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

2015 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Li *(Chairman)*
Mr. Gu Jianhua *(Chief Executive Officer)*
Mr. Zhang Liang, Johnson

Non-executive Director

Ms. Zhang Lin

Independent Non-executive Directors

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

AUDIT COMMITTEE

Ms. Liu Peilian *(Chairman)*
Mr. Zheng Ercheng
Ms. Zhang Lin

REMUNERATION COMMITTEE

Mr. Shi Xiaoyu *(Chairman)*
Ms. Liu Peilian
Ms. Zhang Lin

NOMINATION COMMITTEE

Mr. Zhang Li *(Chairman)*
Mr. Zheng Ercheng
Mr. Shi Xiaoyu

COMPANY SECRETARY

Mr. Chan Kwok Wai, Danny

REGISTERED OFFICE

Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dafanpu Coal Mine
Majiata Village, Xuejiawan Town
Zhunge'er Banner, Erdos City
Inner Mongolia, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 20th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

LEGAL ADVISER

Cadwalader, Wickersham & Taft
27th Floor, 100 QRC
100 Queen's Road Central
Hong Kong

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

China Minsheng Banking Corp., Ltd

STOCK CODE

1277

WEBSITE OF THE COMPANY

www.kineticme.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Kinetic Mines and Energy Limited, I am pleased to present the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015.

The Group has made extensive efforts in developing coal mining, processing, transportation and trading capabilities over the years. Following the commencement of operations, of the Xiaojia Station and its associated rail spur lines as well as the commencement of full-scale production of the No. 6 coal seam of the Dafanpu Coal Mine, the Group's business operations are on track towards sustainable development. However, due to the substantial decrease in coal prices in the PRC during the first half of 2015, the Group recorded a loss for the first half of the year notwithstanding the year-on-year growth of over 36.6% in coal sales volume for the period.

For the six months ended 30 June 2015, the Group sold 1.7 million tonnes of commercial coal. The average selling price, net of value added taxes, amounted to RMB331 per tonne. According to the statistics published at www.cqcoal.com (秦皇島煤炭網), the average selling price of the 5,000 kcal coal at the Qinhuangdao Port decreased significantly from approximately RMB455 per tonne at the beginning of 2015 to approximately RMB365 per tonne at the end of June 2015. Consequently, although the coal output and sales volume from the Dafanpu Coal Mine for the reporting period recorded steady growth following the commencement of full operation at its normal scale in 2014, and the Group's turnover for the six months ended 30 June 2015 increased 49.5% year-on-year to RMB562.1 million (first half of 2014: RMB376.0 million), the Group still recorded a loss attributable to equity shareholders of approximately RMB12.5 million during the period, compared with the RMB26.1 million profit for the first half of 2014.

This set of results closely mirrors the difficulties prevailing in the coal industry in the PRC: decline in output and sales volume across the whole industry, persistent decreases in prices, excessive inventory and substantial decline in corporate profitability. The coal industry as a whole is generally in a loss-making position. Major enterprises seek to cut expenses, while smaller industry players wind up because of their inability to survive. The industry landscape remains challenging. Over 30 policy measures have been introduced since the establishment of a difficulty-relief works mechanism for the coal industry last year. Also, local governments enacted initiatives to alleviate the burden on enterprises and facilitate the stable operation of the industry. It will take some time for the coal industry in the PRC to be relieved from its prevailing difficulties and ultimately stabilise coal prices.

We believe that the Group's business operations were on the right track during the first half of 2015. With its high-quality coal mine, advanced mechanised production and seamless rail transportation infrastructure and facilities support, the Group is definitely capable of coping with the slowdown in the macroeconomic growth as well as the sluggish coal market in the PRC.

Following the completion of construction in 2013, the Xiaojia Station, of which 45% is owned by the Group, and its associated rail spur lines, have been in operation throughout 2014 and the first half of 2015. With an average handling capacity of 5,000 tonnes per hour at the Xiaojia Station, the Group's transportation and marketing capabilities can be further strengthened.

CHAIRMAN'S STATEMENT

China's economic development has entered into a new normal. In 2015 and subsequent periods, the economic development will slow down from its previous rapid growth. From a demand perspective, the decline in the market demand of coal in the PRC has become a new normal, thus coal prices may remain in a prolonged down cycle. With the ongoing operation of the difficulty-relief works mechanism for the coal industry, as well as the introduction of appropriate measures, the industry participants as a whole are expecting that major coal mines and large-scale coal enterprises reduce their outputs as planned so that the balance of demand and supply of coal in the PRC can be restored and the coal market in the PRC may recover in the second half of 2015.

