

UP ENERGY

Up Energy Development Group Limited
優派能源發展集團有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 307

INTERIM REPORT
2012



INCREASED VALUE IN CIRCULATION

Coal - Exploration • Mining • Washing • Coking & Chemicals

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Corporate Profile

Up Energy Development Group Limited ("Up Energy" or the "Company") is the first listed company engaged in coking coal business in Xinjiang Uygur Autonomous Regions ("Xinjiang") in China. With headquarters in Fukang City in northern Xinjiang close to the regional capital Urumqi, Up Energy principally engaged in mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products. Since 2003, Up Energy has been actively engaged in the development of coal business. To realize the business concept of "increased value in circulation", Up Energy started from coal resources exploration and gradually established a complete set of upstream and downstream projects with the business model of circulative economy, which includes raw coal mining, raw coal washing, coal coking, cogenerating and coal mine gas utilizing.

Up Energy currently have three mines and three downstream ancillary industrial projects close to Fukang city in Wuchang region of northern Xinjiang of China, and plans to invest in four correlated ancillary industrial projects within its circulative economy business model in the second phase. Construction of the three coal mines, namely the Shizhuanggou Mine, the Quanshuigou Mine and the Xiaohuangshan Mine, will be completed and production will commence successively starting from 2012. Planned annual production capacity of coking coal is expected to reach a maximum of 4.50 million tonnes upon full operation. Up Energy have established strategic co-operation relationships with the Pingan Coal Mine and Gas (Methane) Engineering Research Limited and several large steel producers in China, and have signed financial cooperative agreements with two of the largest financial service groups in the PRC. Up Energy becomes one of the largest integrated energy groups with circulative economy business model in the coking industry in northwestern China region.



Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Qin Jun (*Chairman & Chief Executive Officer*)
Jiang Hongwen (*Chief Financial Officer*)

NON-EXECUTIVE DIRECTOR

Chau Shing Yim, David

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Bao Guo
Lien Jown Jing, Vincent
Shen Shiao-Ming

COMPANY SECRETARY

Foo Man Yee, Carina

AUDIT COMMITTEE

Lien Jown Jing, Vincent (*Chairman*)
Li Bao Guo
Shen Shiao-Ming

NOMINATION COMMITTEE

Qin Jun (*Chairman*)
Li Bao Guo
Shen Shiao-Ming

REMUNERATION COMMITTEE

Shen Shiao-Ming (*Chairman*)
Li Bao Guo
Lien Jown Jing, Vincent
Qin Jun

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited

REGISTERED OFFICE

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Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL PLACE OF BUSINESS IN CHINA

Block A, Commercial Street
Minzu Lane
Fukang City
Xinjiang, China
Postal Code: 831500

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

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<http://hk.todayir.com/en/showcases.php?code=307>

STOCK CODE

307

Profiles of Coal Mines



Xiaohuangshan Coal Mine — 90% owned

Location: 18 km to the southeast of Fukang City

Area: 2.178 sq. km

Type of Mine: underground mine

Expected Commencement Date of

Production: the 2nd Quarter in 2013

Planned Annual Production Capacity of

Coking Coal at Full Operation: 2.4 Mt

JORC Code Coal Resources*: 107 Mt

JORC Code Coal Reserves*: 26.13 Mt

Coking Coal Type: mainly fat coal & 1/3 coking coal



Shizhuanggou Coal Mine — 70% owned

Location: 40 km to the east of Fukang City

Area: 7.1572 sq. km

Type of Mine: underground mine

Expected Commencement Date of

Production: the 3rd Quarter in 2013

Planned Annual Production Capacity of

Coking Coal at Full Operation: 1.05 Mt

JORC Code Coal Resources*: 73.22 Mt

JORC Code Coal Reserves*: 23.52 Mt

JORC Code Potential Coal Reserves*: 24.75 Mt

Coking Coal Type: mainly gas coal, 1/3 coking coal & lean coal



Quanshuigou Coal Mine — 70% owned

Location: 40 km to the east of Fukang City

Area: 6.6052 sq. km

Type of Mine: underground mine

Expected Commencement Date of

Production: the 3rd Quarter in 2013

Planned Annual Production Capacity of

Coking Coal at Full Operation: 1.05 Mt

JORC Code Coal Resources*: 70.61 Mt

JORC Code Coal Reserves*: 20.58 Mt

JORC Code Potential Coal Reserves*: 27.19 Mt

Coking Coal Type: mainly gas coal, 1/3 coking coal & lean coal

Profiles of Phase One Project



Coal Coking Project — 70% owned

Location: next to the Shizhuanggou Coal Mine

Expected Commencement Date of

Production: the 3rd Quarter in 2013

Daily Processing Capacity: 4,808 tonnes

Annual Processing Capacity: 1,755,000 tonnes

Planned Annual Coke Production Capacity at Full Operation: 1.3 Mt



Raw Coal Washing Project — 70% owned

Location: next to the Shizhuanggou Coal Mine

Expected Commencement Date of

Production: the 3rd Quarter in 2013

Planned Annual Coal Washing Capacity at Full

Operation: 4.5 Mt

Recovery Rate of Clean Coal: 83%

Expected Annual Production of

Clean Coal: 3.735 Mt



Water Recycling Project — 70% owned

Location: next to the Shizhuanggou Coal Mine

Expected Commencement Date of

Production: the 3rd Quarter in 2013

Planned Annual Processing Capacity at Full

Operation: 5.2 million m³

Usage of Processed Pit Water: Water for industrial use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

* Source: October 2010 Technical Report of John T. Boyd Company

Management Discussion and Analysis

During the review period for the six months ended 30 September 2012 (the “Review Period”), the Group continued to develop its coal business plan in Xinjiang by focusing on the construction of the three coal mines and the development of the downstream phase one ancillary projects in Fukang of Xinjiang. It is currently expected that commercial production of these projects will commence successively starting from the first quarter of 2013 and the planned annual production capacity of the coal mines will reach a maximum of 4.5 Mt. On such basis, the Group will then become one of the largest integrated energy groups with circulative economy business model in the coking industry in Northwestern China in terms of planned production capacity, which is expected to bring about significant positive impact on the Group’s revenue and profit. The Group has also started to identify coal mines in Xinjiang and overseas and will enter into acquisition agreement or arrangements as it sees fit with the aim of consolidating its leading position in the coking coal industry in Northwestern China.

INDUSTRY REVIEW

The Group has three coal mines in Fukang, Xinjiang of China, namely the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine. Xinjiang is an important market for the sales of coking coal and coke products of the Group. Therefore, the operation environment of Xinjiang has a direct impact on the Group’s coal business.

(1) Demand, Supply and Pricing Trend of Coking Coal in the Mainland

Affected by domestic macro-economic control and international economic conditions, the production and business operation of the steel industry in the Mainland has deteriorated since the fourth quarter of 2011. The prices of imported iron ore and coking coal have decreased drastically by 30-50%. The steel industry responded by cutting down production and lowering steel price. With excess supply, the domestic coking coal market suffered from recession. In the first quarter of 2012, steel factories in the Mainland lowered their purchase price to between RMB1,250 per tonne to RMB1,450 per tonne. In the second quarter of 2012, the steel factories reduced production, resulting in a weak demand for coking coal and a downward trend in price. The purchase price of coking coal fell further to a range from RMB1,100 to RMB1,300 per tonne. In the third quarter of 2012, while the domestic demand for steel remained relatively weak, the price of coking coal stabilised since the coking coal enterprises in the Mainland reduced their production and the supply of coking coal decreased.

