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力量发展
KINETIC DEVELOPMENT GROUP

Kinetic Development Group Limited
力量發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Change
	RMB' million	*RMB' million*	
Revenue	**1,492.2**	3,010.0	-50.4%
Gross profit	**816.9**	2,095.3	-61.0%
Gross profit margin	**54.7%**	69.6%	-14.9 p.p.
Profit attributable to equity shareholders of the Company	**570.2**	1,365.3	-58.2%
Net profit margin	**38.1%**	45.3%	-7.2 p.p.
Earnings per share — Basic and Diluted	**6.76 RMB cents**	16.20 RMB cents	
Interim dividend per share	**3.0 HK cents**	6.0 HK cents	

The board of directors (the "**Board**") of Kinetic Development Group Limited (the "**Company**") announces the unaudited interim consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period ended 30 June 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**1,492,198**	3,009,958
Cost of sales		**(675,293)**	(914,623)
Gross profit		**816,905**	2,095,335
Other incomes and losses, net	*5*	**(15,545)**	9,212
Gains/(losses) on fair value changes of financial assets	*15*	**15,296**	(33,751)
Selling expenses		**(7,239)**	(12,319)
Administrative expenses		**(140,310)**	(123,057)
PROFIT FROM OPERATIONS		**669,107**	1,935,420
Share of profits of associates		**1,769**	10,401
Finance costs	*7*	**(37,515)**	(10,945)
PROFIT BEFORE TAXATION	*6*	**633,361**	1,934,876
Income tax expense	*8*	**(64,286)**	(572,724)
PROFIT FOR THE PERIOD		**569,075**	1,362,152
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**1,758**	(9,304)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**570,833**	1,352,848

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Profit for the period attributable to:			
Equity shareholders of the Company		**570,236**	1,365,349
Non-controlling interests		**(1,161)**	(3,197)
		569,075	1,362,152
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**571,994**	1,356,045
Non-controlling interests		**(1,161)**	(3,197)
		570,833	1,352,848
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	*9*	**6.76**	16.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 – unaudited

	Notes	**30 June 2023** *RMB'000*	31 December 2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,809,418**	1,716,365
Right-of-use assets	*11*	**42,454**	116,873
Intangible assets	*12*	**3,201,954**	3,210,599
Interest in associates		**105,854**	104,085
Deferred tax assets		**40,182**	42,581
Prepayments for proposed acquisitions	*13*	**2,685,986**	2,546,892
Other non-current assets	*14*	**298,831**	143,037
Total non-current assets		**8,184,679**	7,880,432
CURRENT ASSETS			
Financial assets at fair value through profit or loss	*15*	**206,195**	190,899
Inventories	*16*	**112,088**	110,213
Trade and other receivables	*17*	**156,277**	220,718
Pledged and restricted deposits	*18*	**920,540**	475,903
Cash at bank	*18*	**348,015**	551,866
Current portion of other non-current assets	*14*	**65,419**	62,610
Total current assets		**1,808,534**	1,612,209
CURRENT LIABILITIES			
Trade and other payables	*19*	**986,989**	518,906
Contract liabilities		**114,380**	196,283
Bank loans	*20*	**1,267,370**	300,000
Lease liabilities	*21*	**–**	15,898
Income tax payable		**383,001**	784,328
Total current liabilities		**2,751,740**	1,815,415
NET CURRENT LIABILITIES		**(943,206)**	(203,206)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,241,473**	7,677,226

	Notes	30 June 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Bank loans	*20*	**200,000**	583,000
Lease liabilities	*21*	**4,724**	79,542
Long-term payables	*22*	**643,200**	638,992
Deferred tax liabilities		**42,774**	52,865
Accrual for reclamation costs		**6,369**	6,037
Total non-current liabilities		**897,067**	1,360,436
Net assets		**6,344,406**	6,316,790
EQUITY			
Share capital		**54,293**	54,293
Reserves		**6,303,278**	6,274,501
Total equity attributable to equity shareholders of the Company		**6,357,571**	6,328,794
Non-controlling interests		**(13,165)**	(12,004)
Total equity		**6,344,406**	6,316,790

NOTES TO THE FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

1. CORPORATE AND GROUP INFORMATION

Kinetic Development Group Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 July 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company and its subsidiaries (collectively referred to as the "**Group**") are mainly engaged in the extraction and sale of coal products. There has been no significant change in the Group's principal activities during the period.

In the opinion of the directors of the Company (the "**Directors**"), the holding company and the ultimate holding company of the Company is King Lok Holdings Limited, which was incorporated in the British Virgin Islands with limited liability.

2.1 BASIS OF PREPARATION

The 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 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

The preparation of 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.

The 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 the Group since the 2022 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 HKFRSs.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements. The auditor has reported on those financial statements on 30 March 2023. The auditor's opinion was not modified but included a reference to a matter to which the auditor drew attention for material uncertainty related to going concern.

As at 30 June 2023, the Group had net current liabilities of RMB943,206,000 and has undertaken several acquisitions as disclosed in Note 13 with estimated total consideration of over RMB3 billion, of which the remaining amounts for the acquisitions and other capital expenditure amounting to approximately RMB1.2 billion will be paid in the near future. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business other than mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure.

The Group's ability to fund the above-mentioned acquisitions and capital expenditures heavily relies on its future operating cash inflows and its ability to finance through bank loans, which may be affected by the government macro-control policy and volatility in coal market price.

