力量能源
KINETIC MINES AND ENERGY

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

With the increasing production volume of environmentally friendly low-sulphur thermal coal at the Group's Dafanpu Coal Mine, together with the Xiaojia Station and the coal trading business in Qinhuangdao running smoothly and being fully operational during the year, the Group's revenue increased significantly from RMB840.3 million for the year ended 31 December 2014 to RMB1,176.0 million for the year ended 31 December 2015.

During the year ended 31 December 2015, the Group sold a total of approximately 3.8 million tonnes of commercial coal.

The consolidated loss for the year ended 31 December 2015 was approximately RMB2.1 million (2014: profit RMB61.5 million).

The Board of directors (the "Board") of Kinetic Mines and Energy Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Revenue	*4*	**1,176,041**	840,290
Cost of sales		**(1,047,584)**	(585,984)
Gross profit		**128,457**	254,306
Other income	*5*	**3,519**	2,185
Selling expenses		**(6,375)**	(4,947)
Administrative expenses		**(62,326)**	(80,630)
Profit from operations		**63,275**	170,914
Share of profit of an associate		**14,158**	7,733
Finance costs	*6(a)*	**(79,989)**	(95,608)
(Loss)/profit before taxation	*6*	**(2,556)**	83,039
Income tax credit/(expenses)	*7*	**454**	(21,493)
(Loss)/profit for the year		**(2,102)**	61,546
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the PRC		**855**	109
Total comprehensive income for the year		**(1,247)**	61,655
Basic and diluted (loss)/earnings per share (RMB cent)	*8*	**(0.02)**	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(Expressed in Renminbi)

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**1,289,771**	1,360,596
Intangible assets		**680,696**	700,188
Interest in an associate		**49,822**	35,664
Prepayments for non-current assets		**13,721**	2,546
Deferred tax assets		**65,283**	64,829
		2,099,293	2,163,823
Current assets			
Inventories		**32,022**	67,138
Trade and other receivables	*10*	**49,252**	71,330
Pledged deposits		**5,102**	5,076
Restricted cash		**–**	6,628
Cash at bank and in hand		**92,011**	43,646
		178,387	193,818
Current liabilities			
Trade and other payables	*11*	**275,290**	359,042
Bank loans	*12*	**500,000**	1,150,000
Other borrowings	*13*	**654,918**	–
		1,430,208	1,509,042
Net current liabilities		**1,251,821**	1,315,224
Total assets less current liabilities		**847,472**	848,599
Non-current liability			
Accrual for reclamation costs		**2,120**	2,000
Net assets		**845,352**	846,599
Capital and reserves			
Share capital		**54,293**	54,293
Reserves		**791,059**	792,306
Total equity		**845,352**	846,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

As at 31 December 2015, the Group had net current liabilities balance of RMB1,251,821,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cashflow and its ability to renew the bank loans and other borrowings.

In view of the above, the directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the current reporting period; and (ii) Mr. Zhang Li, a shareholder and director of the Company, has undertake to provide financial support to the Group and would provide personal guarantee for the new loan facilities when necessary. Therefore, it is highly probable that the bank loans and other borrowings can be renewed in the next twelve months.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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 year.

No geographic information is presented as the Group's operating result is entirely derived from its business activities in the People's Republic of China ("PRC").

4. REVENUE

The principal activities of the Group are 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.

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of coal products	**1,176,041**	840,290

Revenue from major customers contributing over 10% of the revenue of the Group, is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Customer A	**292,413**	N/A
Customer B	**160,737**	N/A
Customer C	**156,943**	173,169
Customer D	**N/A**	199,542
Customer E	**N/A**	88,423

Revenue from customers A and B respectively contributed less than 10% of the revenue of the Group for the year ended 31 December 2014.

Revenue from customers D and E respectively contributed less than 10% of the revenue of the Group for the year ended 31 December 2015.

5. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**2,528**	1,806
Gain on disposal of property plant and equipment	**768**	–
Interest income	**223**	379
	3,519	2,185

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interest expenses on bank loans and other borrowings repayable within one year	**82,325**	101,880
Less: interest expenses capitalised into construction in progress	**(2,336)**	(6,272)
	79,989	95,608

Borrowing costs were capitalised by applying a capitalisation rate of 7.35% per annum for the year ended 31 December 2015 (2014: 8.02%).