Being relatively independent, the coking coal market in Xinjiang was less influenced by the downward economic trend. In the first quarter of 2012, there was no obvious change in the steel and coking coal industries. The average prices of coking coal and coke remained at high levels, namely, RMB900 and RMB1,700 respectively. Slowdown in infrastructure and investment since the second quarter led to a decreased demand for steel in Xinjiang, resulting in a decrease in the price of coking coal. The price has fallen by approximately RMB100 per tonne over the first three quarters. In 2012, the standards of safety management for the coal industry in Xinjiang were further raised. During the Twelfth Five-year Plan period, small-scale coal mines were further ordered to close down, suspend production, merger with others or shift to different line of production. The production of coking coal in Xinjiang thus decreased, which helped stabilizing the price of coking coal. In September 2012, the average price of different types of coal ranged from approximately RMB450 per tonne to RMB800 per tonne; while the average price of coking coal was about RMB1,400 per tonne. It is expected that the prices would start to rebound.

Management Discussion and Analysis

(2) Demand, Supply and Pricing Trend of Coking Coal in the International Market

The disastrous floods in Australia in early 2011 resulted in a significant shortage of coking coal that led to a price surge in the international coking coal market. In the first quarter of 2011, the international basis price of coking coal jumped to the second historical high of US\$250 per tonne, and the price further increased to US\$290 and US\$315 per tonne in the second and third quarter, respectively.

After reaching the historical high of US\$330 per tonne (FOB) in the second quarter of 2011, contract coking coal price has dropped for six consecutive quarters, contract coking coal price in the second quarter of 2012 has decreased by 37.6% as compared with the corresponding period last year. Coking coal price in the second quarter this year was US\$206 per tonne (FOB), representing a decrease of 12.3% compared to that of the first quarter. The surge in international coal price in the second quarter of 2011 was due to the special background then existed. At that time, the torrential rain in Australia badly hit the production of coking coal of the largest coking coal producing and exporting country, resulting in a sharp decrease in the export volume of coking coal. After one year of recovery, the production of coking coal in Australia has gradually restored to normal, and the tense supply of coking coal in the international market has been eased significantly. Coking coal supply has experienced quarter-on-quarter growth. On the other hand, as steel enterprises worldwide (including China) reduced production significantly, international steel price has been declining since the fourth quarter of 2011. With declining demand and more abundant supply, recent spot price of quality coking coal has dropped below US\$200 per tonne (FOB).

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 30 September 2012, the Group had a total of 251.15 Mt of JORC-compliant measured, indicated and inferred coal resources and a total of 70.24 Mt of JORC-compliant proved and probable marketable coal reserves. In addition, the potential coal reserves of the Shizhuanggou Mine and Quanshuigou Mine amount to 51.94 Mt in total.

As of 30 September 2012, the JORC-compliant measured, indicated and inferred coal resources as well as the JORC-compliant proved and probable marketable coal reserves of the Group are categorized as follows:

Name	Coal Resources			Marketable Coal Reserves	
	Measured	Indicated	Inferred	Proved	Probable
Category					
Amount	148.516	61.199	41.437	51.958	18.277
Total	251.152			70.235	

Unit: Mt

Management Discussion and Analysis

(2) Additional Exploration Activities

During the Review Period, the Group has continued the additional exploration activities in the northern mining area. The additional exploration activities are still in progress. After preliminary analysis of the holes drilled, there is no substantial change in the Group's coal resource and coal types.

The original exploration report of the Xiaohuangshan Mine has been completed and six more holes were drilled. A total of 3,382 metres were drilled. No. 156 Coalfield Geological Exploration Team of Xinjiang Uygur Autonomous Region Coalfield Geology Bureau has been summarizing findings from the drilling activities and the preliminary analysis showed that the Group's resource (China resource code) is expected to increase.

(3) Construction Progress of Coal Mines and Projects

Subject to objective conditions, construction progress of the three mines and the three downstream ancillary projects was slightly behind schedule during the Review Period.

In 2012, local governments in China strengthened the management of safe production to ensure the successful convocation of the 18th National Congress. Given the special circumstances of Xinjiang, the relevant government authorities imposed strict requirements on the management of safe production. Occasions of shutdown for inspection of coal mines have significantly increased compared to last year. Period available for construction became shorter and the progress of the coal mine project was delayed, especially during politically sensitive period, the China-Eurasia Expo, visits from state leaders, the 18th National Congress, etc. The Xiaohuangshan Mine is expected to commence trial production in the second quarter of 2013.

Shizhuanggou Mine

The construction of 530-meters long vertical ventilation shaft, haulage crosscuts (road and rail) and shaft station of district rise of the shaft sinking and drifting project has completed and the construction works of district rise are at the final stage.

For the ground-level infrastructure, the construction of 110kv electricity transmitting and transforming facilities (which occupy an area of 4,420m², and include civil engineering works, installation and testing of equipment, and setting up a 29km double circuit wiring system), buildings at shaft entrance and material warehouse has completed. The administrative services complex and the hoist room of auxiliary inclined shaft are under construction, while equipment installation and testing are also carrying out in the said premises.

Testing and turning of equipment will be scheduled to carry out during the third quarter of 2013 in preparation for the trial production.

Management Discussion and Analysis

Quanshuigou Mine

The construction of 410-meters long vertical ventilation shaft, +680-meters shaft bottom station and underground chamber (transformer station, pump station and sump) and haulage crosscuts (road and rail) has completed. The preparation works for the district rise construction project are undergoing.

For the ground-level infrastructure, the construction of 35kv electricity transmitting and transforming facilities (which occupy an area of 698m², and include civil engineering works, installation and testing of equipment), construction of hoist room of auxiliary shaft and the installation and test run of hoist, the construction of material warehouse has completed. The main construction works of the mine office building, canteen, staff duty-shift quarters and the buildings at shaft entrance have reached the final stage.

Installation, testing and tuning of equipment will be scheduled to carry out during the third quarter of 2013 in preparing for the trial production.

The progress of the three downstream ancillary projects stated as below. The brick work of the cokery has completed, and the iron casting has been installed. The five major machinery parts of the cokery has assembled, and the hydraulic and electric system are being installed. With the aerial conveyors being connected, the major construction works of the coal preparation, quenching and coking coal selection and storage system have been completed, and major equipment, such as crusher, is now being installed. With the completion of the external pipe bridge, the major construction works of the chemical recovery system have been completed, and the major equipment, such as gas turbine and primary cooler, is now being installed. Major utilities and ancillary facilities structures (integrated water supply, electricity supply, boiler, soft water station, air compression station, tank yard, foam station, loading station, etc.) have also been completed, and major equipment are being installed to the buildings, such as air compressor, boiler and electricity compressor and transmitter. The construction of underground pipeline network has completed, and the installation of processing pipeline, power cable, etc, is now being organized. In preparing for trial production, it is expected that all system testing and tuning will be finished in the third quarter of 2013.

For the raw coal washing project, the construction of the major structures like concentrating plant (including surrounding fence and spherical mesh), contingent storage tank, medicine library, coal refuse storage, and laboratory building have been completed. Primary construction works of the selection and crushing plant and main washing plant have been finished. 21 sessions of aerial coal transportation corridor have been connected. All construction works of the underground pipeline network system have been finished, and the installation of power cable is now being organized. All production facilities have been procured and ordered. In preparing for trial production, it is expected that all system testing and tuning will be finished in the third quarter of 2013.

For the water recycling project, the design work has completed, and has built 10.5km water pipe. Site formation works have been completed, and has already covered with road, water, electricity and telecommunication network. The administration office area is under construction, and all major equipment has been ordered. In preparing for trial production, it is expected that all system testing and tuning will be finished in the third quarter of 2013.