The Directors assessed the Group's ability to continue as a going concern, taking into account (i) the Group's current cash at bank balances; (ii) the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting period; and (iii) the Group's capital expenditure forecast for at least the next twelve months from the end of the current reporting period, with the potential gap to be satisfied by external borrowings. The Directors are of the opinion that the Group will carefully monitor its liquidity position and assuming that the Group is able to generate sufficient cash inflows from future operations and obtain borrowings from bank or other financial institutions when needed, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months. Accordingly, it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. The condensed consolidated interim financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES

New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- ***HKFRS 17, Insurance contracts***

  HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts.

- ***Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates***

  The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates.

- ***Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction***

  The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

- ***Amendments to HKAS 12, Income taxes: International tax reform — Pillar Two model rules***

  The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application.

None of the new and amended HKFRSs have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker ("**CODM**") of the Group that are used to assess the performance and allocate resources. The Group manages its businesses by business lines, in a manner consistent with the way in which the information is reported internally to the Group's CODM. The reportable segments of the Group are coal mining segment and other segment (mainly including planting and properties operations) that are in line with the business plans and information provided to the CODM of the Group.

The revenue generated from other segment is insignificant to the Group. As such, the results of other segment is not measured separately.

The information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation for the six months ended 30 June 2023 is the total amount of related assets and liabilities of reportable segments.

Information regarding the Group's reportable segments for the six months ended 30 June 2023 and reconciliations of reportable segment assets and liabilities are set out below.

(i) Segment assets and liabilities

	At 30 June 2023		
	Coal mining segment	**Other segment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment assets	**7,483,456**	**1,964,570**	**9,448,026**
Reportable segment liabilities	**3,037,416**	**50,002**	**3,087,418**

	At 31 December 2022		
	Coal mining segment	Other segment	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	7,405,766	1,694,987	9,100,753
Reportable segment liabilities	1,937,232	138,649	2,075,881

(ii) Reconciliations of reportable segment assets and liabilities

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Assets			
Reportable segment assets		**9,448,026**	9,100,753
Loans granted to related parties	*14*	**298,810**	158,408
Financial assets at fair value through profit or loss	*15*	**206,195**	190,899
Deferred tax assets		**40,182**	42,581
Consolidated total assets		**9,993,213**	9,492,641

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Liabilities			
Reportable segment liabilities		**3,087,418**	2,075,881
Income tax payable		**383,001**	784,328
Taxes payable other than income tax	*19*	**135,614**	262,777
Deferred tax liabilities		**42,774**	52,865
Consolidated total liabilities		**3,648,807**	3,175,851

(iii) Geographic information

No geographic information is shown as the Group's operating results are 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 sale of coal products. Revenue represents the sales value of goods supplied to customers, excluding value added taxes or any trade discounts.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of coal products	**1,489,107**	3,007,788
Others	**3,091**	2,170
	1,492,198	3,009,958

5. OTHER INCOMES AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**28,672**	19,319
Interest income	**7,830**	6,699
Gains/(losses) on disposal of non-current assets	**8,043**	(10,966)
Donation	**(63,008)**	–
Write-down of inventories	**–**	(3,697)
Others	**2,918**	(2,143)
	(15,545)	9,212

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Cost of sales		
— Transportation and storage costs	**333,146**	502,173
— Cost of inventories sold	**342,147**	412,450
	675,293	914,623
Staff costs:		
Salaries, wages, bonuses and benefits	**188,562**	172,407
Contribution to defined contribution plans	**7,458**	5,217
	196,020	177,624
Depreciation	**45,264**	46,522
Amortisation of intangible assets	**8,855**	15,588
Amortisation of right-of-use assets	**3,467**	392
Write-down of inventories	**–**	3,697

Cost of inventories sold for the six months ended 30 June 2023 included RMB138,938,000 (six months ended 30 June 2022: RMB136,308,000) relating to staff costs, depreciation and amortisation, which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses	**31,084**	6,658
Unwinding of discount	**6,431**	4,287
	37,515	10,945

8. INCOME TAX EXPENSE

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax — Mainland China	**71,978**	596,715
Deferred income tax		
Reversal and origination of temporary differences	**(7,692)**	(23,991)
Total tax expense for the period	**64,286**	572,724

(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 and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.

(b) Except for Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**"), PRC corporate income tax ("**CIT**") was provided at a rate of 25% on the taxable income of the companies comprising the Group within Mainland China, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Kinetic Coal was qualified as a "High and New Technology Enterprise" on 14 December 2022, hence it enjoys a preferential income tax rate of 15% from 2022 to 2024.

(c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In 2023, Kinetic Development Group Limited, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR certificate of resident status for the calendar year 2022 and the two succeeding calendar years, respectively. As a result, under the "Arrangement between the Mainland China and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income", the Group is subject to a withholding tax rate of 5% from 2022 to 2024. The relevant tax authorities in Mainland China has refunded the Group with the difference of PRC withholding tax incurred for the year ended 31 December 2022 which was calculated at the rate of 10% and 5%, amounting to RMB74,558,000. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2023.

9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit for the period attributable to equity shareholders of the Company of RMB570,236,000 and the 8,430,000,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to equity shareholders of the Company of RMB1,365,349,000 and the 8,430,000,000 shares in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022, and therefore, diluted earnings per share is the same as the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Carrying amount
	RMB'000
At 1 January 2023	**1,716,365**
Additions	**138,332**
Disposals	**(15)**
Depreciation	**(45,264)**
At 30 June 2023	**1,809,418**

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB279,260,000 (31 December 2022: RMB283,700,000) as at 30 June 2023. The Directors are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

11. RIGHT-OF-USE ASSETS

	Carrying amount *RMB'000*
At 1 January 2023	**116,873**
Additions	**12,536**
Disposals *(note)*	**(83,488)**
Amortisation	**(3,467)**
At 30 June 2023	**42,454**

note:

In 2022, the Group entered into land lease agreements (the "**Land Lease Agreements**") with certain village committees of Togtoh County, Hohhot, Inner Mongolia Autonomous Region ("**Village Committees**") for planting. The corresponding Land Leases Agreements were early terminated on 1 March 2023 and the Group was not liable for or required to pay any compensation due to the early termination of the Land Lease Agreements.

