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KINETIC MINES AND ENERGY LIMITED

力量礦業能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

**ANNOUNCEMENT OF UNAUDITED CONSOLIDATED
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

FINANCIAL HIGHLIGHTS

The Group commenced trial production at the Dafanpu Coal Mine and began to generate turnover during the six months ended 30 June 2012. During the corresponding period in 2011, the Group mainly focused on the development of the Dafanpu Coal Mine and construction of the related infrastructure, including the coal washing plant, loading facilities and associated rail spur lines. The Group did not generate any turnover from its operations and had not commenced trial production for the six months ended 30 June 2011.

The consolidated total comprehensive loss attributable to equity shareholders of the Company for the six months ended 30 June 2012 amounted to RMB69.4 million (six months ended 30 June 2011: RMB11.7 million).

The board of directors (the “Board”) of Kinetic Mines and Energy Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period ended 30 June 2011 as follows:

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		1,024	—
Cost of sales		<u>(715)</u>	<u>—</u>
Gross profit		309	—
Other revenue	5	6,019	3,464
Selling expenses		(200)	—
Administrative expenses		<u>(65,730)</u>	<u>(14,850)</u>
Loss from operations		(59,602)	(11,386)
Share of loss of an associate		(106)	—
Finance costs		<u>(20,262)</u>	<u>(9,602)</u>
Loss before taxation	6	(79,970)	(20,988)
Income tax	7	<u>9,750</u>	<u>4,768</u>
Loss attributable to equity shareholders of the Company for the period		(70,220)	(16,220)
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of operations outside the PRC		<u>861</u>	<u>4,484</u>
Total comprehensive loss attributable to equity shareholders of the Company for the period		<u>(69,359)</u>	<u>(11,736)</u>
Basic and diluted loss per share (RMB)	8	<u>(0.009)</u>	<u>(0.002)</u>

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 — unaudited

(Expressed in Renminbi)

		At 30 June 2012	At 31 December 2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Audited)</i>
Non-current assets			
Property, plant and equipment	10	862,167	660,583
Intangible assets		719,873	719,951
Interest in an associate		29,144	29,250
Deferred tax assets		30,856	21,107
Prepayments for machinery		3,541	42,165
Other non-current assets		—	25,311
		<u>1,645,581</u>	<u>1,498,367</u>
Current assets			
Other receivables		42,281	30,421
Inventories		5,906	—
Pledged deposits		5,025	5,019
Cash at bank and in hand		302,636	15,737
		<u>355,848</u>	<u>51,177</u>
Current liabilities			
Trade and other payables	11	165,293	658,561
Bank loans	12	350,000	248,964
		<u>515,293</u>	<u>907,525</u>
Net current liabilities		<u>159,445</u>	<u>856,348</u>
Total assets less current liabilities		<u>1,486,136</u>	<u>642,019</u>
Non-current liabilities			
Bank loans	12	500,000	500,000
Net assets		<u>986,136</u>	<u>142,019</u>
Capital and reserves			
Share capital		54,293	48,444
Reserves		931,843	93,575
Total equity		<u>986,136</u>	<u>142,019</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION

Kinetic Mines and Energy Limited (the “Company”) was incorporated in the Cayman Islands on 27 July 2010, as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the extraction and sales of coal products. Pursuant to the completion of reorganisation of the Group on 20 July 2011 (the “Reorganisation”), the Company became the holding company of its subsidiaries now comprising the Group, in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The shares of the Company have been listed on the Main Board of the Stock Exchange since 23 March 2012. Details of the Reorganisation are set out in the Company’s prospectus dated 13 March 2012.

The consolidated interim financial information of the Group has been prepared as if the current group structure had been in existence since the beginning of the earliest period reported, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 BASIS OF PREPARATION

The consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2012.

The consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This announcement contains consolidated interim financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The comparatives of the consolidated interim statement of comprehensive income in respect of the six months ended 30 June 2011 and the related notes disclosed in this announcement were derived from the Group’s management accounts for the six months ended 30 June 2011 which have not been audited nor reviewed.

As at 30 June 2012, the Group’s current liabilities exceeded its current assets by RMB159,445,000, which indicated the existence of an uncertainty that may cast doubt on the Group’s ability to continue as a going concern. As at 24 August 2012, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication, the Group had undrawn banking facilities totalling RMB260,000,000. The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the interim financial information has been prepared on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

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

4 SEGMENT REPORTING

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

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

No geographic information is presented as the Group's operating loss is entirely derived from its business activities in the PRC.

5 OTHER REVENUE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of scrapings	—	3,437
Interest income	88	27
Exchange gains — net	<u>5,931</u>	<u>—</u>
	<u>6,019</u>	<u>3,464</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest expenses on bank loans	38,524	32,992
Less: interest expenses capitalised into construction in progress	<u>(18,262)</u>	<u>(23,390)</u>
	<u>20,262</u>	<u>9,602</u>

For the six months ended 30 June 2012, borrowing costs were capitalised by applying a capitalisation rate of 7.315%–7.590% per annum (six months ended 30 June 2011: 6.556%–7.315%).

(b) Staff costs:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	31,509	6,145
Contribution to defined contribution plans	1,310	449
	32,819	6,594

(c) Other items:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Operating lease charges	1,804	1,371
Auditor's remuneration	670	13
Listing expenses	15,975	350
Depreciation	542	346
Amortisation	78	—

7 INCOME TAX IN THE CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and 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 in Hong Kong for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).
- (c) The Group's subsidiaries in the People's Republic of China (the “PRC”) are subject to corporate income tax of 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 25%).
- (d) Reconciliation between income tax and loss before taxation at applicable tax rates is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Loss before taxation	(79,970)	(20,988)
Tax on loss before taxation, calculated at the rates applicable to the results in the jurisdictions concerned	(16,952)	(5,170)
Entities not subject to income tax	5,901	148
Effect of non-deductible expenses	1,301	254
	(9,750)	(4,768)

8 LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss attributable to equity shareholders of the Company of RMB69,359,000 and the weighted average number of 8,010,989,000 shares in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2011 is based on the loss attributable to equity shareholders of the Company of RMB11,736,000 and 7,500,000,000 shares in issue as at 31 December 2011 as if the shares were outstanding throughout the period.

	Six months ended 30 June	
	2012	2011
	'000 shares	'000 shares
Share issued upon Reorganisation	7,500,000	7,500,000
Effect of shares issued upon global offering on 23 March 2012	510,989	—
	8,010,989	7,500,000
Weighted average number of shares	8,010,989	7,500,000

There were no dilutive potential ordinary shares during the six-month periods ended 30 June 2012 and 2011, and therefore, diluted loss per share is the same as the basic loss per share.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Mining structure	Machinery and equipment	Office equipment	Motor vehicles	Buildings	Construction in progress ("CIP")	Total
Carrying amount							
As at 31 December 2011	—	1,155	1,165	2,227	5,548	650,488	660,583
Additions	—	82,122	535	—	—	119,469	202,126
Transfer from CIP	324,357	153,192	—	—	221,824	(699,373)	—
Depreciation	—	(66)	(120)	(268)	(88)	—	(542)
As at 30 June 2012	324,357	236,403	1,580	1,959	227,284	70,584	862,167

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aging analysis as at the end of the reporting period. The credit terms granted by the trade suppliers ranged from 30 days to 60 days.