Management Discussion and Analysis

On the other hand, the feasibility research on the Phase Two Project is in progress and we are waiting for the approval from the administrative authorities. Upon completion of the Phase One Project, the Group will step up the Phase Two Project.

(4) Coal Mine Acquisition in Xinjiang

In order to control and further develop our coal mine in Xinjiang, China, and to reinforce our position as one of the largest integrated energy group in Northwestern China, the Group has been actively looking for opportunities to merge and acquire mining properties.

On 23 July 2012, Able Goal Group Limited (“Able Goal”, now known as “Up Energy Mining Limited”) (a wholly-owned subsidiary of the Company) entered into a memorandum of understanding with Hao Tian Resources Group Limited (“Hao Tian Resources”) in relation to the proposed acquisition of the entire issued share capital of Champ Universe Limited (冠宇有限公司)* (“Champ Universe”) (a wholly-owned subsidiary of Hao Tian Resources). Champ Universe through its direct and indirect wholly-owned subsidiaries, owns 100% interests in the Xinjiang Baicheng County Kueraken Mine Field No. 3 Pit of No. 1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China (the “Target Mine”).

The Target Mine produces predominantly Gas Coal, along with 1/3 Coking Coal, 1/2 Caking Coal, and Weakly Caking Coal. Based on the Technical Report relating to the Target Mine as at 31 March 2012, the Target Mine has a coal field area of approximately 5.9178 square kilometres, with estimate coal resources and coal reserves are 111.30 Mt and 38.00 Mt. According to the Mining Licence dated 28 October 2009 granted by Department of Land and Resources Office of Xinjiang Uygur Autonomous Region, the Target Mine is permitted to produce 210,000 tonnes of coal per annum. Based on the Valuation Report relating to the Target Mine dated 31 December 2010, the fair market value of the Target Mine was estimated at HK\$1.7 billion. The Group believes that in addition to helping us achieving the aforesaid target, the Group will also benefit from the synergies resulting from the operation of the Target Mine with its existing mines in the region in terms of management, distribution and transportation.

On 12 October 2012, the Company, Up Energy Mining Limited (“Up Energy Mining”, as purchaser) and Hao Tian Resources (as vendor) entered into a sale and purchase agreement in relation to the acquisition of Champ Universe. Pursuant to the sale and purchase agreement, the consideration for the sale and purchase of sale share and the transfer of all rights, title, benefit and interest of and in the shareholder’s loan was HK\$1.58 billion, subject to adjustments as set out in the sale and purchase agreement, of which HK\$735 million shall be paid by way of issue and allotment to the Vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company at an issue price of HK\$2.00 per share free from all encumbrances and credited as fully paid upon completion; and the balance of HK\$845 million shall be paid to the Vendor in cash. The completion of the sale and purchase agreement is conditional upon the fulfillment of various conditions precedent. For more details, please refer to the Company’s announcement dated 1 November 2012.

* for identification purpose only

Management Discussion and Analysis

(5) Acquisition of overseas coal mine

Although our Group is based in Xinjiang, China, we have always been looking for opportunities to expand our business overseas. On 5 July 2012, the Company has entered into a memorandum of understanding with Kaisun Energy Group Limited and its subsidiary Saddleback Gold Corporation (the “SGC”), which sets out the basic terms and conditions for the proposed acquisition by the Company of SGC’s 52% equity interest in Kamarob, at the consideration of HK\$394,648,800, and on further terms and conditions to be agreed. Kamarob is a company incorporated and registered in the Republic of Tajikistan, and is the license holding company of the Kaftar Hona Deposit in Tajikistan. Pursuant to the memorandum of understanding, the proposed acquisition will be subject to certain conditions precedent being fulfilled or waived on or prior to 31 December 2013 (or extended to a later date by agreement of the parties). Details of the sale and purchase agreement will be set out in the announcement to be issued by the Company as soon as the sale and purchase agreement is entered into.

BUSINESS STRATEGIES

(1) Production Safety

Production safety is considered as important to coal mining operation by the Group since its establishment. The Group issued various comprehensive guidelines for safe operation internally and co-operated with third-party professional bodies externally. The Group entered into various agreements in technological cooperation framework, technological co-operation and technological consultation with the Pingan Coal Mine and Gas (Methane) Engineering Research Limited (led by Mr. Yuan Liang, the Academician of the Chinese Academy of Engineering), the China University of Mining and Technology and other reputable universities and research institutions for providing a safe and efficient environment for shaft construction and future production through researches in safety of mine gas, pit water and advanced mining technologies. We have established a relationship with Huainan Mining Industry (Group) Co., Ltd. (淮南礦業(集團)有限公司)* on comprehensive operation, and has discussed with it the issue of safety liability.

(2) Merger and Acquisition in Xinjiang and Overseas Countries

Merger and acquisition is crucial for the long-term development of a company. The Group will adhere to the principle of low-cost expansion, pay close attention to the country’s policy to eliminate small coal mines and prudently identify merger and acquisition opportunities in Xinjiang which coincide with its business strategy and philosophy. Through gradual expansion of coal reserves and scale of mining activities, the Group will be able to maintain its leading position in the coking coal industry in northwestern China. The aforementioned proposed acquisition of Champ Universe is an essential move towards consolidating the Group’s leading position in northwestern China. In respect of merger and acquisition in overseas countries, management of the Group regularly arranges overseas site visits and actively identifies investment opportunities in resource consolidation, merger and acquisition of coking coal and energy industries in foreign countries. Given the unfavorable market condition in China, the importance of overseas development should not be neglected. The Group hopes to enter into a formal sale and purchase agreement in respect of the proposed acquisition of the interest in the Kaftar Hona deposit in Tajikistan as soon as practicable, so as to establish a firm foundation for the Group’s overseas development in the future.

* for identification purpose only

Management Discussion and Analysis

(3) Challenges Ahead

The Group's business may be subject to a variety of uncertainties and challenges in relation to operational, policy and market risks.

As for operational risks, mine exploration, mining operations and production are subject to a number of social and natural risks and hazards, the Group may also encounter different unpredicted difficulties and technical issues. All these could delay the production and delivery of coal products, or may increase cost of mining or result in accidents in coal mines.

In respect of policy risks, the Group is of no assurance that the central and local governments will not impose additional or more stringent laws and regulations governing mining operations and exploration activities. Changes in regulations and policies or failure to comply with the relevant laws and regulations in coal mining or coal production may adversely affect the Group.

For market risks, as the Group's results of operations are highly dependent on coking coal price which tends to be cyclical and subject to fluctuations, the volatility and cyclicity in coal price is linked to various factors such as the Chinese economy, the global financial environment and the steel manufacturing industry. Negative trends in coal price may adversely affect the Group's operation, prospect, financial position and operating results.

Despite the risk factors which may be encountered during business operation, the Group will strive to find the best solution to ensure smooth business development.

Looking ahead, the Group will continue to adhere to its business concept of "increased value in circulation" by extending its production chain from coal exploration, mining, washing to coking and chemicals. Through investment in coking coal projects in upstream and downstream industry chain and chemical by-products produced during the processing of coking coal, the Group is able to enhance added value of coal products through effective utilization of coal resources with an aim to maximizing its profitability. The Group is determined to become a leading professional and integrated energy group in the coking coal industry in northwestern China.

FINANCIAL REVIEW

Administrative Expenses

Administrative expenses decreased by 46% to HK\$29,212,000 for the six months ended 30 September 2012 from HK\$54,034,000 for the corresponding period in 2011, which primarily due to a decrease in legal and professional fee.

Result for Continuing Operation

The Group's loss before tax from continuing operation decreased by 48% to HK\$27,448,000 for the six months ended 30 September 2012 from HK\$52,714,000 for the corresponding period in 2011.

