *Foreign currency risk*

The Group is not exposed to significant foreign currency risk since its transactions and balances are principally denominated in its functional currencies. As the foreign currency risk is insignificant, the Group did not enter into any financial instruments to hedge against foreign currency risk for the six months ended 30 June 2017.

(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 2017, the Group had a total of approximately 680 full-time employees in the PRC and Hong Kong. For the six months ended 30 June 2017, the total staff costs, including the directors' emoluments, amounted to RMB72.1 million.

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

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 of Directors, sound internal controls and effective accountability to the shareholders 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 Listing Rules for the six months ended 30 June 2017.

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 for securities transactions by the Directors.

All the Directors 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 2017.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with 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 2017.

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

During the six months ended 30 June 2017, 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 2017 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

21 August 2017

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