Given that a significant rebound in the prevailing economic momentum is yet to be in sight and that the PRC remains persistent in enacting its emission reduction and environmental protection requirements, it will take some time for the coal market in the PRC to turn around. Yet, we are fully confident that, when the industry turns around, the coal enterprises equipped with high-quality coal resources, advanced mechanised production facilities, seamless transportation infrastructure connectivity as well as cost effective production will be amongst the first to recover.

Finally, on behalf of the Board, I would like to extend my gratitude to all shareholders and partners for their continuous support to the Group. Also, I would like to express my appreciation to the management team and the entire staff for their contributions and hard work.

Zhang Li

Chairman and Executive Director
21 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Kinetic Mines and Energy Limited (the "Company") herewith announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015. This interim financial report has been reviewed by the Company's audit committee and the Company's auditor, 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 Hong Kong Institute of Certified Public Accountants.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

It will still take time for the coal market to turn around. Overcapacity contributed to the prevailing difficulties in the coal industry. In recent years, the coal industry has strived to deal with overcapacity through consolidation and restructuring 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 significantly 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 because 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.

Cash Flow Statement

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash generated from operating activities	**83,975**	150,619
Net cash used in investing activities	**(45,458)**	(96,707)
Net cash used in financing activities	**(44,482)**	(162,724)
Net decrease in cash at bank and in hand	**(5,965)**	(108,812)
Cash at bank and in hand at beginning of the period	**43,646**	146,237
Net foreign exchange difference	**1**	223
Cash at bank and in hand at end of the period	**37,682**	37,648

MANAGEMENT DISCUSSION AND ANALYSIS

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 June 2015 was RMB84.0 million, primarily due to loss before taxation of RMB16.8 million, adjusted for interest expenses on bank loans of RMB44.9 million, depreciation of RMB47.7 million and amortisation of RMB9.5 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 June 2015 was RMB45.5 million, primarily due to the payments for purchase of property, plant and equipment of RMB32.3 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 June 2015 was RMB44.5 million, which was attributable to the proceeds from finance lease arrangements of RMB250.0 million, repayments of the Group's bank loans of RMB250.0 million and interest payments of RMB44.5 million.

Cash at Bank and in Hand

For the six months ended 30 June 2015, the Group's cash at bank and in hand decreased by RMB6.0 million. The net decrease in the Group's cash at bank and in hand was from RMB43.7 million as at 31 December 2014 to RMB37.7 million as at 30 June 2015.

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 RMB'000	At 31 December 2014 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 Expenditure 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.

Significant Investments, Acquisitions and Disposals

During the six months ended 30 June 2015, other than the additions and disposals of machinery and equipment in connection with the finance lease agreements entered into by the Group during the period from 20 May 2015 to 28 May 2015 as disclosed in the Company's announcement dated 7 July 2015, the Group had no significant investments, acquisitions and disposals.

Financial Instruments

The Group did not have any hedging contracts or financial derivatives for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Exploration, Development and Mining Production Activities

For the six months ended 30 June 2015, the Group's Dafanpu Coal Mine was at the commercial production stage and produced a total of 1.6 million tonnes of commercial coal.

During the six months ended 30 June 2015, the Group entered into a number of contracts in relation to the coal shafts and conveyor system of the Dafanpu Coal Mine. As at 30 June 2015, the Group's outstanding capital commitments amounted to approximately RMB18.8 million, which were mainly related to the construction of coal storage facilities and the aforementioned development activities of the Dafanpu Coal Mine.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2015, the Group incurred capital expenditures of approximately RMB22.9 million for two additional saleable silos which were built to meet the increased output, as well as for the development and mining production activities of the Dafanpu Coal Mine. The capital expenditures were mainly related to the coal shafts and conveyor system of the Dafanpu Coal Mine.

The Group did not conduct any exploration activities and did not incur any expense or capital expenditure in exploration activities during the six months ended 30 June 2015.

The breakdown of the Group's expenses in relation to its mining production activities for the six months ended 30 June 2015 is summarised as follows:

	For the six months ended 30 June 2015 RMB'000
Cost items	
Mining costs	**90,021**
Processing costs	**39,056**
Government surcharges	**15,307**
Transportation costs	**318,909**
Cost of sales #	**463,293**
Finance costs	**44,898**
Total	**508,191**

Excluding the cost of purchased coal

INDEPENDENT REVIEW REPORT

Review report to the board of directors of
Kinetic Mines and Energy Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 30 which comprises the consolidated statement of financial position of Kinetic Mines and Energy Limited as of 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
21 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Notes	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenue	4	**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	5(a)	**(44,898)**	(51,724)
(Loss)/profit before taxation	5	**(16,802)**	37,361
Income tax	6	**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)	7	**(0.002)**	0.003

The notes on pages 19 to 30 form part of this interim financial report.