(b) Staff costs:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**99,645**	87,136
Contribution to defined contribution plans	**8,282**	5,465
	107,927	92,601

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority, whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) Other items:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**335,706**	213,558
Operating lease charges	**2,060**	3,124
Auditors' remuneration	**1,860**	2,121
Consultancy fee	**2,427**	7,827
Depreciation	**104,334**	61,532
Amortisation of intangible assets	**19,492**	14,451

Cost of inventories sold for the year ended 31 December 2015 included RMB189,842,000 (2014: RMB119,023,000) 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 IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(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 subject to Hong Kong Profits Tax for the year ended 31 December 2015 (2014: nil).

(c) The Group's subsidiaries in the PRC are subject to corporate income tax of 25% for the year ended 31 December 2015 (2014: 25%).

(d) Reconciliation between income tax (credit)/expenses and (loss)/profit before taxation at applicable tax rates is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(2,556)**	83,039
Tax on (loss)/profit before taxation, calculated at the rates applicable to the results in the jurisdictions concerned	**(639)**	20,760
Entities not subject to income tax	**1,501**	1,544
Effect of non-deductible expenses	**2,224**	1,122
Effect of non-taxable income	**(3,540)**	(1,933)
Income tax (credit)/expenses	**(454)**	21,493

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2015 is based on the loss for the year of RMB2,102,000 and the 8,430,000,000 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit for the year of RMB61,546,000 and the 8,430,000,000 shares in issue during the year.

There were no dilutive potential ordinary shares during the years ended 31 December 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 a final dividend for the year ended 31 December 2015 (2014: nil).

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**16,837**	1,403
Prepayments and deposits	**23,000**	52,965
Other receivables	**9,415**	16,962
	49,252	71,330

(a) Ageing Analysis:

As at 31 December 2015, the aging 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) and net of allowance for doubtful debts is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**16,837**	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 are as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**16,837**	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.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Bills payable	**–**	33,142
Payables for construction	**146,162**	160,277
Other payables and accruals	**87,650**	146,383
Amounts due to related parties	**41,478**	19,240
	275,290	359,042

As at 31 December 2015, the aging analysis of bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**–**	33,142

12. BANK LOANS

As at 31 December 2015 and 2014, the Group's bank loans were repayable within 1 year.

As at 31 December 2015 and 2014, the Group's secured and unsecured bank loans were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Secured bank loans	**–**	400,000
Unsecured bank loans	**500,000**	750,000
	500,000	1,150,000

As at 31 December 2015, the Group's bank loans of RMB500,000,000 were guaranteed by the Company and Mr. Zhang Li, a shareholder and director of the Company.

As at 31 December 2014, the Group's bank loans of RMB400,000,000 were secured by its mining rights for the Dafanpu Coal Mine and guaranteed by the Company and Mr. Zhang Li. The Group's unsecured bank loans of RMB750,000,000 were guaranteed by the Company and Mr. Zhang Li.

13. OTHER BORROWINGS

The Group entered into certain sale and leaseback agreements with a financial institution during the year ended 31 December 2015 in connection with certain machinery and equipment of the Group for one year period. At the end of the respective lease periods, the Group has the option to purchase the leased machinery and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The substance of above sale and leaseback arrangements was that the Group borrowed loans secured by the underlying machinery and equipment with carrying value of RMB592,878,000 for one year period, and the arrangement is accounted for accordingly.

14. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Group had no significant non-adjusting events subsequent to 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the National Statistics Bureau, China achieved a gross domestic product ("GDP") aggregating RMB67.7 trillion in 2015, up 6.9% from 2014 in comparable terms. The slowing economic growth in China primarily stemmed from the persisting decline in investments. Fixed asset investments for the whole year in 2015 grew 10% year on year, down 5.7 percentage point from the previous year. Investments in property development grew by just 1% in 2015, down 9.5 percentage point from the previous year. These had not only dragged down the growth in investments in China, but also weakened demand for heavy industrial products including steel and cement.

China produced approximately 3.75 billion tonnes of raw coal in 2015, down 3.3% year on year. Two billion tonnes of coal was transported by rail in China, down 12.6% from 2014. It worsened from the 11.3% correction in 2014. Approximately 1.38 billion tonnes of thermal coal was transported by rail in China, down 180.0 million tonnes or 11.6% year on year.

