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 2015

FINANCIAL HIGHLIGHTS

During the six months ended 30 June 2015, the Group's Dafanpu Coal Mine, the coal trading business in Qinhuangdao and the Xiaojia Station have been fully operational and running smoothly.

The Group's coal sales volume for the six months ended 30 June 2015 increased by 36.6% when compared to the coal sales volume for the six months ended 30 June 2014. During the six months ended 30 June 2015, the Group sold approximately 1.7 million tonnes of commercial coal and the Group's revenue increased from RMB376.0 million for the six months ended 30 June 2014 to RMB562.1 million for the six months ended 30 June 2015.

The consolidated loss of the Group for the six months ended 30 June 2015 was approximately RMB12.5 million (six months ended 30 June 2014: profit RMB26.1 million).

The board of directors (the "Board") of Kinetic Mines and Energy Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period ended 30 June 2014 as follows:

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**562,073**	376,034
Cost of sales		**(501,368)**	(256,561)
Gross profit		**60,705**	119,473
Other income		**89**	241
Selling expenses		**(3,723)**	(2,719)
Administrative expenses		**(35,752)**	(34,323)
Profit from operations		**21,319**	82,672
Share of profits of an associate		**6,777**	6,413
Finance costs	*6(a)*	**(44,898)**	(51,724)
(Loss)/profit before taxation	*6*	**(16,802)**	37,361
Income tax credit/(expense)	*7*	**4,280**	(11,268)
(Loss)/profit for the period		**(12,522)**	26,093
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of operations outside the PRC		**1**	223
Total comprehensive (loss)/income for the period		**(12,521)**	26,316
Basic and diluted (loss)/earnings per share (RMB)	*8*	**(0.002)**	0.003
Interim dividend per share (RMB)	*9*	**–**	–

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2015 — unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	10	**1,335,843**	1,360,596
Intangible assets		**690,699**	700,188
Interest in an associate		**42,441**	35,664
Deferred tax assets		**69,109**	64,829
Prepayments for non-current assets		**8,076**	2,546
		2,146,168	2,163,823
Current assets			
Inventories		**60,574**	67,138
Trade and other receivables	11	**68,137**	71,330
Pledged deposits		**5,086**	5,076
Restricted cash		**19,885**	6,628
Cash at bank and in hand		**37,682**	43,646
		191,364	193,818
Current liabilities			
Trade and other payables	12	**351,396**	359,042
Bank loans	13	**900,000**	1,150,000
Obligations under finance leases		**250,000**	–
		1,501,396	1,509,042
Net current liabilities		**1,310,032**	1,315,224
Total assets less current liabilities		**836,136**	848,599
Non-current liabilities			
Accrual for reclamation costs		**2,058**	2,000
Net assets		**834,078**	846,599
Capital and reserves			
Share capital		**54,293**	54,293
Reserves		**779,785**	792,306
Total equity		**834,078**	846,599

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kinetic Mines and Energy Limited (the "Company") was incorporated in the Cayman Islands on 27 July 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the extraction and sales of coal products.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 March 2012.

2 BASIS OF PREPARATION

The consolidated interim financial information 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 ("Listing Rules"), 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 21 August 2015.

The consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the new accounting policy adopted and the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these accounting policies are set out in note 3.

The preparation of consolidated interim financial information 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 announcement contains consolidated interim financial information 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 2014 annual financial statements. The consolidated interim financial information 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").

The consolidated interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2014 that is included in the consolidated interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2015.

As at 30 June 2015, the Group's current liabilities exceeded its current assets by RMB1,310,032,000 which indicated the existence of an uncertainty that may cast doubt on the Group's ability to continue as a going concern. Up to the date of this announcement, the Group obtained new financing of RMB900 million from banks and financial institutions. The Directors have evaluated all the relevant facts available and are of the opinion that the Group has good credit track records with banks and financial institutions which enhance the Group's ability to renew current bank loans upon expiry or to secure the necessary liquid funds to finance its working capital and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the interim financial information has been prepared on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

None of these developments have had a material effect on how the Group's financial performance and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In addition, the Group has acquired assets under finance leases during the six months ended 30 June 2015. The accounting policy is as follows:

Assets acquired under finance leases

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy of the Group. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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 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 presented as the Group's operating results is entirely derived from its business activities in the People's Republic of China (the "PRC").