12. INTANGIBLE ASSETS

	Carrying amount *RMB'000*
At 1 January 2023	**3,210,599**
Additions	**210**
Amortisation	**(8,855)**
At 30 June 2023	**3,201,954**

13. PREPAYMENTS FOR PROPOSED ACQUISITIONS

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Related parties			
— Acquisition of Guizhou Liliang Energy Co., Ltd. ("**Guizhou Liliang**")	*(a)*	**1,080,256**	1,080,256
— Acquisition of properties from Guangzhou Seedland Real Estate Development Co., Ltd. ("**Seedland**")	*(b)*	**803,000**	696,000
— Acquisition of properties from Hainan Hangxiao Real Estate Development Co., Ltd. ("**Hainan Hangxiao**")	*(c)*	**564,625**	564,625
— Acquisition of Star Idea Enterprises Limited ("**Star Idea**")	*(d)*	**232,105**	200,011
		2,679,986	2,540,892
Third parties		**6,000**	6,000
		2,685,986	2,546,892

Notes:

(a) On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang, an entity owned by Mr. Zhang Li, to acquire its 75% equity interests in Liupanshui Changlin Real Estate Development Co., Ltd. ("**Changlin**") which is expected to own the mining rights of a coal mine in Guizhou upon completion of a restructuring, with a total consideration of RMB1,100,000,000. According to the acquisition agreement, the Group prepaid RMB550,000,000 in 2021 and RMB530,256,000 in 2022 to Guizhou Liliang, respectively. Prior to the completion of the acquisition, certain conditions shall be satisfied. If those conditions were not satisfied, the Group is entitled to require Guizhou Liliang to refund any payment (without interest) which the Group had actually made to it under the acquisition agreement. The recoverability of the prepayments are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the completed acquisition of Wuhai Fuliang in 2022, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the independent shareholders' approval.

(b) On 29 April and 12 July 2022, the Group entered into a property purchase agreement and revised supplementary agreement with subsidiaries of Seedland, including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd., Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd., all of which are controlled by Mr. Zhang Liang, Johnson, to acquire certain properties with a total consideration of RMB809,480,000. According to the agreements, the Group prepaid RMB670,000,000 to Guangzhou Chaiju Architectural Design Consulting Co., Ltd. ("**Guangzhou Chaiju**") and RMB133,000,000 to Zhuhai Hengqin Tianshi Enterprise Management Consulting Co., Ltd. ("**Zhuhai Hengqin**"). The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

(c) On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao, an entity controlled by Guangzhou R&F Properties Co., Ltd. of which Mr. Zhang Li is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023.

(d) On 30 December 2022, the Group entered into an acquisition and subscription agreement with Mr. Zhang Li and Star Idea to acquire 36,500 existing shares of Star Idea (the "**Acquisition in relation to Star Idea**"), representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010. The Group prepaid USD19,435,763 (equivalent to RMB135,362,000) to Mr. Zhang Li. The Group also agreed to subscribe for an additional 16,667 newly issued shares of Star Idea with a consideration of USD28,656,169, for which the Group partially prepaid the consideration as settled with a loan to Star Idea (the "**Loan Agreement**") of USD9,098,333 pursuant to a loan agreement dated 4 November 2022.

    On 29 March 2023, due to the changes in macro-economy and regulatory condition and based on the status of the proposed acquisition then, the Group entered into a supplemental agreement with Mr. Zhang Li and Star Idea to terminate the subscription of additional 16,667 newly issued shares of Star Idea. As a result, with effect from 29 March 2023, the "Loan Agreement" has been reinstated, and the prepayment made by the Group to Star Idea in relation to the subscription agreement has been classified as a loan pursuant to the Loan Agreement and was recognised as other non-current assets.

    In 2023, the Group further prepaid USD13,743,000 (equivalent to RMB96,743,000). As of 30 June 2023, the total consideration was approximately USD62,757,010 and the consideration has been paid in cumulative amounts of USD33,178,763 (equivalent to RMB232,105,000). The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023 and is expected to be completed in the second half of 2023.

On 17 February 2023, Mr. Zhang Liang, Johnson and King Lok Holdings Limited, an entity owned by Mr. Zhang Liang, Johnson, agreed to pledge 5,307,450,000 shares held by them in the Company and the interests derived therefrom as security for the performance of contractual obligations of Guizhou Liliang, Mr. Zhang Li and subsidiaries of Seedland under the relevant acquisitions and loan agreements. The share pledge arrangement serves as a security of the prepayments made for the acquisition of Guizhou Liliang, acquisition of properties from Seedland and acquisition of Star Idea, as well as loans granted to Guizhou Liliang.

The Directors have assessed the progress of the transactions and the ability of the related parties to fulfil the obligations under the agreements described above and even if these transactions not completed as schedule the counterparties are financially capable to repay the outstanding amounts to the Company.