China imported 204 million tonnes of coal in 2015, down 29.9% from the corresponding period last year. In dollar terms, China imported USD74.91 billion worth of coal in 2015, down 45.2% year on year. China exported 5.33 million tonnes, down 7.1% from the corresponding period last year. In dollar terms, China exported approximately RMB3.08 billion worth of coal in 2015, down 27.7% year on year.

According to the National Statistics Bureau, fixed asset investment in the coal mining industry in China aggregated RMB1,297.10 billion in 2015, down 8.8% year on year, or 0.1 percentage point more than the correction in 2014. Amongst the fixed asset investment in the coal mining industry, approximately RMB400.80 billion was invested in fixed assets for coal mining and coal washing, down 14.4% year on year. Private sector fixed asset investments for coal mining aggregated RMB708.20 billion, down 9.9% year on year. Amongst the private sector fixed asset investment, approximately RMB228.10 billion was invested in coal mining and coal washing fixed assets, down 12.2% year on year.

At the moment, there are three stumbling blocks that limit development of the coal sector in China, namely (i) the demand/supply imbalance in the coal market, (ii) structural irrationalities and (iii) systemic constraints. First, while demand has been slackening, in the past decade the coal mining and washing industry invested heavy for scale in fixed assets, resulting in major capacities which are still under construction. Moreover, China has maintained the importing of coal at high levels and very competitive prices. Second, irrationalities in industrial structure, technical structure and product structure are still acute. Issues relating to fragmented production, low per-capita productivity and homogeneous product ranges have yet to be fundamentally improved. Shortfalls in safe exploration and development, clean production and deep processing have yet to be resolved. Third, there are still restraints on the systematic level. Enterprise management have yet to be refined and is still overhung with burden. There has yet to be a clear segregation between social and enterprise responsibilities. The mechanism for retirement of outmoded and obsolete mines has yet to be refined. These all present bottlenecks for further industry development.

Due to the slowing economy in China, the need to optimize China's economic and energy structures and subject to constraints from the environment, demand for coal in China has been on the decline since 2012, down by 2.9% year on year in 2014 and 4% year on year in 2015.

Surplus coal reserves stored in the communities in China aggregated in excess of 300 million tonnes for more than 48 months by the end of 2015, of which over 100 million tonnes were stored at coal enterprises. The coal industry is suffering a comprehensive loss. According to China National Coal Association, over 80% of coal enterprises were making losses in 2015.

BUSINESS REVIEW

As one of the few private coal enterprises with mining, processing, rail transportation, portwarehousing and trading capabilities, the Group focuses on the development and operation of the Dafanpu Coal Mine situated at Zhunge'er Banner, Erdos City, Inner Mongolia, the PRC, and the Xiaojia loading station and its associated rail spur lines, in which the Group holds 45% interest. The Xiaojia loading station 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.

For the year ended 31 December 2015, the Group sold a total of approximately 3.8 million tonnes of commercial coal, representing an increase of 46% as compared with the sales volume of approximately 2.6 million tonnes of commercial coal for the corresponding period last year.

After the Group commenced commercial production at the No. 6 coal seam of the Dafanpu Coal Mine, production volume of coal has significantly increased. Furthermore, the Group's coal trading business in Qinhuangdao has been operating efficiently, fully utilising its advantages in transportation and costs. Yet coal prices remained on the decline for the whole year of 2015, inflicting pressure on the gross profit margin. The Group recorded an operating profit of RMB63.3 million for the year ended 31 December 2015, down 63.0% from the RMB170.9 million for the same period last year.

The increased sales in 2015 was attributable to the following factors and the Group's implementation of the following initiatives: (1) the reduction of loss of production time due to changing of coal mining surfaces; (2) The establishment of the safety committee and the professional investigation team on potential risk areas. The Safety Committee conducted supervision and provided guidance for the safe production of the Dafanpu Coal Mine, resulting in zero casualty or fatality rate in the Dafanpu Coal Mine during the reporting period with smooth operation of the mine; (3) a total of 654 staff attended safe-mining training and various other staff training for the whole year of 2015, increasing by 234 staff in 2014, which enhanced the technical capability of our staff.