5 REVENUE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Sales of coal products	**562,073**	376,034

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest expenses on bank loans	**44,898**	51,724

(b) Staff costs:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**55,237**	46,462
Contribution to defined contribution plans	**3,644**	4,190
	58,881	50,652

(c) Other items:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories	**182,461**	114,043
Operating lease charges	**1,371**	2,261
Depreciation	**47,656**	32,251
Amortisation of intangible assets	**9,489**	8,070

Cost of inventories for the six months ended 30 June 2015 included RMB93,125,000 (six months ended 30 June 2014: RMB72,763,000) relating to staff costs, depreciation and amortisation of intangible assets, which amounts are included in the respective amounts disclosed separately above for each of these types of expenses.

7 INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Deferred tax		
Origination and reversal of temporary differences	**(4,280)**	11,268
Income tax (credit)/expense	**(4,280)**	11,268

(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 profit subject to Hong Kong Profits Tax during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

(c) The Group's subsidiaries in the PRC are subject to corporate income tax of 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%). No provision for corporate income tax has been made during the six months ended 30 June 2015 as no taxable income was generated during the period.

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss for the period of RMB12,522,000 and 8,430,000,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period of RMB26,093,000 and 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 2015 and 2014, and therefore, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Carrying amount of property, plant and equipment *RMB'000*
At 1 January 2015	1,360,596
Additions	272,903
Depreciation	(47,656)
Disposals	(250,000)
At 30 June 2015	1,335,843

(a) Certain machinery and equipment of the Group with a carrying amount of RMB58,508,000 (31 December 2014: RMB61,865,000) were pledged as security for bills payable of the Group as at 30 June 2015 and 31 December 2014 (Note 12).

(b) The Group entered into five finance lease agreements in May 2015 in connection with certain machinery and equipment of the Group for a term of one year period. At the end of the respective lease periods, the Group has the option to purchase the machinery and equipment at a price deemed to be a bargain purchase option.

As at 30 June 2015, the net book value of the Group's machinery and equipment held under finance leases was RMB248,340,000 (31 December 2014: nil).

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Trade debtors and bills receivable	**23,686**	1,403
Prepayments and deposits	**23,292**	52,965
Other receivables	**21,159**	16,962
	68,137	71,330

(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:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 month	**23,686**	1,403

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:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Neither past due nor impaired	**23,686**	1,403

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

12 TRADE AND OTHER PAYABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Bills payable (i)	**33,142**	33,142
Payables for construction	**156,421**	160,277
Other payables and accruals	**122,811**	146,383
Amounts due to related parties	**39,022**	19,240
	351,396	359,042

(i) Bills payable as at 30 June 2015 and 31 December 2014 were secured by certain machinery and equipment of the Group (Note 10).

As of the end of the reporting period, the ageing analysis of bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 year	**33,142**	33,142

13 BANK LOANS

(a) As of the end of the reporting period, the bank loans were repayable as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 year	**900,000**	1,150,000

(b) As of the end of the reporting period, the Group's secured and unsecured bank loans were as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Secured bank loans	**400,000**	400,000
Unsecured bank loans	**500,000**	750,000
	900,000	1,150,000

As at 30 June 2015, the Group's secured bank loans of RMB400,000,000 (31 December 2014: RMB400,000,000) were secured by its mining rights for the Dafanpu Coal Mine and guaranteed by the Company and Mr. Zhang Li, a director of the Company. The Group's unsecured bank loans amounted to RMB500,000,000 (31 December 2014: RMB750,000,000) were guaranteed by the Company and Mr. Zhang Li.

14 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Market Review

The gross domestic product (GDP) in the PRC for both the first half and the second quarter of this year grew by 7.0% year on year, achieving the target set by the PRC Government. From January to June this year, fixed asset investments in the PRC increased by 11.4% year on year, which was 4.3% lower than that of the previous year, showing an easing of the persistent downward momentum. The proactive measures adopted by the Central Government have had positive influences on inhibiting the worsening of economic activities and establishing a solid foundation for the future.