Management Discussion and Analysis

Finance Costs

Finance costs increased to HK\$11,657,000 for the six months ended 30 September 2012 from HK\$9,602,000 for the corresponding period in 2011. The increase was primarily due to foreign exchange loss for the six months ended 30 September 2012.

Income Tax Expense

The Group recorded current income tax expenses of HK\$918,000 and a deferred income tax credit of HK\$277,000 for the six months ended 30 September 2012.

Result for the Period

The Group's result for the six months ended 30 September 2012 recorded a loss of HK\$39,746,000 comparing to a loss of HK\$62,117,000 for the corresponding period in 2011.

Capital Expenditure

During the Review Period, the additional property, plant and equipment mainly for mine development and processing facilities construction of the Group approximately amounted to HK\$435,788,000, which comprised by construction in process HK\$419,323,000 and other capital expenditures HK\$16,465,000.

Charges on Assets

The Company has entered into a share charge in connection with the issue of the convertible notes of the Company. Pursuant to the share charge, the charge is created over (i) entire issued share capital of Up Energy Investment (China) Ltd., (ii) the entire issued share capital of Up Energy International Ltd; and (iii) the entire issued share capital of Up Energy (Hong Kong) Limited. All of the companies are wholly owned subsidiaries of the Company.

Save as above, the Group did not have any charges on assets as at 30 September 2012.

Liquidity and Financial Resources

As at 30 September 2012, the Group's current ratio was 3.0 (31 March 2012: 6.9), with current assets of approximately HK\$652,366,000 (31 March 2012: HK\$876,221,000) against current liabilities of approximately HK\$214,227,000 (31 March 2012: HK\$127,080,000). Cash and cash equivalents were approximately HK\$536,997,000 (31 March 2012: HK\$801,019,000). The Group's gearing ratio was 93% as at 30 September 2012 (31 March 2012: 108%). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the period, and the Group continues to follow the practice of prudent cash management.

Management Discussion and Analysis

Treasury Policies

The Group adopts a balance funding and treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar (“HKD”), United States dollar (“USD”) and Renminbi (“RMB”). The Group’s financing requirements are regularly reviewed by the management.

Foreign Exchange Risk

Other than bank deposits made in HKD, USD and RMB, the Group is not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. The Group’s income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate significant impact on interest-bearing assets resulting from changes in interest rates because the interest rates of its bank deposits are not expected to change significantly.

Human Resources and Remuneration Policy

As at 30 September 2012, the Group had a total of 298 employees (31 March 2012: 236) in the Mainland and Hong Kong. Employees’ remuneration packages are reviewed and determined by reference to the market pay and individual performance. The staff benefits include contributions to mandatory provident fund, medical scheme and share option scheme.

The Group adopted a new share option scheme on 29 August, 2011 for the purpose to provide incentive and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group. During the relevant period, no share option was granted by the Company.

INTERIM DIVIDEND

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

Report on Review of Unaudited Interim Condensed Consolidated Financial Statements



Ernst & Young
22/F Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of Up Energy Development Group Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 16 to 40, which comprises the interim condensed consolidated statement of financial position of Up Energy Development Group Limited (the "Company") and its subsidiaries (collectively as the "Group") as of 30 September 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

20 November 2012

Interim Condensed Consolidated Income Statement

For the six months ended 30 September 2012

		Six months ended 30 September	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
CONTINUING OPERATION			
REVENUE	3	–	–
Cost of sales		–	–
Gross profit		–	–
Other income and gains, net		1,764	1,320
Administrative expenses		(29,212)	(54,034)
LOSS BEFORE TAX FROM CONTINUING OPERATING ACTIVITIES		(27,448)	(52,714)
Finance costs	5	(11,657)	(9,602)
LOSS BEFORE TAX FROM CONTINUING OPERATION	4	(39,105)	(62,316)
Income tax expense	6	(641)	168
LOSS FOR THE PERIOD FROM CONTINUING OPERATION		(39,746)	(62,148)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	7	–	31
LOSS FOR THE PERIOD		(39,746)	(62,117)
Attributable to:			
Owners of the Company		(34,159)	(58,131)
Non-controlling interests		(5,587)	(3,986)
		(39,746)	(62,117)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	9		
Basic			
– For loss for the period		(2.24 cents)	(7.48 cents)
– For loss from continuing operation		(2.24 cents)	(7.49 cents)
Diluted			
– For loss for the period		(2.24 cents)	(7.48 cents)
– For loss from continuing operation		(2.24 cents)	(7.49 cents)

Details of the restatement due to discontinued operation are disclosed in note 7 to the interim condensed consolidated financial statements.

Details of dividends are disclosed in note 8 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(39,746)	(62,117)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	303	18,171
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	303	18,171
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(39,443)	(43,946)
Attributable to:		
Owners of the Company	(33,926)	(44,202)
Non-controlling interests	(5,517)	256
	(39,443)	(43,946)

Interim Condensed Consolidated Statement of Financial Position

30 September 2012

	Notes	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,225,993	14,803,369
Prepaid land lease payments	11	67,304	68,579
Restricted bank deposits	13	16,180	10,954
Total non-current assets		15,309,477	14,882,902
CURRENT ASSETS			
Inventories		4,592	5,680
Prepayments, deposits and other receivables	12	93,857	61,545
Restricted bank deposits	13	16,920	7,977
Cash and cash equivalents	13	536,997	801,019
Total current assets		652,366	876,221
CURRENT LIABILITIES			
Bills payable	14	16,920	7,977
Other payables and accruals	15	195,434	118,114
Tax payable		1,873	989
Total current liabilities		214,227	127,080
NET CURRENT ASSETS		438,139	749,141
TOTAL ASSETS LESS CURRENT LIABILITIES		15,747,616	15,632,043
NON-CURRENT LIABILITIES			
Convertible notes	16	4,163,136	4,698,926
Deferred tax liabilities	17	3,430,522	3,430,799
Total non-current liabilities		7,593,658	8,129,725
NET ASSETS		8,153,958	7,502,318
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	316,572	230,972
Equity component of convertible notes	16	1,428,381	1,665,493
Reserves		3,761,204	2,952,535
		5,506,157	4,849,000
Non-controlling interests		2,647,801	2,653,318
TOTAL EQUITY		8,153,958	7,502,318

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

(Unaudited)	Attributable to owners of the Company									
	Issued capital HK\$'000 note 18	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible notes HK\$'000 note 16	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 April 2012	230,972	2,087,337	84,798	18,393	3,490	1,665,493	758,517	4,849,000	2,653,318	7,502,318
Loss for the period	-	-	-	-	-	-	(34,159)	(34,159)	(5,587)	(39,746)
Other comprehensive income for the period										
Exchange differences on translation of foreign operations	-	-	-	233	-	-	-	233	70	303
Total comprehensive loss for the period	-	-	-	233	-	-	(34,159)	(33,926)	(5,517)	(39,443)
Conversion of convertible notes	85,600	842,595	-	-	-	(237,112)	-	691,083	-	691,083
At 30 September 2012	316,572	2,929,932	84,798	18,626	3,490	1,428,381	724,358	5,506,157	2,647,801	8,153,958