14. OTHER NON-CURRENT ASSETS

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Loans granted to related parties	**298,810**	158,408
Others	**65,440**	47,239
Total	**364,250**	205,647
Less:		
Current portion of other non-current assets — Related parties	**65,419**	62,610
Other non-current assets	**298,831**	143,037

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trust wealth management investments	**206,195**	190,899

On 25 December 2020, the Group entered into a subscription agreement with Northern International Trust Co., Ltd. ("**Northern Trust**") to subscribe a trust wealth management investment amounting to RMB252,530,000 for a period of 1 year, which is redeemable on demand. As at 30 June 2023, the fair value of the investment was RMB125,353,000 (31 December 2022: RMB115,576,000), resulting in a gain of RMB9,777,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F Properties Co., Ltd. ("**Guangzhou R&F**") in 2018 with an annual interest rate of 6.58%. Subsequent to 30 June 2023, the fair value of the trust wealth management investment was in the range between RMB130,000,000 and RMB160,000,000.

On 28 December 2020, the Group entered into a subscription agreement with Beijing International Trust Co., Ltd. ("**Beijing Trust**") to subscribe a trust wealth management investment amounting to RMB151,500,000 for a period of 10 years, which is redeemable on demand. As at 30 June 2023, the fair value of the investment was RMB80,842,000 (31 December 2022: RMB75,323,000), resulting in a gain of RMB5,519,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F in 2020 with an annual interest rate of 6.30%. Subsequent to 30 June 2023, the fair value of the trust wealth management investment was in the range between RMB60,000,000 and RMB90,000,000.

16. INVENTORIES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Coal products	**64,615**	56,746
Raw materials, accessories and chemicals	**47,452**	49,849
Others	**21**	3,618
	112,088	110,213

17. TRADE AND OTHER RECEIVABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade debtors	**848**	5,227
Other receivables		
— Government subsidy receivables	**–**	65,220
— Prepayments and deposits	**87,337**	102,781
— Deductible input VAT	**43,162**	38,264
— Others	**24,930**	9,226
	156,277	220,718

As at the end of the reporting period, the aging analysis of trade debtors, based on the invoice date and net of provisions is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 6 months	**848**	5,227

Trade debtors are generally due within 30 to 90 days from the date of billing.

The allowances for trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Directors are of opinion that the amount of expected credit losses is minimal, no loss allowance for trade and other receivables recognised as at 30 June 2023 under HKFRS 9.

18. CASH AT BANK AND PLEDGED AND RESTRICTED DEPOSITS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Cash and bank balances	**348,015**	551,866
Pledged deposits	**800,000**	400,000
Restricted deposits	**120,540**	75,903
	1,268,555	1,027,769
Less:		
Pledged for bank loans	**800,000**	400,000
Restricted deposits	**120,540**	75,903
Cash and cash equivalents	**348,015**	551,866

As at 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB339,443,000 (31 December 2022: RMB502,779,000).

As at 30 June 2023, the Group's bank balances of RMB800,000,000 (31 December 2022: RMB400,000,000) were deposited as guarantee fund for the Group to obtain bank loan of RMB1,100,000,000 (31 December 2022: RMB1,000,000,000).

As at 30 June 2023, the Group's bank balances of approximately RMB120,540,000 (31 December 2022: RMB75,903,000) were deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations.

19. TRADE AND OTHER PAYABLES

	Notes	**30 June 2023** *RMB'000*	31 December 2022 *RMB'000*
Dividends payable		**543,217**	–
Taxes payable other than income tax		**135,614**	262,777
Payables for material and construction	*(a)*	**160,943**	120,703
Other payables and accruals	*(b)*	**142,824**	133,905
Amounts due to related parties		**4,391**	1,521
		986,989	518,906

Notes:

(a) Payables for material and construction are non-interest-bearing.

An aging analysis of the payables for material and construction as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 1 year	**150,728**	82,628
1 to 2 years	**7,701**	9,688
Over 2 years	**2,514**	28,387
	160,943	120,703

(b) Other payables and accruals are non-interest bearing, which are expected to be settled within one year or repayable on demand.

20. BANK LOANS

		At 30 June 2023			At 31 December 2022		
	Notes	***Effective interest rate (%)***	***Maturity***	***RMB'000***	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current							
Bank loan — secured	*(a)*	**3.50%**	**2024**	**400,000**	–	–	–
Bank loan — secured	*(b)*	**5.50%**	**2024**	**134,370**	–	–	–
Current portion of long-term bank loans — secured	*(c)*	**6.65%**	**2024**	**33,000**	–	–	–
Current portion of long-term bank loan — secured	*(d)*	**5.00%**	**2024**	**700,000**	5.00%	2023	300,000
				1,267,370			300,000
Non-current							
Long-term bank loans — secured	*(c)*	**–**	**–**	**–**	6.65%	2024	33,000
Long-term bank loan — secured	*(e)*	**5.00%**	**2025**	**200,000**	5.00%	2024	550,000
				200,000			583,000
				1,467,370			883,000

Notes:

(a) As at 30 June 2023, the Group's bank loans amounting to RMB400,000,000 was secured by the Group's pledged deposits amounting to RMB400,000,000, which will be due in March 2024.

(b) As at 30 June 2023, the Group's bank loans amounting to RMB134,370,000 was secured by the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in March 2024.

(c) As at 30 June 2023, the Group's bank loans amounting to RMB33,000,000 (31 December 2022: RMB33,000,000) was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company, which will be due within one year.

(d) As at 30 June 2023, the Group's bank loan amounting to RMB700,000,000 (31 December 2022: RMB850,000,000) was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and secured by the Group's pledged deposits amounting to RMB400,000,000 and the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in May 2024 (31 December 2022: RMB300,000,000 will be due within one year).

(e) As at 30 June 2023, the Group's bank loans amounting to RMB200,000,000 was secured by the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in March 2025.

21. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 1 year	**–**	15,898
After 1 year but within 2 years	**–**	16,969
After 2 years but within 5 years	**–**	57,981
Over 5 years	**4,724**	4,592
	4,724	95,440

22. LONG-TERM PAYABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Present value of payables in relation to mining rights	**669,953**	665,196
Present value of compensation payable in relation to the demolition and relocation	**28,635**	27,859
	698,588	693,055
Less: current portion recorded in trade and other payables	**55,388**	54,063
	643,200	638,992

23. DIVIDENDS

The Directors proposed an interim dividend of HKD3.0 cents per share (six months ended 30 June 2022: HKD6.0 cents per share), payable to shareholders of the Company on or before 3 November 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately RMB233,169,000 (six months ended 30 June 2022: RMB432,555,000).

24. EVENTS AFTER REPORTING PERIOD

(a) After the end of the reporting period, the Directors proposed an interim dividend, further details are disclosed in Note 23.

(b) On 28 July 2023, the Acquisition in relation to Star Idea was approved by the independent shareholders of the Company on the Company's extraordinary general meeting, details are disclosed in Note 13(d).

Save as above, the Group had no significant non-adjusting events subsequent to 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Market Review

In the first half of 2023, global inflationary pressure remained high, coupled with the continuous interest rate hike, resulting in the insufficient growth momentum of the global economy, and a slowdown in the growth of the global trade. In face of the complex and grim international environment, the PRC government paid effort on promoting high quality development, the market demand experienced a progressive recovery, while the demand and supply for the production continued to increase, and the overall stability was maintained in employment and prices, which paved the way for a generally stable and favourable economy. According to the data from the National Bureau of Statistics of China ("**NBSC**"), China's GDP for the first half of 2023 amounted to approximately RMB59.3 trillion, representing an increase of 5.5% year-on-year; sizable nationwide industrial enterprises achieved a business revenue of approximately RMB62.6 trillion, representing a year-on-year decrease of 0.4%; sizable nationwide industrial enterprises achieved a total profit of approximately RMB3,388.46 billion, representing a year-on-year decrease of 16.8%.

During the first half of 2023, both supply and demand experienced significant growth, but overall, supply exceeded demand moderately. On the supply side, with the effects from numerous factors such as the continuous effects of policies for ensuring the supply of coal, and the zero-tariff policy for imported coal, there was a stable growth in the domestic production of coal in the first half of the year, while there was a high-level growth in the quantity of imported coal. According to the data from the NBSC, the raw coal output of China's sizable nationwide industrial enterprises amounted to approximately 2.3 billion tonnes in the first half of 2023, with a year-on-year increase of 4.4%. China imported approximately 220 million tonnes of coal during the same period, with a year-on-year increase of 93.0%. During the same period, the demand side showed a buoyant and upward trend in general and the demand for power generated by the downstream coal fired power plant remains high. According to that data from the NBSC, the power generation maintains a growth in the first half of the year, the nationwide power generation amounted to approximately 4.2 trillion kWh, representing a year-on-year increase of 3.8%. Among which, the power generated by hydro-power recorded a year-on-year decrease of 22.9%, thus power generated by thermal power complements the shortfall from hydro-power, and recorded a year-on-year increase of 7.5%.

The average coal prices experienced a general decrease in the first half of 2023, but was still at a relatively high level. Affected by the decrease in coal price, the general operating results of the industry recorded a year-on-year decrease. According to the data from the NBSC, in the first half of 2023, the principal business income of large-scale enterprises from the coal mining and coal washing industries in China amounted to approximately RMB1,769.52 billion, representing a year-on-year decrease of 12.6%, while the total profit amounted to approximately RMB412.76 billion, representing a year-on-year decrease of 23.3%.

In conclusion, during the first half of 2023, under the influence of the slowdown in domestic and overseas economic growth, the further release of the coal production capacity, and the comprehensive opening for the imported coal, the demand and supply pattern for domestic coal was easing in a progressive manner. There was a frustration and adjustment in the coal price, exerting pressure to the general results of coal enterprises.

BUSINESS REVIEW

As a leading integrated coal enterprise in China, the Group's business activities operate through the whole coal industry chain, covering coal production, washing, loading, transportation and trading.

During the first half of 2023, under the influence of several factors, the coal market selling price experienced a downward frustration. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the production volume of coal, and in turn resulted in a significant decrease in the sales volume of the coal of the Group. During the first half of the year, the average selling price per tonne of the Group's 5,000 kcal low-sulfur environmentally friendly thermal coal amounted to approximately RMB866, representing a year-on-year decrease of approximately 6.3%; the sales volume of the 5,000 kcal coal of the Group recorded a year-on-year decrease of approximately 48.1% as compared to the corresponding period last year. For the six months ended 30 June 2023, the Group recorded a total revenue of approximately RMB1,492.2 million, representing a year-on-year decrease of 50.4% as compared to the corresponding period last year. In face of the numerous difficulties from the external markets and our own extraction conditions, on one hand the Group prudently considered and judged the market trend, and by complementing the market demand and the actual production of Dafanpu Coal Mine, the Group timely deployed different sales strategy for different stages, and grasped the opportunity to make delivery when the coal price was at a relatively high level, which realized a scenario that the selling price was slightly higher than the prevailing market price, and maximized sales profits. On the other hand, the Group adopted effective measures in a proactive manner in the mining aspect, which successfully overcame the barriers on mining process caused by the underground conditions of mines. The production, delivery and sales of coal recovered to its normal level progressively in May 2023. It is expected that growth momentum will return in the second half of the year.