Nationwide coal output in the PRC totalled 1.725 billion tonnes for the first half of 2015, down 138 million tonnes or 7.4% year on year. The total output from state-owned key coal mines reached 911 million tonnes, down 87.70 million tonnes or 8.8% year on year. Coal shipped by rail in the PRC for the first half of the year totalled 1.021 billion tonnes, down 127 million tonnes or 11.1% year on year. Thermal coal shipped by rail in the PRC for the first half of the year totalled 692 million tonnes, down 93 million tonnes or 11.8% year on year. Nationwide coal sales volume totalled 1.622 billion tonnes for the first half of the year, down 142 million tonnes or 8.1% year on year. The total sales volume of state-owned key coal mines had also reached 788 million tonnes, down 130 million tonnes or 14.2% year on year.

During the first half of 2015, the PRC imported 99.87 million tonnes of coal in total, down 60.00 million tonnes or 37.5% year on year. Meanwhile, the PRC exported 2.34 million tonnes of coal in total for the first half of the year, down 0.82 million tonnes or 25.9% year on year.

During the first half of 2015, fixed asset investments for the coal mining and processing industry in the PRC amounted to RMB168.6 billion, down 12.8% year on year. Fixed asset investments for coal mining and processing in the private sector amounted to RMB97.0 billion, down 9.8% year on year.

Following a “golden decade”, the coal industry in the PRC is currently plagued by the decline in output and sales volume, persistent decrease in prices, excessive inventory and substantial decline in corporate profitability. At present, the entire coal industry is generally in a loss-making position. Major coal enterprises cut expenses, while smaller peers reduce output, suspend production or wind up because of their inability to survive. The industry landscape in general remains challenging.

The downturn of the coal market in the PRC for the first half of 2015 was not as significant as it had been last year, yet the situation is not optimistic. Over 30 bailout policy measures have been introduced after dozens of joint conferences that have been convened since the establishment of a difficulty-relief works mechanism for the coal industry. Also, local governments developed initiatives to alleviate the burden on enterprises and facilitate the stable operation of the industry. However, the coal industry was still in difficulty and coal prices continued to drop.

It will still take time for the coal market to turn around. Overcapacity was responsible for the prevailing difficulties in the coal industry. In recent years, the coal industry has strived to deal with overcapacity through consolidation and restructurings as well as elimination of obsolete production capacities. Nevertheless, the degree of concentration of industrial activities and market control has been far from satisfactory.

During the first half of 2015, the Ministry of Industry and Information Technology and the Ministry of Finance of the PRC jointly launched the "Action Plan for Clean and Efficient Utilisation of Coal in Industrial Field" (工業領域煤炭清潔高效利用行動計劃), of which the initial target was to cut coal consumption by more than 160 million tonnes by 2020. The National Energy Administration and the State Administration of Coal Mine Safety of the PRC also set a target of eliminating 77.79 million tonnes of obsolete capacity and 1,254 coal mines in the PRC for this year.

Business Review

As one of the few private coal enterprises with mining, processing, rail transportation, port warehousing and trading capabilities, the Group focuses on the development of the Dafanpu Coal Mine situated at Zhunge'er Banner, Erdos City, Inner Mongolia, the PRC. The Xiaojia loading station and its associated rail spur lines, in which the Group holds 45% interest, has an average handling capacity of approximately 5,000 tonnes per hour. It transports the coal products produced at the Dafanpu Coal Mine and those procured from other third-party coal mine operators via the Nanping Rail Line and the Datong-Qinhuangdao Rail Line to Qinhuangdao.

During the six months ended 30 June 2015, the Group sold a total of approximately 1.70 million tonnes of commercial coal, representing an increase of 36.6% as compared with the sales volume of approximately 1.24 million tonnes of commercial coal for the corresponding period last year.

After the No. 6 coal seam of the Dafanpu Coal Mine commenced commercial production, production volume of commercial coal has significantly increased. Furthermore, the Group's coal trading business in Qinhuangdao was operating efficiently, fully utilising its advantages in transportation and costs. The Group recorded an operating profit of RMB21.3 million for the six months ended 30 June 2015 and RMB82.7 million for the six months ended 30 June 2014.

Prospects

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

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

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

FINANCIAL REVIEW

Revenue

Revenue of the Group increased from RMB376.0 million for the six months ended 30 June 2014 to RMB562.1 million for the six months ended 30 June 2015.

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 1.24 million tonnes of commercial coal for the six months ended 30 June 2014 to 1.70 million tonnes of commercial coal for the six months ended 30 June 2015.

Cost of sales

For the six months ended 30 June 2015, the Group incurred cost of sales of RMB501.4 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 turnover and sales volume at ports.