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

(Unaudited)	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Treasury Shares HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible notes HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 April 2011	61,184	497,819	-	84,798	3,888	3,490	2,299,100	849,874	3,800,153	2,658,810	6,458,963
Loss for the period	-	-	-	-	-	-	-	(58,131)	(58,131)	(3,986)	(62,117)
Other comprehensive income for the period											
Exchange differences on translation of foreign operations	-	-	-	-	13,929	-	-	-	13,929	4,242	18,171
Total comprehensive loss for the period	-	-	-	-	13,929	-	-	(58,131)	(44,202)	256	(43,946)
Conversion of convertible notes	156,724	1,462,390	-	-	-	-	(575,864)	-	1,043,250	-	1,043,250
Repurchase of shares	-	-	(11,624)	-	-	-	-	-	(11,624)	-	(11,624)
At 30 September 2011	217,908	1,960,209	(11,624)	84,798	17,817	3,490	1,723,236	791,743	4,787,577	2,659,066	7,446,643

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	Note	Six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash flows used in operating activities		(23,543)	(33,213)
Net cash flows used in investing activities		(240,123)	(213,545)
Net cash flows used in financing activities		–	(11,624)
Net decrease in cash and cash equivalents		(263,666)	(258,382)
Cash and cash equivalents at beginning of period	13	801,019	1,257,526
Effect of foreign exchange rate changes, net		(356)	4,019
Cash and cash equivalents at end of period	13	536,997	1,003,163

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

1. CORPORATE INFORMATION

Up Energy Development Group Limited (the “Company”) was incorporated as an exempted company with limited liability in Bermuda on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company is Room 2704, 27/F, Tower 1, Admiralty centre, 18 Harcourt Road, Admiralty, Hong Kong.

The principal activity of the Company is investment holding and during the period the principal activities of its subsidiaries mainly include development and construction of coal mining and coke processing facilities (“Coal Mining”).

As at 30 September 2012, the Company had direct or indirect interests in the following principal subsidiaries:

Subsidiaries	Place and date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Up Energy Investment (China) Ltd. (“UE China”)	British Virgin Islands (“BVI”) 31 October 2003	US\$50,000	100.00	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. (“UE Xinjiang”, 優派能源(新疆) 礦業有限公司)	The People’s Republic of China (“Mainland China” or the “PRC”) 2 November 2005	US\$30,000,000	70.00	Coal mining, manufacture and sale of coke and clean coke
Up Energy (Hong Kong) Limited (“UE HK”)	Hong Kong 29 December 2009	HK\$10,000	100.00	Investment holding
Up Energy International Ltd. (“UE International”)	BVI 22 January 2010	US\$50,000	100.00	Investment holding
Up Energy (Fukang) Coal Mining Ltd. (“UE Coal Ming”)	PRC 4 February 2010	US\$15,000,000	90.00	Mine construction
Up Energy (Fukang) Coking Ltd. (“UE Coking”)	PRC 4 February 2010	US\$11,500,000	70.00	Manufacture and sale of coke and clean coke

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

1. CORPORATE INFORMATION *(continued)*

Subsidiaries	Place and date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Up Energy (Fukang) Coal Washing Ltd. ("UE Coal Washing")	PRC 4 February 2010	US\$5,000,000	70.00	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd. ("UE Water")	PRC 4 February 2010	US\$3,200,000	70.00	Water recycling
Up Energy Development (HK) Limited	Hong Kong 4 November 2010	HK\$1	100.00	Investment holding
Up Energy Management Limited (formerly known as Sun Arts Ltd.)	Hong Kong 2 November 1993	HK\$2	100.00	Provision of management services
Up Energy Trading Limited (formerly known as Goldmax Trading Limited)	Hong Kong 19 February 2009	HK\$1	100.00	Inactive company
Up Energy Development Group (BVI) Co., Ltd. (formerly known as Silver Brilliant International Limited)	BVI 5 January 2011	US\$1	100.00	Investment holding
Up Energy Overseas Corporation	BVI 11 July 2012	US\$1	100.00	Investment holding
Up Energy Resources Company Limited (formerly known as Virtue Success Limited)	BVI 23 August 2012	US\$1	100.00	Investment holding
Up Energy Mining Limited (formerly known as Able Goal Group Limited)	BVI 3 July 2012	US\$1	100.00	Investment holding

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

1. CORPORATE INFORMATION *(continued)*

The Company has entered into a share charge in connection with the issue of the convertible notes of the Company. Pursuant to the share charge, the charge is created over (i) entire issued share capital of Up Energy Investment (China) Ltd., (ii) the entire issued share capital of Up Energy International Ltd.; and (iii) the entire issued share capital of Up Energy (Hong Kong) Limited. All of the companies are wholly owned subsidiaries of the Company. Save as above, the Group did not have any charges on assets as at 30 September 2012.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2012.

2.2 Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012, except for the adoption of new standards, interpretations and amendments as of 1 April 2012, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standard – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Further information about those changes that affect the Group is as follows:

The amendments to HKFRS 1 define when an entity's date of transition to HKFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to HKFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening HKFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The adoption of HKFRS 1 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Significant accounting policies *(continued)*

The amendments to HKFRS 7 enhance disclosures for financial assets. These disclosures relate to assets transferred (as defined under HKAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The adoption of HKFRS 7 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

The amendments to HKAS 12 include a rebuttable presumption that the carrying amount of investment property measured using the fair value model in HKAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, HKAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in HKAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. The adoption of HKAS 12 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND OPERATING SEGMENT INFORMATION

The Group has no revenue or turnover from continuing operation during the six months ended 30 September 2012. The revenue from the discontinued multi-media products trading operation represents the invoiced values of goods sold, after allowances for returns and discounts.

Operating segment information

For management purposes, the Group is organised into business units based on their products and services. The Group has no revenue recognised during the period and the loss for the period was only derived from one continuing segment which is coal mining.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Operating segment information (continued)

On 31 March 2012, the business of multi-media products trading was discontinued as the sole director of Up Energy Trading Limited (formerly known as Goldmax Trading Limited), a wholly-owned subsidiary of the Company, resolved to terminate the said business. Therefore, for the six months ended 30 September 2012, the Group only operated its coal mining segment and accordingly, there is no presentation of operating segment information. In addition, segment information on the discontinued operation has been disclosed in note 7.

Furthermore, for the six months ended 30 September 2012, the coal mines and coke processing facilities are still in construction and as the majority of the Group's non-current assets is located in the Xinjiang Uygur Autonomous Region, the People's Republic of China ("Mainland China" or the "PRC"), no geographical information and information about major customers are presented.

4. LOSS BEFORE TAX

The Group's loss before tax from continuing operation is arrived at after charging/(crediting):

		Six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited
		HK\$'000	and restated)
	Note	HK\$'000	HK\$'000
Depreciation of items of property, plant and equipment		4,919	4,243
Amortisation of prepaid land lease payments		1,095	1,050
Total depreciation and amortisation		6,014	5,293
Auditors' remuneration		633	603
Minimum lease payments under operating leases:			
Property rentals		1,377	1,092
Foreign exchange differences, net	5	2,269	(369)
Bank interest income		(1,629)	(1,252)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

5. FINANCE COSTS

An analysis of finance costs from continuing operation is as follows:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Foreign exchange loss/(gain)	2,269	(369)
Amortised interest of convertible notes (note 16)	155,293	166,481
Less: Interest capitalised	(145,905)	(156,510)
	9,388	9,971
	11,657	9,602

6. INCOME TAX EXPENSE

The provision for PRC corporate income tax ("CIT") is based on the CIT rate applicable to the companies located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 September 2012 and 2011.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the six months ended 30 September 2012 and 2011.

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax:		
Current tax – Mainland China	918	–
Deferred tax (note 17)	(277)	(168)
Total income tax charge/(credit) for the period	641	(168)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

7. DISCONTINUED OPERATION

On 31 March 2012, the sole director of Up Energy Trading Limited (formerly known as Goldmax Trading Limited), a subsidiary of the Company, resolved that the business of multi-media products trading be terminated with immediate effect. Accordingly, in the year ended 31 March 2012, the multi-media products trading business was classified as a discontinued operation.