CONSOLIDATED 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	8	**1,335,843**	1,360,596
Intangible assets	9	**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	10	**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	14	**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

The notes on pages 19 to 30 form part of this interim financial report..

CONSOLIDATED 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
Capital and reserves			
Share capital		**54,293**	54,293
Reserves		**779,785**	792,306
Total equity		**834,078**	846,599

The notes on pages 19 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2014	54,293	907,627	141,831	34,620	10,040	(363,467)	784,944
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	–	–	–	–	–	26,093	26,093
Other comprehensive income	–	–	–	–	223	–	223
Total comprehensive income for the period	–	–	–	–	223	26,093	26,316
Appropriation of maintenance and production funds	–	–	–	42,475	–	(42,475)	–
Balance at 30 June 2014	54,293	907,627	141,831	77,095	10,263	(379,849)	811,260
At 1 January 2015	54,293	907,627	141,831	109,695	10,149	(376,996)	846,599
Changes in equity for the six months ended 30 June 2015:							
Loss for the period	–	–	–	–	–	(12,522)	(12,522)
Other comprehensive income	–	–	–	–	1	–	1
Total comprehensive income for the period	–	–	–	–	1	(12,522)	(12,521)
Appropriation of maintenance and production funds	–	–	–	46,408	–	(46,408)	–
Balance at 30 June 2015	54,293	907,627	141,831	156,103	10,150	(435,926)	834,078

The notes on pages 19 to 30 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash generated from operating activities	**83,975**	150,619
Investing activities		
Payments for purchase of property, plant and equipment	**(32,290)**	(121,805)
Other cash flows arising from investing activities	**(13,168)**	25,098
Net cash used in investing activities	**(45,458)**	(96,707)
Financing activities		
Proceeds from finance lease arrangements	**250,000**	–
Proceeds from bank loans	**–**	350,000
Repayments of bank loans	**(250,000)**	(475,000)
Other cash flows arising from financing activities	**(44,482)**	(37,724)
Net cash used in financing activities	**(44,482)**	(162,724)
Net decrease in cash at bank and in hand	**(5,965)**	(108,812)
Cash at bank and in hand at 1 January	**43,646**	146,237
Effect of foreign exchange rate changes	**1**	223
Cash at bank and in hand at 30 June	**37,682**	37,648

The notes on pages 19 to 30 form part of this interim financial report.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for 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 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Kinetic Mines and Energy Limited (the "Company") and its subsidiaries (the "Group") since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report 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. KPMG's independent review report to the Board of Directors is included on page 13.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report 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 report, the Group obtained new financing of RMB900,000,000 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 the 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 report has been prepared on a going concern basis.

2 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 lease 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.

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 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").

4 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

5 (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	**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.

6 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.

7 (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 issues 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 issues 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.

8 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

(i) 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 (note 12).

(ii) 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) (note 14).

9 INTANGIBLE ASSETS

Mining rights with carrying value of RMB690,699,000 (31 December 2014: RMB700,188,000) were pledged as securities for the bank loans of the Group as at 30 June 2015 (note 13).

10 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Coal products	**19,822**	25,976
Slimes	**10,731**	12,366
Raw materials, accessories and chemicals	**30,021**	28,796
	60,574	67,138

During the six months ended 30 June 2015, there were no write down of inventories.

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.

11 TRADE AND OTHER RECEIVABLES (Cont'd)

(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:

	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 (note 17(b))	**39,022**	19,240
	351,396	359,042

(i) Bills payables as at 30 June 2015 and 31 December 2014 were secured by certain machinery and equipment of the Group (note 8).

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 (note 9) and guaranteed by the Company and Mr. Zhang Li, director of the Company. The unsecured bank loans amounted to RMB500,000,000 (31 December 2014: RMB750,000,000) were guaranteed by the Company and Mr. Zhang Li.

14 OBLIGATIONS UNDER FINANCE LEASES

As at 30 June 2015, the Group had obligations under finance leases repayable as follows:

	Present value of the minimum lease payments RMB'000	**Total minimum lease payments** RMB'000
Within one year	250,000	263,465
Less: total future interest expenses		(13,465)
Present value of lease obligations		250,000

15 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).