During the reporting period, the Group continued to implement refined management, formulated and improved various systems in various operational aspects, and strived to control various management fees and costs, which effectively mitigated the effect of the decline of sales price on gross profit margin. For the six months ended 30 June 2023, the Group achieved a gross profit margin of approximately 54.7%, which was of an industry-leading level.

Based on the above business strategies, the Group has maintained a steady development under the grim internal and external challenges during the first half of the year, bringing a relatively considerable profit returns to shareholders. For the six months ended 30 June 2023, the Group's consolidated net profit amounted to approximately RMB569.1 million, representing a year-on-year decrease of 58.2%. The Group's EBITDA amounted to approximately RMB728.5 million, representing a year-on-year decrease of 63.7%.

The Group has always put safe production in top priority. The Group's Dafanpu Coal Mine in Inner Mongolia has maintained the honour of "Class A Coal Mine" for eight consecutive years, and has been rated as "Coal Industry Premium Safe and Efficient Mine" by the China National Coal Association since 2014. During the reporting period, Dafanpu Coal Mine successfully passed the acceptance of "National Class 1 Safe Production Standardized Mine" and "Intelligent Mining Process".

The Group also attaches great importance to green and sustainable development. During the first half of 2023, the Dafanpu Coal Mine continued to maintain the national green mine honor, which fully reflected the comprehensive strengths of the Group on sustainable development of the coal industry. In recent years, the Group has successfully established an ecological industrial chain integrating agricultural product planting and livestock breeding in the mine reclamation area. On the basis of the steady operation of the principal business of coal, the Company will carry out the ancillary business of agriculture and animal husbandry to seek more profit returns for shareholders.

FUTURE OUTLOOK

Looking forward to the second half of 2023, with the effects of monetary tightening policy, it is anticipated that the global economic growth will experience a further slowdown. The World Economic Outlook Report released by the International Monetary Fund in April 2023 predicted that the global economic growth for 2023 will declined to 2.8%. It is anticipated that the PRC government will continue to stick to the steady macro policy, and will focus on expanding the domestic demand, maintaining its support on real economy. It is expected that China's economy will continue to recover and with a favourable development.

In terms of the coal market, it is anticipated that the domestic supply will continue to be prosperous, however its growth rate will experience a slowdown. The demand continues to be at a high level, it is expected that demand and supply will return to an equilibrium state. It is expected that the average coal price will record a slight decrease trend, but the degree will be limited. As the summer peak season has passed, while there is an imminent need for coal storage for winter times, the coal price will remain resilient in the second half of the year, it is expected that the results for the coal enterprises may improve in the second half of the year.

Looking forward to the second half of 2023, the Group will continue to implement the mine development concept of both safety, efficiency and environmental protection, further implement the refined operation strategy, making full use of the advantages from its own low-sulphur, high-quality thermal coal brand products "Kinetic 2", and conforming to the market situation, in order to flexibly adjust the sales pace and strategy, and to improve the Group's operating efficiency effectively. In addition, Weiyi Coal Mine and Yongan Coal Mine, which are operated by the Group and located in Ningxia, are currently under construction and are expected to be put into operation successively in the first half of 2025 and reach full capacity by 2027. The Group is able to tap into coking coal business, and further increase the production capacity of coking coal by 2.1 million tons per year, thus break through the limitations from operating a single coal mine with a single coal type, and coal mine projects in Ningxia is expected to be one of the main driving forces of the growth in results in the future.

In terms of other businesses, the Guangtaichang Original Breeding Pig Farm of Inner Mongolia Liangyun Animal Husbandry Development Co., Ltd. (內蒙古量蘊牧業發展有限公司) has been built in 2022, and 650 French original breeding pigs have been introduced from France. In the first phase, a breeding area is planned to be built, including a breeding farm and two fattening farms, of which the fattening farm in Lijiata (李家塔) and the breeding farm in Huajian (鏵尖) are expected to put into operation in the second half of the year. The fattening farm in Wulan Bulang (烏蘭不浪) is expected to be completed and put into operation at the start of 2025. The first phase of the project is expected to reach full capacity by the end of 2025, with 7,200 breeding pigs in stock and 170,000 pigs of various types marketed annually.

Looking forward, the Group will continue to uphold the principle of high-quality development. On the basis of the steady development of the principal coal business, the Company will expand a diversity of ancillary businesses, improve the overall operation efficiency, and to reward its shareholders with outstanding results.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased from approximately RMB3,010.0 million for the six months ended 30 June 2022 to approximately RMB1,492.2 million for the six months ended 30 June 2023, representing a decrease of approximately 50.4% as compared with the corresponding period last year.

The decrease in the Group's revenue was mainly due to the influence of several factors. The coal market selling price experienced a downward frustration, the average selling price of the Group's 5,000 kcal coal products decreased by approximately 6.3% for the six months ended 30 June 2023 as compared with the same period last year. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the sales volume of the coal of the Group. The sales volume of the Group's 5,000 kcal coal products decreased by approximately 48.1% as compared to the corresponding period last year.

Cost of sales

For the six months ended 30 June 2023, the Group incurred cost of sales of approximately RMB675.3 million as compared to the Group's cost of sales of approximately RMB914.6 million for the six months ended 30 June 2022. The cost of sales of the Group mainly comprised transportation costs, salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation and surcharges of mining operations. The decrease in the Group's cost of sales was mainly attributable to the decrease in the sales volume of the coal of the Group.

Gross profit and gross profit margin

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB816.9 million and a gross profit margin of approximately 54.7% as compared to the gross profit of approximately RMB2,095.3 million and the gross profit margin of approximately 69.6% for the six months ended 30 June 2022.