The results of a discontinued operation are presented below:

	Six months ended 30 September 2011 (Unaudited and restated) HK\$'000
Revenue	5,078
Expenses	(5,047)
Profit before tax from a discontinued operation	31
Income tax expense	–
Profit for the period from a discontinued operation	31

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,522,051,045 (six months end 30 September 2011: 776,728,213) in issue during the period, as adjusted to reflect the conversion of the Tranche B convertible notes.

The calculation of diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculations of basic and diluted loss per share are based on:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited
		and restated)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation		
From continuing operation	(34,159)	(58,162)
From a discontinued operation	–	31
	(34,159)	(58,131)
Interest on convertible notes	9,388	9,971
	(24,771)	(48,160)
Loss attributable to ordinary equity holders of the Company before interest on convertible notes	(24,771)	(48,160)
Attributable to:		
Continuing operation	(24,771)	(48,191)
Discontinued operation	–	31
	(24,771)	(48,160)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

	Number of shares Six months ended 30 September	
	2012 (Unaudited)	2011 (Unaudited and restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,522,051,045	776,728,213
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	2,639,113,844	3,110,534,654
	4,161,164,889	3,887,262,867

Loss per share

Basic		
– For loss for the period	(2.24 cents)	(7.48 cents)
– For loss from continuing operation	(2.24 cents)	(7.49 cents)
Diluted (a)		
– For loss for the period	(2.24 cents)	(7.48 cents)
– For loss from continuing operation	(2.24 cents)	(7.49 cents)

- (a) Because the potential ordinary shares arising from the conversion of convertible notes had an anti-dilutive effect on the basic loss per share for the six months ended 30 September 2012, hence they were ignored in the calculation of diluted loss per share.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group's addition of items of property, plant and equipment with an aggregate cost amounted to approximately HK\$435,788,000 (six months ended 30 September 2011: HK\$391,643,000), mainly representing the increase in the Group's construction for mining properties of HK\$419,323,000 (six months ended 30 September 2011: HK\$353,506,000). Motor vehicle and equipment with a net carrying amount amounting to HK\$24,000 (six months ended 30 September 2011: Nil) were disposed of during the six months ended 30 September 2012, resulting in a gain on disposal of HK\$47,000 (six months ended 30 September 2011: Nil).

11. PREPAID LAND LEASE PAYMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Carrying amount at beginning of period/year	70,638	70,529
Addition for the period/year	–	1,406
Amortisation for the period/year	(1,095)	(2,111)
Exchange realignment	(198)	814
Carrying amount at end of period/year	69,345	70,638
Current portion included in prepayments, deposits and other receivables	(2,041)	(2,059)
Non-current portion	67,304	68,579

The leasehold properties are situated in Mainland China and held under long term leases.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

12. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Advance to suppliers	58,302	36,188
Deposits	1,350	1,082
Advance to employees	885	414
Valued-added tax	32,623	22,874
Other receivables	697	987
	93,857	61,545

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. CASH AND CASH EQUIPMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Cash and bank balances	570,097	819,950
Less: Restricted bank deposits	(33,100)	(18,931)
	536,997	801,019
Denominated in RMB	11,035	45,773
Denominated in USD	12,636	133,417
Denominated in HK\$	513,241	621,749
Denominated in CAD	85	80
	536,997	801,019

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

13.CASH AND CASH EQUIPMENTS *(continued)*

- (a) As at 30 September 2012, the Group's bank balances of approximately HK\$16,180,000 (31 March 2012: HK\$10,954,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government agencies.

As at 30 September 2012, the Group's bank balances of approximately HK\$16,920,000 (31 March 2012: HK\$7,977,000) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six to twelve months.

14.BILLS PAYABLE

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Bills payable	16,920	7,977

An aged analysis of the trade and bills payable as at the end of each reporting period, based on the invoice date, is as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 1 month	–	–
1 to 2 months	–	4,424
2 to 3 months	5,845	3,553
Over 3 months	11,075	–
	16,920	7,977

The bills payable are non-interest-bearing and are normally settled within one year.

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

15. OTHER PAYABLES AND ACCRUALS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Accrued salaries, wages and benefits	1,284	1,119
Other taxes payables	1,411	907
Other payables	189,707	113,088
Accruals	3,032	3,000
	195,434	118,114

Other payables mainly include payables to suppliers or contractors for the Group's addition of items of property, plant and equipment, which are non-interest-bearing and have an average term of three months.

16. CONVERTIBLE NOTES

HK\$856,000,000 Tranche B convertible notes were converted by noteholders into ordinary shares during the six months ended 30 September 2012 on the basis of one ordinary share for every HK\$2 convertible note held.

The convertible notes have been split as to the liability and equity components as follows:

(Unaudited)	Convertible notes		
	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Carrying amount at 1 April 2012	4,698,926	1,665,493	6,364,419
Amortised interest expense on convertible notes (note 5)	155,293	–	155,293
Conversion of convertible notes	(691,083)	(237,112)	(928,195)
Carrying amount at 30 September 2012	4,163,136	1,428,381	5,591,517

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

16. CONVERTIBLE NOTES (continued)

(Audited)	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Carrying amount at 1 April 2011	5,566,664	2,299,100	7,865,764
Amortised interest expense on convertible notes	320,106	–	320,106
Conversion of convertible notes	(1,187,844)	(633,607)	(1,821,451)
Carrying amount at 31 March 2012	4,698,926	1,665,493	6,364,419

17. DEFERRED TAX

The movements in deferred tax liabilities during the period are as follows:

Deferred tax liabilities

(Unaudited)	Fair value adjustment arising from acquisition of a subsidiary HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Total HK\$'000
At 1 April 2012	3,427,857	2,942	3,430,799
Deferred tax credited to the income statement during the period (note 6)	(168)	(109)	(277)
Gross deferred tax liabilities at 30 September 2012	3,427,689	2,833	3,430,522

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

17. DEFERRED TAX (*continued*)

Deferred tax liabilities (*continued*)

(Audited)	Fair value adjustment arising from acquisition of a subsidiary HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Total HK\$'000
At 1 April 2011	3,428,193	–	3,428,193
Deferred tax charged/(credited) to the income statement during the year	(336)	2,942	2,606
Gross deferred tax liabilities at 31 March 2012	3,427,857	2,942	3,430,799

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. SHARE CAPITAL

Shares

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Authorised:		
6,000,000,000 ordinary shares of HK\$0.2 each (31 March 2012: 6,000,000,000 ordinary shares of HK\$0.2 each)	1,200,000	1,200,000
2,000,000,000 (31 March 2012: 2,000,000,000) convertible non-voting preference shares of HK\$0.02 each	40,000	40,000
Total authorised share capital	1,240,000	1,240,000
Issued and fully paid:		
1,582,859,788 ordinary shares of HK\$0.2 each (31 March 2012: 1,154,859,788 ordinary shares of HK\$0.2 each)	316,572	230,972

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

18.SHARE CAPITAL *(continued)*

Shares *(continued)*

During the period, the movements in share capital were as follows:

- a) HK\$856,000,000 Tranche B convertible notes were converted by noteholders into ordinary shares during the period on the basis of one ordinary share for every HK\$2 convertible note held. An approximate amount of HK\$85,600,000 was transferred from the convertible notes to the share capital account.

Shares options

The Company operates a share option scheme, approved on 29 August 2011 (the "Share Option Scheme"). During the six months ended 30 September 2012, at the end of the reporting period and at the date of approval of these interim condensed consolidated financial statements, no option has been granted under the Share Option Scheme.