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payables		
— Due within one month or on demand	3,916	—
Payables for construction	112,396	81,847
Other payables and accruals	48,981	28,305
Amounts due to related parties	—	548,409
	<u>165,293</u>	<u>658,561</u>

12 BANK LOANS

(a) As at 30 June 2012 and 31 December 2011, the bank loans were repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	350,000	248,964
After 2 years but within 5 years	500,000	500,000
	<u>850,000</u>	<u>748,964</u>

(b) As at 30 June 2012 and 31 December 2011, the bank loans were secured and guaranteed as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Secured by intangible assets	500,000	729,000

As at 30 June 2012, the Group's bank loans of RMB500 million were secured by its mining rights and the remaining unsecured bank loan amount of RMB350 million was guaranteed by the Company and Mr. Zhang Li, a director of the Company.

The bank loans of RMB729 million as at 31 December 2011 were secured by the Group's mining rights and guaranteed by Mr. Zhang Li and Huizhou Jin'e SPA Co., Ltd, a company controlled by Mr. Zhang Li. The guarantees were released by the bank prior to the listing of the Company's shares on the Stock Exchange.

13 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Group had no significant non-adjusting events subsequent to 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Business Review and Results Analysis

The Group has been focusing on becoming an integrated coal provider. During the six months period ended 30 June 2012, the Dafanpu Coal Mine in Zhunge'er Banner, Erdos City, Inner Mongolia (the "Dafanpu Coal Mine") owned by the Group was under trial production. The Dafanpu Coal Mine has moderate to thick coal seams and is rich in coal resources. As of November 2010, Dafanpu Coal Mine had Joint Ore Reserves Committee ("JORC") compliant coal resources of approximately 449.9 million tonnes, comprising 145.6 million tonnes of measured coal resources, 247.7 million tonnes of indicated coal resources and 56.6 million tonnes of inferred coal resources.

Notwithstanding the Group's persistent efforts in the timely execution of its trial production plan, there were unexpected lags in the construction of certain facilities in the Dafanpu Coal Mine due to various reasons, and some machinery and equipment were subject to further adjustment and testing. As a result, trial production of the Dafanpu Coal Mine was delayed, affecting the schedule and plan of trial production and commercial production. The Group has actively communicated and cooperated with each contractor, machinery and equipment manufacturer, mining team and relevant government authorities to resolve the delays encountered during trial production in order to complete trial production as soon as possible and commence commercial production.

As at 30 June 2012, construction of the loading station "Xiaojia Station", of which the Group held 45% interest therein, was substantially completed, except for the construction of certain relatively minor structures. On completion and commencement of normal operations, Xiaojia Station will have a coal loading capacity of 15.0 million tonnes per year. With Xiaojia Station and its associated rail spur lines, the Group will have rail capacity to transport coal products from Xiaojia Station along the Nanping Rail Line to Qinhuangdao in Hebei, China's largest transshipment port as well as the reference area which sets the benchmark price for China's coal market. In addition, the Group has set up a coal trade centre in Qinhuangdao and obtained the relevant coal sales and trade permits. In this way, the Group can source coal from other coal mine operators and resell to customers through its integrated supply chain, so as to meet the demand for coal products of different customers in different environments.

Further, in order to lay a solid foundation for the future development of the Dafanpu Coal Mine, the Group has engaged the Coal Mine Research and Design Institute of Inner Mongolia (內蒙古煤炭研究設計院) to formulate a detailed research and design plan on the mining of the No.6 coal seam of Dafanpu Coal Mine, where the richest coal resources are to be found.

Loss of the Group for the six months period ended 30 June 2012 amounted to approximately RMB70.2 million (six months ended 30 June 2011: RMB16.2 million). The increase in losses was mainly attributable to: (1) Dafanpu Coal Mine being in the construction stage during the six months period ended 30 June 2011 – as Dafanpu Coal Mine commenced trial production and business expansion in January 2012, staff costs and consultation costs increased accordingly; (2) the increase in finance costs of the Group for the six months period ended 30 June 2012 compared to the finance costs incurred during the corresponding period last year, which was mainly attributable to a new interest-bearing short-term bank loan of approximately HK\$740.1 million (equivalent to RMB600 million). The loan was used to repay the amounts due to related parties, which were interest-free, prior to the Company's listing in March 2012; and the decrease in interest expenses eligible for capitalisation as construction in progress during the six months period ended 30 June 2012 as the construction of most facilities in Dafanpu Coal Mine was completed in December 2011; and (3) administrative expenses, including the non-recurring listing expenses of approximately RMB16.0 million.