16 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2015 not provided for in the interim financial report were as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for construction and purchase of mining machinery	**18,772**	78,143

(b) Lease commitments

As at 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for lease commitments		
— Within 1 year	**1,155**	599
— After 1 year but within 5 years	**604**	903
	1,759	1,502

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2015, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Mr. Zhang Li	Director
Beijing R&F City Real Estate Development Co., Ltd ("R&F City") (北京富力城房地產開發有限公司)*	Controlled by Mr. Zhang Li
Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited ("Xiaojia JV") (神華准能肖家沙墕煤炭集運有限責任公司) *	An associate of the Group
Zhunge'er Banner Fuliang Mining Limited ("Fuliang Mining") * (准格爾旗富量礦業有限公司)	Controlled by Mr. Zhang Li

* The English translation of the company name is for reference only. The official name of the company is in Chinese.

(a) Transactions

Particulars of significant transactions between the Group and the above related parties are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Leasing a premise from R&F City	**–**	1,046
Loading service from Xiaojia JV	**36,021**	26,503
Advances from Fuliang Mining	**–**	14,000

(b) Amounts due to related parties

	At 30 June 2015	At 31 December 2014
	RMB'000	RMB'000
R&F City	**4,009**	4,009
Xiaojia JV	**35,013**	15,231
	39,022	19,240

Amounts due to related parties are unsecured, interest-free and repayable on demand.

17 RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management personnel remuneration

Remuneration for directors and key management personnel of the Group is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**5,245**	4,991
Contribution to defined contribution retirement plan	**92**	40
	5,337	5,031

(d) Financial guarantees

As at 30 June 2015, the Group's banking facilities of RMB1,350,000,000 (31 December 2014: RMB1,450,000,000) were guaranteed by Mr. Zhang Li.

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 noticed 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.

OTHER INFORMATION

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.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Ordinary Shares of the Company

Name of Director	Capacity/ Type in interest	Number of ordinary shares	Approximate percentage of shareholding (Note 1)
Mr. Zhang Li	Personal and family interests	476,708,000 (Note 2)	5.65%
Mr. Zhang Liang, Johnson	Corporate interests	5,307,450,000	62.96%
Mr. Gu Jianhua	Personal interests	952,219	0.01%

Note 1: The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 30 June 2015.

Note 2: Madam Liao Dong Fen is the spouse of Mr. Zhang Li. Her long position in 2,800,000 ordinary shares of the Company is deemed to be family interests of Mr. Zhang Li.

Saved as above, as at 30 June 2015, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures (Cont'd)

At no time during the six months ended 30 June 2015 was the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

So far as known to the Directors and chief executive of the Company, as at 30 June 2015, the persons or corporations who had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Capacity/ Type of interest	Number of ordinary shares	Approximate percentage of shareholding (Note 1)
Mr. Zhang Liang, Johnson	Interest in a controlled corporation (Note 2)	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests (Note 2)	5,307,450,000	62.96%

Note 1: The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 30 June 2015.

Note 2: King Lok Holdings Limited is wholly-owned and controlled by Mr. Zhang Liang, Johnson and he is therefore deemed to be interested in the ordinary shares held by King Lok Holdings Limited.

Save as disclosed above, as at 30 June 2015, the Directors and chief executive of the Company were not aware of any other person or corporation having an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS (Cont'd)

Share Option Scheme

The Company has adopted a share option scheme on 6 March 2012 (the "Share Option Scheme") for the purpose of providing incentives to participants to contribute to the Company and enabling the Company to recruit high-caliber employees and attract or retain talents that are valuable to the Group.

The maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme and any other share option scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 843,000,000 shares) as at 23 March 2012 unless refreshed. Moreover, no option may be granted to a participant if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that participant in any 12-month period would exceed 1% of the Company's issued share capital from time to time.

An offer of the grant of an option may be accepted within 28 days from the date of offer and the amount payable on acceptance of such offer is HK$1.0. The subscription price in respect of any particular option is determined by the Board and shall be whichever is higher of:

(i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange daily quotations sheet on the offer date;

(ii) the average closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; or

(iii) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a period of 10 years from the listing date, after which period no further options will be offered.

For the six months ended 30 June 2015, no option was granted under the Share Option Scheme and a total of 843,000,000 shares (representing 10% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the Share Option Scheme as at the date of this interim report.

YANGMEI LONGTAI COAL MINE

Pursuant to the purchase option agreement entered into between Mr. Zhang Li and Zhunge'er Banner Fuliang Mining Limited (准格爾旗富量礦業有限公司) on 9 March 2012, the Group has the right to acquire 85% equity interest in Guizhou Fuliang Mining Limited (貴州富量礦業有限公司) ("Guizhou Fuliang"). Guizhou Fuliang is in the process of obtaining mining rights to the Yangmei Longtai Coal Mine through its wholly-owned subsidiary Guizhou Yangmei Longtai Coal Limited (貴州楊梅龍泰煤業有限責任公司).