The decrease in Group's gross profit margin for the six months ended 30 June 2023 was mainly attributable to the decrease in the average selling price of the Group's coal products and the increase in fixed cost per tonne of the coal products as compared to the corresponding period last year.

Other incomes and losses, net

The net amount of other incomes and losses of the Group changed from net incomes of RMB9.2 million for the six months ended 30 June 2022 to net losses of RMB15.5 million for the six months ended 30 June 2023. This was mainly attributable to the increase of RMB9.4 million in government grants, decrease of RMB3.7 million in write-down of inventories, increase of RMB63.0 million in donation combined with the gains on disposal of non-current assets of RMB8.0 million for the six months ended 30 June 2023 while losses of RMB11.0 million recognized for the same period last year.

For the six months ended 30 June 2023 and 2022, the Group's net amount of other incomes and losses mainly comprised government grants, net gains or losses on disposal of non-current assets, interest income, donation and write-down of inventories.

Selling expenses

The Group's selling expenses decreased from approximately RMB12.3 million for the six months ended 30 June 2022 to approximately RMB7.2 million for the six months ended 30 June 2023, representing a decrease of 41.2% as compared with the corresponding period last year. The decrease in the Group's selling expenses was mainly attributable to the decrease in marketing related expenses. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses.

Administrative expenses

The Group's administrative expenses increased from approximately RMB123.1 million for the six months ended 30 June 2022 to approximately RMB140.3 million for the six months ended 30 June 2023, representing an increase of 14.0% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly attributable to the increase in staff cost during the reporting period. The Group's 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 increased from approximately RMB10.9 million for the six months ended 30 June 2022 to approximately RMB37.5 million for the six months ended 30 June 2023, representing an increase of 242.8% as compared with the corresponding period last year. The increase in the Group's finance costs was mainly attributable to the increase in both average balance of interest-bearing liabilities and interest rate during the period.

Income tax expense

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax — Mainland China	**71,978**	596,715
Deferred income tax		
Reversal and origination of temporary differences	**(7,692)**	(23,991)
Total tax expense for the period	**64,286**	572,724

(a) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary, Blue Gems Worldwide Limited and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.

(b) Except for Kinetic Coal, PRC CIT was provided at a rate of 25% on the taxable income of the companies comprising the Group within Mainland China, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Kinetic Coal was qualified as a "High and New Technology Enterprise" on 14 December 2022, hence it enjoys a preferential income tax rate of 15% from 2022 to 2024.

(c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In 2023, Kinetic Development Group Limited, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR certificate of resident status for the calendar year 2022 and the two succeeding calendar years, respectively. As a result, under the "Arrangement between the Mainland China and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income", the Group is subject to a withholding tax rate of 5% from 2022 to 2024. The relevant tax authorities in Mainland China has refunded the Group with the difference of PRC withholding tax incurred for the year ended 31 December 2022 which was calculated at the rate of 10% and 5%, amounting to RMB74,558,000. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the Group recorded a consolidated net profit attributable to equity shareholders of the Company of approximately RMB570.2 million for the six months ended 30 June 2023, which decreased substantially from the consolidated net profit attributable to equity shareholders of the Company of approximately RMB1,365.3 million for the six months ended 30 June 2022, representing a decrease of 58.2% as compared with the corresponding period last year. Net profit margin decreased from 45.3% for the six months ended 30 June 2022 to 38.1% for the six months ended 30 June 2023.

Interim dividends

The Board proposed an interim dividend of 3.0 HK cents per share, payable to the shareholders of the Company on or before 3 November 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be HKD252,900,000 (six months ended 30 June 2022: HKD505,800,000).

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 June 2023, the Group's cash at bank was mainly used for the development of the Group's Dafanpu Coal Mine and other business projects and for the proposed acquisitions, 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 was approximately 15.0% as at 30 June 2023 as compared to the Group's gearing ratio of approximately 5.0% as at 31 December 2022. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank. Capital is equivalent to the total equity.

As at 30 June 2023, the Group's cash at bank, amounting to approximately RMB348.0 million, were denominated in Renminbi (97.5%) and Hong Kong dollars (2.5%).

As at 30 June 2023, the Group had net current liabilities of RMB943,206,000 and has undertaken several acquisitions as disclosed in Note 13 to the financial information extracted from unaudited interim financial report with estimated total consideration of over RMB3.0 billion, of which the remaining amounts for the acquisitions and other capital expenditure amounting to approximately RMB1.2 billion will be paid in the near future. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business other than mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure. In light of our current liquidity position and our projected cash inflows generated from operations, the Directors are of the opinion that the Group will carefully monitor its liquidity position and assuming that the Group is able to generate sufficient cash inflows from future operations and obtain borrowings from bank or other financial institutions when needed, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months.

As at 30 June 2023 and 31 December 2022, the Group's secured bank loans were as follows:

	30 June 2023 *RMB' 000*	31 December 2022 *RMB' 000*
Current	**1,267,370**	300,000
Non-current	**200,000**	583,000
	1,467,370	883,000

As at 30 June 2023, the Group's bank loans amounting to RMB1,434.4 million (As at 31 December 2022: RMB850.0 million) was jointly guaranteed by Mr. Zhang Li and Mr.Zhang Liang, Johnson and/or secured by the Group's pledged deposits amounting to RMB800.0 million (As at 31 December 2022: RMB400.0 million) and/or the mining right of Dafanpu coal mine held by Kinetic Coal.

As at 30 June 2023, the Group's bank loans amounting to RMB33.0 million (As at 31 December 2022: RMB33.0 million) was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company.

Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB354.8 million for the six months ended 30 June 2023, which was mainly used for the proposed acquisitions and purchase of machinery and equipment of the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2023 amounted to approximately RMB1,175.6 million which will be mainly used in the acquisition, construction and purchase of mining machinery and properties.

Other commitment

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, management of the Group have been liaising with those affected households for relocation requests and providing monetary compensation. As of 30 June 2023, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB21.4 million and corresponding payments are still in negotiation.

Significant Acquisitions

On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang, an entity owned by Mr. Zhang Li (a substantial Shareholder of the Company), to acquire its 75% equity interests in Changlin which is expected to own the mining rights of a coal mine in Guizhou upon completion of a restructuring, with a total consideration of RMB1,100,000,000. According to the acquisition agreement, the Group prepaid RMB550,000,000 in 2021 and RMB530,256,000 in 2022 to Guizhou Liliang, respectively. Prior to the completion of the acquisition, certain conditions shall be satisfied. If those conditions were not satisfied, the Group is entitled to require Guizhou Liliang to refund any payment (without interest) which the Group had actually made to it under the acquisition agreement. The recoverability of the prepayments are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the Acquisition of Wuhai Fuliang, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the independent shareholders' approval.

On 29 April and 12 July 2022, the Group entered into a property purchase agreement and a supplemental agreement with subsidiaries of Seedland, including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd., Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd, all of which are controlled by Mr. Zhang Liang, Johnson (a substantial shareholder of the Company) to acquire certain properties with a total consideration of RMB809,480,000. The transaction is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao, an entity controlled by Guangzhou R&F Properties Co., Ltd. of which Mr. Zhang Li (a substantial shareholder of the Company) is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023.

On 30 December 2022, the Group entered into an acquisition and subscription agreement with Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea to acquire 36,500 existing shares of Star Idea, representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010. The Group prepaid USD19,435,763 to Mr. Zhang Li. The Group also agreed to subscribe for an additional 16,667 newly issued shares of Star Idea with a consideration of USD28,656,169, for which the Group partially prepaid the consideration as settled with a loan to Star Idea of USD9,098,333 pursuant to the Loan Agreement dated 4 November 2022. On 29 March 2023, due to the changes in macro-economy and regulatory condition and based on the status of the proposed acquisition then, the Group entered into a supplemental agreement with Mr. Zhang Li and Star Idea to terminate the subscription of additional 16,667 newly issued shares of Star Idea. As a result, with effect from 29 March 2023, the Loan Agreement has been reinstated, and the prepayment made by the Group to Star Idea in relation to the subscription agreement has been classified as a loan pursuant to the Loan Agreement and was recognised as other non-current assets. As of 30 June 2023, the total consideration was approximately USD62,757,010 and the consideration has been paid in cumulative amounts of USD33,178,763 (equivalent to RMB232,105,000). The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023.

For more details of the above acquisitions, please refer to Note 13 to the financial information extracted from unaudited interim financial report.

All above transactions have not yet been completed as at the date of this announcement. During the six months ended 30 June 2023, the Group had no significant investments in associates or joint ventures, and no material acquisitions or disposals of subsidiaries. The Group's ability to fund the above-mentioned acquisitions and capital expenditures heavily relies on its future operating cash inflows and its ability to finance through bank loans which may be affected by the government macro-control policy and volatility in coal market price. The Group will carefully monitor its liquidity position.

Events after the Reporting Period

The details of the events after the reporting period are disclosed in Note 24 to the financial information extracted from unaudited interim financial report. Save as disclosed in this announcement, the Group had no significant non-adjusting events subsequent to 30 June 2023.

Financial Risk Management

(a) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and short-term debt obligations with a floating interest rate. As at 30 June 2023, the Group did not hold short-term debt obligations with a floating interest rate and are not exposed to significant interest rate risk.

(b) Foreign Currency Risk

The Company and its subsidiaries are not exposed to significant foreign currency risk since their transactions and balances are principally denominated in their respective functional currencies.

(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 2023, the Group had a total of approximately 1,468 full-time employees in the Mainland China and Hong Kong, China. For the six months ended 30 June 2023, the total staff costs, including the directors' emoluments, amounted to RMB196.0 million.

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China and Hong Kong, China. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options. The share option scheme adopted by the Company on 6 March 2012 expired on 5 March 2022. On 29 November 2022, the Company adopted a new share award scheme, which is funded by existing shares of the Company, providing employees with the opportunity to acquire equity interests in the Company. On 28 April 2023, the Company adopted the 2023 Share Option Scheme and the 2023 Share Award Scheme, pursuant to which only grant of awards involving new shares may be made. Appropriate training programs are also provided to employees by the Group in order to ensure continuous training and development of employees.

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

As the Company believes that good corporate governance is essential to the shareholders of the Company, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the shareholders of the Company as a whole.

The Board is of the view that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") for the six months ended 30 June 2023.

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 of conduct regarding directors' securities transactions.

All the directors of the Company 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 2023.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees was identified by the Company.

Audit Committee

The audit committee of the Company comprises two independent non-executive directors, namely Ms. Liu Peilian and Mr. Chen Liangnuan and one non-executive director, Ms. Zhang Lin. Ms. Liu Peilian is the chairlady of the Audit Committee, who possesses the appropriate professional qualification on accounting or related financial management expertise. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal control system. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, 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 2023 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 Development Group Limited
Ju Wenzhong
Chairman and Executive Director

25 August 2023

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. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer) and Mr. Ji Kunpeng; one is a non-executive director, namely Ms. Zhang Lin, and three are independent non-executive directors, namely Mr. Chen Liangnuan, Ms. Liu Peilian and Ms. Xue Hui.