Prospects

While continuing to focus on the trial production and commercial production plans of Dafanpu Coal Mine project as well as the coal trade centre business in Qinhuangdao, the Group believes that it can gain a more dominant position in the coal market if it takes control of more coal resources. Accordingly, the Group entered into a purchase option agreement with Mr. Zhang Li and Zhunge'er Banner Fuliang Coal Mining Limited (准格爾旗富量礦業有限公司) on 9 March 2012, pursuant to which the Group has a right to acquire 85% of the equity interest in Guizhou Fuliang Mining Limited (貴州富量礦業有限公司) ("Guizhou Fuliang") which 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公司). In addition, the Group will continue to identify quality coal investment projects, with the increase in coal resources and coal reserves as the Group's core strategy, in the expectation that the integration of these with the Group's business will achieve synergies and economies of scale.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2012, the Group recorded turnover of RMB1,024,000 as it commenced sales of coal products from the end of June 2012. Compared to the six months ended 30 June 2011, the Group did not have any turnover as it was in the development stage and had not begun trial production during the six months ended 30 June 2011.

Cost of sales

For the six months ended 30 June 2012, the Group incurred cost of sales of RMB715,000. Cost of sales mainly comprises salaries of coal mine workers, supplementary materials, fuel and electricity, depreciation, amortisation and surcharges of mining operations. The Group did not have any cost of sales for the six months ended 30 June 2011 as it did not have any turnover during the same period.

Other revenue

Other revenue of the Group increased from RMB3,464,000 for the six months ended 30 June 2011 to RMB6,019,000 for the six months ended 30 June 2012.

For the six months ended 30 June 2012, the Group's other revenue mainly comprises exchange gains from conversion of funds.

For the six months ended 30 June 2011, the Group's other revenue was primarily from sales, net of taxes, of coal produced from the excavation of shafts and tunnels during the construction of the Group's production facilities.

Selling expenses

For the six months ended 30 June 2012, the Group incurred selling expenses of RMB200,000. The Group did not have selling expenses for the six months ended 30 June 2011 as it did not have any turnover and sales activities during the same period.

Administrative expenses

The Group's administrative expenses increased from RMB14,850,000 for the six months ended 30 June 2011 to RMB65,730,000 for the six months ended 30 June 2012.

The increase in administrative expenses was mainly due to the professional service fees incurred in connection with the Company's listing on the Main Board of the Stock Exchange which amounted to RMB15,957,000 (six months ended 30 June 2011: RMB350,000). Moreover, since the commencement of the trial production of the Group, the Group's staff costs and consultation costs also increased from RMB7,216,000 for the six months ended 30 June 2011 to RMB36,201,000 for the six months ended 30 June 2012.

Finance costs

Finance costs increased from RMB9,602,000 for the six months ended 30 June 2011 to RMB20,262,000 for the six months ended 30 June 2012. The increase was mainly attributable to increase in the amount of interest-bearing bank loans as the Group repaid all the amounts due to related parties, which were interest-free, prior to the Company's listing on the Stock Exchange in March 2012. Moreover, as most of the Group's infrastructure at the Dafanpu Coal Mine was substantially completed in December 2011, the interest expenses which could be capitalised as construction in progress decreased from RMB23,390,000 for the six months ended 30 June 2011 to RMB18,262,000 for the six months ended 30 June 2012.