PROSPECTS

The coal industry is still in the middle of an overcapacity cycle and there is still a long path for supply-side reform, effectively putting a cap on coal prices. Conditions have yet to ripen for prices to stage a rebound in the short term. Despite the fact that relevant government ministries have indicated that China, in principle, would stop approving construction of new coal mining projects, technology improvement projects for new capacities and projects to boost production for coal mines in the coming three years, the existing capacities are still huge. According to the China Coal Association, the coal mining capacities aggregated approximately 5.7 billion tonnes by the end of 2015, of which approximately 3.9 billion tonnes are in normal production or in the middle of reforms, approximately 1.5 billion tonnes are newly constructed or expanded, and approximately more than 800 million tonnes are unapproved or unlawful capacities.

2016 marks a critical year when the coal industry is expected to shed its excessive capacities. The PRC Government will establish explicit mechanisms pursuant to which capacities will be retired. Market competition should evolve as the most effective model for resources allocation and optimization. Whether or not the coal industry can survive the difficult times will depend on how well the upstream segment can shed excessive inventories. This process needs market competition that will cause more uncompetitive coal enterprise to retire by natural elimination.

China is in the middle of adjusting its economic structure whereby high-consumption industries including steel, construction materials and metal refineries are shedding excessive capacities. The power sector features numerous newly commissioned and newly constructed generation units with clean-energy and ultra-high-voltage units striving to secure market share. There will be significant oversupply of electrical power in 2016 and lowered loading. Downward adjustments in power prices, deepening reforms in power prices will erode profitability of the power industry. Power plants will seek more beneficial terms in their coal procurement efforts and will demand coal of higher quality at lower prices.

In the medium term the coal industry should seek integrated development of upstream and downstream operations through mutual equity ownerships or holdings, and better interconnections in terms of industrial developments. These will contribute to better coordinated development that will stabilize upstream and downstream operations and the industry as a whole.

In conclusion, the coal industry in China is facing both opportunities and challenges. As industrialization and urbanization progresses, China sees the continued growth in its energy demand and coal-fired power will continue to be the mainstream offering in the country. At the same time, as China sees the optimization of its economic structure, environmental protection constraints strengthen, energy structure improve, the coal industry envisages further development in the way and area where coal resources are being utilized. Even though under the current difficulties in the coal industry and market, a relatively stable coal production and sales as well as the trading business in Qinhuangdao of the Group can be expected for the year of 2016. The Group will focus on the operating efficiency and cost control of the Dafanpu Coal Mine.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased from RMB840.3 million for the year ended 31 December 2014 to RMB1,176.0 million for the year ended 31 December 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 significantly increased from 2.6 million tonnes of commercial coal for the year ended 31 December 2014 to 3.8 million tonnes of commercial coal for the year ended 31 December 2015.

Cost of Sales

For the year ended 31 December 2015, the Group incurred cost of sales of RMB1,047.6 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 and revenue at ports.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2015, the Group recorded gross profit of RMB128.5 million and gross profit margin of 10.9% as compared to the gross profit of RMB254.3 million and gross profit margin of 30.3% for the year ended 31 December 2014.

The decrease in gross profit margin for the year ended 31 December 2015 is mainly due to the reduction in the average selling price per tonne of coal at ports, net of tax, from RMB362 in 2014 to RMB308 in 2015.

Other Income

Other income of the Group increased from RMB2.2 million for the year ended 31 December 2014 to RMB3.5 million for the year ended 31 December 2015.

For the years ended 31 December 2015 and 2014, the Group's other income comprised government grants, gain on disposal of property, plant and equipment and interest income.

Selling Expenses

Selling expenses of the Group increased from RMB4.9 million for the year ended 31 December 2014 to RMB6.4 million for the year ended 31 December 2015. The selling expenses mainly comprised salaries of sales staff and marketing related expenses.

Administrative Expenses

The Group's administrative expenses decreased from RMB80.6 million for the year ended 31 December 2014 to RMB62.3 million for the year ended 31 December 2015. The 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 RMB95.6 million for the year ended 31 December 2014 to RMB80.0 million for the year ended 31 December 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 loans and other borrowings.

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 year ended 31 December 2015. However, the Group recorded income tax credit of RMB0.5 million for the year ended 31 December 2015, primarily due to recognition of deferred tax assets from the tax losses of the Group's PRC subsidiaries.

The Group's subsidiaries in the PRC are subject to corporate income tax of 25% for the year ended 31 December 2015. The effective tax rate of the Group was 17.8% for the year ended 31 December 2015 (2014: 25.9%).

(Loss)/Profit for the year

As a result of the foregoing, the Group recorded a loss of RMB2.1 million for the year ended 31 December 2015 and a profit of 61.5 million for the year ended 31 December 2014.