19.OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases offices under operating lease arrangements, with leases negotiated for terms of one or two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within one year	1,100	2,260
In the second to fifth years, inclusive	37	69
After five years	–	–
	1,137	2,329

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

20.COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	370,314	393,714

21.RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

(a) Related party transactions

During the six months ended 30 September 2012, the Company conducted foreign currency exchange transactions at zero service cost with two related parties, i.e. Up Energy Holding Limited and Wang Mingquan to exchange HK\$45,000,000 and HK\$5,700,000 into RMB36,527,850 and RMB4,626,861 respectively.

(b) Compensation of key management personnel

No significant compensation arrangement has been entered into with the executive directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

The following table provides the emoluments paid to the key management personnel during the six months ended 30 September 2012 and 2011.

	Six months ended 30 September 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries, allowances and benefits in kind	3,117	2,888
Pension scheme contributions	17	13
	3,134	2,901

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2012

22. EVENTS AFTER THE REPORTING PERIOD

On 12 October 2012, the Company, Up Energy Mining Limited (as purchaser) and Hao Tian Resources Group Limited (the "Vendor") entered into a sale and purchase agreement in relation to the acquisition of Champ Universe Limited. Pursuant to the sale and purchase agreement, the consideration for the sale and purchase of sale share and the transfer of all rights, title, benefit and interest of and in the shareholder's loan was HK\$1.58 billion, subject to adjustments as set out in the sale and purchase agreement, of which HK\$735 million shall be paid by way of issue and allotment to the Vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company at an issue price of HK\$2.00 per share free from all encumbrances and credited as fully paid upon completion; and the balance of HK\$845 million shall be paid to the Vendor in cash. The completion of the sale and purchase agreement is conditional upon the fulfillment of various conditions precedent.

23. COMPARATIVE AMOUNTS

Reclassification of certain comparative amounts has been made to conform to changes in presentation of discontinued operation as described in note 7 in the prior period.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 November 2012.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 September, 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests and short positions in Shares and underlying Shares in the Company

Name of Director	Capacity	Number of Shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company as at 30.9.2012*
		Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	
Qin Jun	Beneficiary Interest/	473,566,949	1,696,119,289	2,307,186,238 ¹	145.76%
	Corporate Interest	(L)	(L)	(L)	
	—	137,500,000 ²	(L)		
	Beneficiary Interest		1,241,875,000	1,241,875,000 ¹	78.45%
			(S)	(S)	

Abbreviations:

"L" stands for long position

"S" stands for short position

Notes:

- Mr. Qin Jun and his wife, Ms. Wang Jue are the beneficiaries of the J&J Trust. J&J Trust is a discretionary trust found by Mr. Wang Mingquan, the father in-law of Mr. Qin Jun. Mr. Qin Jun and Ms. Wang Jue are therefore taken to be interested in the relevant shares and short position by virtue of the SFO.
- 137,500,000 derivatives interests out of the total interests of 2,307,186,238 Shares are beneficially owned by Up Energy Capital Limited. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun. Mr. Qin Jun is therefore taken to be interested in the relevant Shares by virtue of the SFO.

Other Information

* The calculation is based on the number of Shares which each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares of HK\$0.20 each of the Company as at 30 September, 2012 (i.e. 1,582,859,788 Shares).

Save as disclosed above, as at 30 September, 2012, none of the Directors or the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions in the Shares and underlying Shares of the Substantial Shareholders

As at 30 September 2012, so far as is known to the Directors, the following persons, not being a Director or the chief executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long and short positions in the Shares and underlying Shares

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital of the Company as at 30.9.2012*	Notes
Cai Cheng	Corporate Interest	568,268,349 (L)	2,681,381,789 (L)	3,249,650,138 (L)	205.30%	2
Golden Energy Holdings Limited	Corporate Interest	568,268,349 (L)	2,681,381,789 (L)	3,249,650,138 (L)	205.30%	2
Synergy Investment International Company Limited	Corporate Interest	568,268,349 (L)	2,681,381,789 (L)	3,249,650,138 (L)	205.30%	2
Bank of America Corporation	Corporate Interest	60,687,800 (L)	4,679,752,413 (L)	4,740,440,213 (L)	299.49%	3

Other Information

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital of the Company as at 30.9.2012*	Notes
Credit Suisse Trust Limited	Trustee	473,566,949	1,696,119,289	2,169,686,238	137.07%	5
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		
Perfect Harmony Holdings Limited	Corporate Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	4
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		
Seletar Limited	Corporate Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	4
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		
Serangoon Limited	Corporate Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	4
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		
Liu Huihua	Spouse Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	6
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		
Wang Mingquan	Founder of Trust	473,566,949	1,696,119,289	2,169,686,238	137.07%	6
		(L)	(L)	(L)		
		—	1,241,875,000	1,241,875,000	78.46%	
			(S)	(S)		

Other Information

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital of the Company as at 30.9.2012*	Notes
Wang Jue	Beneficiary Interest of Trust/	137,500,000	2,169,686,238	2,307,186,238	145.76%	7
	Spouse Interest	—	1,241,875,000	1,241,875,000	78.46%	
Up Energy Holding Ltd.	Corporate Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	4
		—	1,241,875,000	1,241,875,000	78.46%	
Up Energy Group Limited	Beneficiary Interest	473,566,949	1,696,119,289	2,169,686,238	137.07%	4
		—	1,241,875,000	1,241,875,000	78.46%	
Up Energy Capital Limited	Corporate Interests	—	137,500,000	137,500,000	8.69%	8
		—	—	—	—	
Baosteel Group Corporation	Corporate Interest	11,747,800	370,000,000	381,747,800	24.12%	9
		—	97,500,000	97,500,000	6.16%	
Baosteel Resources International Company Limited	Beneficiary Interest	11,747,800	—	11,747,800	0.74%	9
	Security Interests	—	370,000,000	370,000,000	23.38%	
	Beneficiary Interest	—	97,500,000	97,500,000	6.16%	

Other Information

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital of the Company as at 30.9.2012*	Notes
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	277,393,929 (L)	278,950,354 (L)	17.62%	10
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	277,393,929 (L)	278,950,354 (L)	17.62%	10
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	277,393,929 (L)	278,950,354 (L)	17.62%	10
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	277,393,929 (L)	278,950,354 (L)	17.62%	10
Central Huijin Investment Ltd.	Corporate Interest	1,556,425 (L)	277,393,929 (L)	278,950,354 (L)	17.62%	10 to 13
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	12,694,000 (L) 4,348,000 (L)	201,915,143 (L)	218,957,143 (L)	13.83%	11
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	4,348,000 (L) 12,694,000 (L)	201,915,143 (L)	218,957,143 (L)	13.83%	11
CCB Financial Holdings Limited	Corporate Interest	17,042,000 (L)	201,915,143 (L)	218,957,143 (L)	13.83%	11
CCB International Group Holdings Limited	Corporate Interest	17,042,000 (L)	201,915,143 (L)	218,957,143 (L)	13.83%	11
China Construction Bank Corporation	Corporate Interest	16,256,000 (L)	201,915,143 (L)	218,171,143 (L)	13.78%	11