Gross profit and gross profit margin

For the six months ended 30 June 2015, the Group recorded gross profit of RMB60.7 million and gross profit margin of 10.8% as compared to the gross profit of RMB119.5 million and gross profit margin of 31.8% for the six months ended 30 June 2014.

The decrease in gross profit margin for the six months ended 30 June 2015 is mainly due to the significant decrease in the price of coal in the China market during the six months ended 30 June 2015.

Selling expenses

Selling expenses of the Group increased from RMB2.7 million for the six months ended 30 June 2014 to RMB3.7 million for the six months ended 30 June 2015. The selling expenses mainly comprised salaries of sales staff and marketing related expenses.

Administrative expenses

The Group's administrative expenses increased from RMB34.3 million for the six months ended 30 June 2014 to RMB35.8 million for the six months ended 30 June 2015. 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 RMB51.7 million for the six months ended 30 June 2014 to RMB44.9 million for the six months ended 30 June 2015. The decrease in the Group's finance costs was largely in line with the decrease in average interest rate of the Group's interest bearing bank loans and obligations under finance leases.

Income tax

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its BVI subsidiary is subject to tax on its income or capital gains. Moreover, 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 periods ended 30 June 2015 and 2014.

The Group's subsidiaries in the PRC are subject to corporate income tax of 25% for the six-month periods ended 30 June 2015 and 2014. The effective tax rate of the Group was 30.2% for the six months ended 30 June 2014. For the six months ended 30 June 2015, the Group did not have any income tax expense as the Group did not generate any taxable profits during the period. However, the Group recorded tax credit of RMB4.3 million for the six months ended 30 June 2015, primarily due to recognition of deferred income tax assets from the tax losses of the Group's PRC subsidiaries.

(Loss)/Profit For the Period

As a result of the foregoing, the Group's recorded a loss of RMB12.5 million for the six months ended 30 June 2015 and a profit of RMB26.1 million for the six months ended 30 June 2014.

Dividend

No dividends were declared for the six-month periods ended 30 June 2015 and 2014.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 June 2015, the Group's cash at bank and in hand was mainly used in the development of the Group's Dafanpu Coal Mine, to service 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 59.9% as at 30 June 2014 to 50.8% as at 30 June 2015. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank loans less cash at bank and in hand. Total capital is calculated as equity plus net debt.

As at 30 June 2015, the Group's cash at bank and in hand, amounting to RMB37.7 million, was denominated in Renminbi (61.4%) and Hong Kong dollars (38.6%).

As at 30 June 2015, the Group's bank loans were as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Repayable within one year	**900,000**	1,150,000

Notes:

(a) As at 30 June 2015, all the Group's bank loans were denominated in RMB and carried interest rates from 7.995% to 8.400% per annum. All the Group's bank loans were floating interest rate bank loans, except for a fixed rate bank loan of RMB500 million.

(b) As at 30 June 2015, the Group's secured bank loans of RMB400 million were secured by its mining rights for the Dafanpu Coal Mine and guaranteed by the Company and Mr. Zhang Li, a director of the Company. The Group's unsecured bank loans amounted to RMB500 million were guaranteed by the Company and Mr. Zhang Li.

Contingent Liabilities

The Group had no material contingent liability as at 30 June 2015.

Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB22.9 million for the six months ended 30 June 2015, which was mainly related to the coal shafts and conveyor system of the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2015 amounted to RMB18.8 million which were mainly related to the purchase of machinery and equipment and development activities of the Dafanpu Coal Mine.

Charge on Assets

As at 30 June 2015, the Group's mining rights for the Dafanpu Coal Mine with a carrying amount of RMB690.7 million was pledged to a bank to secure banking facilities granted to the Group.

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, and 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 2015 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 their transactions and balances are principally denominated in their respective 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 2015.

(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 2015, the Group had a total of approximately 730 full-time employees in the PRC and Hong Kong. For the six months ended 30 June 2015, the total staff costs, including the directors' emoluments, amounted to RMB58.9 million.

The Group's emolument policies are formulated based on the performance and experience of 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 can create value for the shareholders of the Company, the Board is committed to maintaining a high standard of corporate governance practices by putting 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 and Corporate Governance Report as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2015.

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 2015.

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 or 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 financial report of the Group for the six months ended 30 June 2015.

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

During the six months ended 30 June 2015, 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 2015 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 2015

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