Consolidated Cash Flow

Net Cash Generated From Operating Activities

The Group's net cash generated from operating activities for the year ended 31 December 2015 was RMB206.9 million, primarily due to loss before taxation of RMB2.6 million, adjusted for interest expenses on bank loans and other borrowings of RMB80.0 million, depreciation of RMB104.3 million, decreases in inventories of RMB35.1 million, decrease in trade and other receivables of RMB22.1 million and decrease in trade and other payables of RMB36.4 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 December 2015 was RMB84.3 million, primarily due to the purchase of property, plant and equipment of RMB91.2 million and decrease in restricted cash for purchase of machinery and equipment of RMB6.6 million.

Net Cash Used In Financing Activities

The Group's net cash used in financing activities for the year ended 31 December 2015 was RMB75.1 million, which was attributable to the net decrease in the Group's bank loans of RMB650.0 million, proceeds from other borrowings of RMB650.0 million and interest payments of RMB75.1 million.

Cash at Bank and in Hand

For the year ended 31 December 2015, the Group's cash at bank and in hand increased by RMB47.5 million and the exchange gain was RMB0.9 million. The net increase in the Group's cash at bank and in hand was from RMB43.6 million as at 31 December 2014 to RMB92.0 million as at 31 December 2015.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 December 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 other borrowings and cash generated from operating activities. The Group's gearing ratio decreased from 56.7% as at 31 December 2014 to 55.7% as at 31 December 2015. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank and in hand. Total capital is calculated as equity plus net debt.

As at 31 December 2015, the Group's cash at bank and in hand, amounting to RMB92.0 million, was denominated in RMB (86.4%) and Hong Kong dollars (13.6%).

As at 31 December 2015, the Group's bank borrowings were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Repayable within one year	**500,000**	1,150,000

Notes:

(a) As at 31 December 2015, all the Group's bank loans were denominated in RMB and carried interest rates at 6.305% per annum. All the Group's bank loans were interest bearing at floating rates.

(b) As at 31 December 2015, the Group's bank loans of RMB500.0 million were guaranteed by the Company and Mr. Zhang Li, a shareholder and director of the Company.

Capital Expenditures

The Group incurred capital expenditures of approximately RMB59.2 million for the year ended 31 December 2015, which were mainly related to the conveyor system and the coal washing plant of the Dafanpu Coal Mine. These capital expenditures were fully financed by internal resources, bank loans and other borrowings.

Capital Commitments

The Group's capital commitments as at 31 December 2015 amounted to approximately RMB113.6 million which were mainly related to the purchase of machinery and equipment and development activities of the Dafanpu Coal Mine.

Operating Lease Commitments

As at 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB0.9 million, with approximately RMB0.5 million due within one year and approximately RMB0.4 million due after one year but within five years.

Charge on Assets

As at 31 December 2015, the Group's mining rights with a carrying amount of RMB680.7 million was pledged to a bank to secure banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 December 2015.

Financial Risk Management

(a) *Interest Rate Risk*

The Group's interest rate risk arises primarily from bank loans. Loans issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose 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 not 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. As the foreign currency risk is insignificant, the Group did not enter into any financial instruments to hedge against foreign currency risk for the year ended 31 December 2015.

(c) *Liquidity Risk*

Liquidity risk is the risk that the Group will encounter difficulty 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 31 December 2015, the Group had a total of approximately 660 full-time employees in the PRC and Hong Kong. For the year ended 31 December 2015, the total staff costs, including the directors' emoluments, amounted to RMB107.9 million.

The Group's emolument policies are formulated based on the performance and experience of individual employees 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

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code for securities transactions by the Directors.

All 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 year ended 31 December 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 brought to the attention of the Company.

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 year ended 31 December 2015.

Audit Committee

The audit committee of the Company comprises two independent non-executive Directors, namely, Ms. Liu Peilian (Chairman) and Mr. Zheng Ercheng and a non-executive Director, namely, Ms. Zhang Lin. An audit committee meeting was held on 22 March 2016 to meet with the external auditors of the Company and review the Company's annual report and financial statements for the year ended 31 December 2015.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Publication of the Audited Consolidated Annual Results and 2015 Annual Report on the websites of the Stock Exchange and the Company

This 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 Annual 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

22 March 2016

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.