Other Information

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital of the Company as at 30.9.2012*	Notes
Anderson Dwight, Walter	Corporate Interest	39,354,927 (L)	114,931,468 (L)	154,286,395 (L)	9.75%	14&15
Ospraie Holding I, L.P.	Corporate Interest	39,354,927 (L)	114,931,468 (L)	154,286,395 (L)	9.75%	14&15
Ospraie Management, Inc.	Corporate Interest	39,354,927 (L)	114,931,468 (L)	154,286,395 (L)	9.75%	14&15
Ospraie Management, LLC	Investment Manager	39,354,927 (L)	114,931,468 (L)	154,286,395 (L)	9.75%	14&15
Ospraie Advisors L.P.	Investment Manager	23,999,576 (L)	70,049,759 (L)	94,049,335 (L)	5.94%	14&15
Ospraie Advisors LLC	Corporate Interest	23,999,576 (L)	70,049,759 (L)	94,049,335 (L)	5.94%	14&15
Ospraie Special Opportunities Master Holdings Ltd.	Beneficiary Interest	23,999,576 (L)	70,049,759 (L)	94,049,335 (L)	5.94%	14&15
Proper Way Profits Limited	Beneficiary Interest	—	320,028,420 (L)	320,028,420 (L)	20.22%	
Exploratory Capital Limited	Corporate Interest	—	300,000,000 (L)	300,000,000 (L)	18.95%	16
Wu Tao	Corporate Interest	—	300,000,000 (L)	300,000,000 (L)	18.95%	16

Abbreviations:

"L" stands for long position

"S" stands for short position

Other Information

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on Stock Exchange's official website. When a shareholder's shareholding in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the D1 Forms. Therefore, some substantial shareholders' interests in shares or short position may not have breakdown in their relevant interests.
2. Golden Energy Holdings Limited ("Golden Energy") was wholly owned by Synergy Investment International Company Limited ("Synergy"). Synergy was 100% held by Mr. Cai Cheng. Accordingly, Mr. Cai Cheng, Golden Energy and Synergy are deemed to be interested in the shares and security interests in the Company by virtue of SFO.
3. Bank of America Corporation holds shares and security interests of the Company through companies controlled or indirectly controlled by it.
4. These shares were the same parcel of shares held by a J&J Trust of which Mr. Wang Mingquan was the founder. Up Energy Group Ltd. is 100% wholly owned by Up Energy Holdings Limited. Up Energy Holdings Limited is 100% wholly owned by Perfect Harmony Holdings Limited ("Perfect Harmony"). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited ("Seletar") and Serangoon Limited ("Serangoon") as nominees in trust of Credit Suisse Trust Limited, the trustee of J&J Trust. Accordingly, Up Energy Group Ltd., Up Energy Holdings Limited, Seletar, Serangoon and Perfect Harmony are also deemed to be interested in the relevant shares and short position by virtue of SFO.
5. Credit Suisse Trust Ltd., as a trustee of the J&J Trust, is deemed to be interested in the relevant shares and the short position by virtue of SFO.
6. Mr. Wang Mingquan is the founder of the J&J Trust and Ms. Liu Huihua is the spouse of Mr. Wang Mingquan. Mr. Wang Mingquan and Ms. Liu Huihua are therefore taken to be interested in the relevant shares and short position by virtue of the SFO.
7. Ms. Wang Jue is the beneficiary of the J&J Trust, the daughter of Mr. Wang Mingquan and the wife of Mr. Qin Jun, a Director of the Company. Ms. Wang Jue is therefore taken to be interested in the relevant shares and short position by virtue of SFO.
8. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun, a Director of the Company. Accordingly, Mr. Qin Jun is deemed to be interested in the shares and security interests in the Company by virtue of SFO.
9. Baosteel Resources International Company Limited is 99% owned by Baosteel Group Corporation. Accordingly, Baosteel Group Corporation is deemed to be interested in the shares, security interest and short position in the Company held by Baosteel Resources International Company Limited.
10. ICBC International Holdings Limited ("ICBC Holdings") is wholly owned by Industrial and Commercial Bank of China Limited ("ICBC"). ICBC International Investment Management Limited ("ICBC Investment") is wholly owned by ICBC Holdings. Capital Sunlight Limited ("Capital Sunlight") is wholly owned by ICBC Investment. By virtue of the SFO, Capital Sunlight, ICBC Holdings, ICBC, and ICBC Investment are deemed to be interested in the relevant shares and short position.

Other Information

11. CCB International Asset Management Limited (“CCB-IAM”) is wholly owned by CCB International (Holdings) Limited (“CCB International”). CCB International is wholly owned by CCB Financial Holdings Limited (“CCB Finance”). CCB Finance is wholly owned by CCB International Group Holdings Limited (CCBI Group). CCBI Group is wholly owned by China Construction Bank Corporation (“CCB Corp”). Central Huijin Investment Ltd. (“Central Huijin”) in turn holds 57.10% in CCB Corp. By virtue of the SFO, CCB International, CCB Finance, CCBI Group, CCB Corp. and Central Huijin are deemed to be interested in the shares which CCB-IAM was interested.
 12. CCB Corp is in turn beneficially 57.10% owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the shares which CCB Corp was interested.
 13. ICBC is in turn beneficially 35.42% owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the shares which ICBC was interested.
 14. Ospraie Management, Inc. (“Ospraie Management”) is owned by Mr. Dwight Walter Anderson. Ospraie Holding I, L.P. (“Ospraie Holding”) is owned by Ospraie Management. Ospraie Management, LLC (“Ospraie LLC”) is owned by Ospraie Holding. By virtue of the SFO, Mr. Dwight Walter Anderson, Ospraie Management, Ospraie Holding and Ospraie LLC are deemed to be interested in the same relevant shares and short position.
 15. Ospraie Advisors LLC (“Ospraie Advisors”) is wholly owned by Ospraie Management. Ospraie Advisors, L.P. was owned by Ospraie Advisors. Ospraie Special Opportunities Master Holdings Ltd. (“Ospraie Special”) was owned by Ospraie Advisors L.P. By virtue of the SFO, Ospraie Advisors, Ospraie Management and Ospraie Special are deemed to be interested in the same relevant shares and short position.
 16. Exploratory Capital Limited is 80.12% owned by Mr. Wu Tao. Accordingly, Mr. Wu Tao is deemed to be interested in the shares and security interests in the Company by virtue of SFO.
- * The calculation is based on the number of Shares which each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares of HK\$0.20 each of the Company as at 30 September, 2012 (i.e. 1,582,859,788 Shares).

Save as disclosed above, as at 30 September, 2012, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 September, 2012, was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 September, 2012, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviation:-

Code Provision A.2.1

There was no separation of the role of chairman of the Board (the "Chairman") and chief executive officer of the Company (the "CEO"). Mr. Qin Jun has assumed the role of both the Chairman and the CEO of the Group. The Board considered that this structure could enhance the efficiency in the formulation and implementation of the Company's strategies in this stage. The Board will review the need of appointing suitable candidate to assume the role of the CEO when necessary.

Code Provision A.6.7

Independent non-executive Directors and non-executive Director should attend the general meeting but one independent non-executive director was unable to attend the annual general meeting held on 19 September, 2012 as he was occupied by another commitment.

CHANGE OF DIRECTORS' INFORMATION

The change of Directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:-

The Directors' fee of each of Mr. Lien Jown Jing, Vincent, Mr. Li Bao Guo and Dr. Shen Shiao-Ming has been changed to HK\$20,000 per month with effect from 1 July, 2012.

Save as disclosed above, as at 30 September, 2012, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions, by Director of the Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for directors' securities transactions (the "Model Code"). The Model Code applies to all Directors and to all employees who have received it are informed that they are subject to its provisions. Having made specific enquiry by the Company, all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual reports and half-yearly reports to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Lien Jown Jing, Vincent (Chairman), Mr. Li Bao Guo and Dr. Shen Shiao-Ming.

The Audit Committee has reviewed with the management of the Company the unaudited condensed interim financial information for the six months period ended 30 September, 2012, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

By Order of the Board

Qin Jun

Chairman

Hong Kong