Income tax

The Group did not have any income tax expenses for the six-month periods ended 30 June 2012 and 2011 as the Group did not generate any taxable profits during these two periods. However, the Group recorded tax credit of RMB9,750,000 and RMB4,768,000 for the six-month periods ended 30 June 2012 and 2011, respectively, primarily due to the recognition of deferred income tax assets from tax losses.

Total comprehensive loss

As a result of the foregoing, the Group's total comprehensive loss was RMB69,359,000 and RMB11,736,000 for the six-month periods ended 30 June 2012 and 2011, respectively.

Dividend

No dividends were declared for the six-month periods ended 30 June 2012 and 2011.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 June 2012, 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. After the Company's listing on the Stock Exchange in March 2012, the Group financed its funding requirements mainly through a combination of proceeds from initial public offering, interest-bearing bank loans and cash generated from operating activities. The Group's gearing ratio decreased from 84% as at 31 December 2011 to 36% as at June 2012. 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.

The Group's cash at bank and in hand, amounting to RMB302,636,000 as at 30 June 2012, was denominated in Renminbi (73%) and Hong Kong dollars (27%).

As at 30 June 2012, the Group's bank borrowings were as follows:

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Repayable within one year	350,000	248,964
Repayable after two years but within five years	500,000	500,000
	<u>850,000</u>	<u>748,964</u>

Notes:

- (a) As at 30 June 2012, all the Group's bank loans were denominated in RMB.
- (b) As at 30 June 2012, the Group's secured bank loans of RMB500,000,000 were secured by its mining rights, while the Group's unsecured bank loan of RMB350,000,000 was guaranteed by the Company and Mr. Zhang Li, a director of the Company.

Contingent Liabilities

The Group had no material contingent liability as at 30 June 2012.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately RMB202,126,000 for the six months ended 30 June 2012, which were mainly related to the construction of mining and coal washing facilities and purchase of other property, plant and equipment for the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2012 amounted to RMB120,785,000 which were related to the construction of the Group's mining infrastructure.

Charge on Assets

As at 30 June 2012, the Group's mining rights with a carrying amount of RMB719,873,000 was pledged to a bank for the relevant banking facilities granted to the Group.

Financial Risk Management

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings 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. For the six months ended 30 June 2012, the Group did not enter into any financial instruments to hedge against its interest rate risk but the Board will continue to closely monitor the Group's loan portfolio in order to manage its interest rate risk exposure.

(b) Foreign currency risk

The Company and its subsidiaries are not exposed to significant foreign currency risk as their transactions and balances are principally denominated in their respective functional currencies. As the foreign currency risk is not significant, the Group did not enter into any financial instruments to hedge against foreign currency risk for the six months ended 30 June 2012.

Human Resources and Emolument Policy

As at 30 June 2012, the Group employed a total of approximately 300 full-time employees in the PRC and Hong Kong. For the six months ended 30 June 2012, the total staff costs, including the directors' emoluments, amounted to RMB32,819,000.

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.

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

During the period from 23 March 2012 (the “Listing Date”) to 31 March 2012, the Company has complied with the code provisions of the then applicable Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules; and during the period from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report as set out in that Appendix.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Having made specific enquiries of all the Directors of the Company, all the Directors confirmed that they have complied with the required standards of dealings as set out in the Model Code during the period from the Company’s Listing Date to 30 June 2012.

Audit Committee

The audit committee of the Company comprises two independent non-executive directors, namely Ms. Liu Peilian and Mr. Dai Feng and one non-executive director, Ms. Zhang Lin. Ms. Liu Peilian is the chairman of the audit committee. 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 unaudited consolidated interim financial information of the Group for the six months ended 30 June 2012.

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

During the period from the Company’s Listing Date to 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website at <http://www.kineticme.com>. The interim report for 2012 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

28 August 2012

As at the date of this announcement, the board of directors of the Company comprises seven directors, of which three are executive directors, namely Mr. Zhang Li (Chairman), Mr. Wang Changchun (Chief Executive Officer), 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. Dai Feng.