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

Increased Value In Circulation

Coal - Exploration • Mining • Washing • Coking & Chemicals

Interim Report 2013

Contents

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 in China ("Xinjiang"). With headquarters in Fukang City in northern Xinjiang close to the regional capital Urumqi, Up Energy is 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 has four mines and three downstream ancillary industrial projects in Xinjiang, and is considering to develop four ancillary industrial projects within its circulative economy business model in the second phase. Construction of our four coal mines, namely the Shizhuanggou Mine, the Quanshuigou Mine, the Xiaohuangshan Mine and the Baicheng Mine, will be completed and production will commence successively starting from the forth quarter of 2013, while our coal coking plant has successfully produced coking coal and by-products in October this year. Upon full operation, Up Energy's planned annual production capacity of coking coal is expected to reach 5.40 million tonnes, and will provide us with recycling processing capacity, which includes production capacity of 1.30 million tonnes of coke, raw coal washing capacity of 4.50 million tonnes and water recycling capacity of 5.20 million m^3. Up Energy has established strategic co-operation relationships with Pingan Coal Mine and Gas (Methane) Engineering Research Limited and several large steel producers in China, and has signed financial cooperative agreements with two of the largest financial service groups in China. Up Energy has emerged as one of the largest integrated energy groups with circulative economy business model in the coking industry in the northwestern region of China.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chau Shing Yim, David
Li Bao Guo
Lien Jown Jing, Vincent
Shen Shiao-Ming

COMPANY SECRETARY

Chau Kwok Ming

EXECUTIVE COMMITTEE

Qin Jun *(Chairman)*
Jiang Hongwen
Wang Chuan

AUDIT COMMITTEE

Lien Jown Jing, Vincent *(Chairman)*
Chau Shing Yim, David
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

AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited
China Minsheng Banking Corp., Ltd.
– Hong Kong Branch

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2704, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

Block A, Commercial Street
Minzu Lane
Fukang City
Xinjiang, China

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (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

http://www.upenergy.com

STOCK CODE

307

PROFILES OF COAL MINES

Xiaohuangshan Coal Mine – 79.2% 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 1st Quarter in 2014
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 and 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 2nd Quarter in 2014
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 and 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 2nd Quarter in 2014
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 and lean coal

Baicheng Coal Mine – 100% owned

Location: 40 km to the north of Baicheng County
Area: 5.9178 sq. km
Type of Mine: underground mine
Commencement Date of Production: 2006 (Note)
Current Annual Coal Production Capacity: 0.21 Mt
JORC Code Coal Resources:** 125.90 Mt
JORC Code Coal Reserves:** 80.50 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal and 1/2 caking coal

* Source: Technical Report of John T. Boyd Company of October 2010
** Source: Technical Report of Roma Oil and Mining Associates Ltd. of 6 May 2013
Note: No production during the handover period start from 28 June 2013 (Date of completion of the acquisition) to 30 September 2013.

PROFILES OF PHASE ONE PROJECT

Coal Coking Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Commencement Date of Production: 20th October 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 2nd Quarter in 2014
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 2nd Quarter in 2014
Planned Annual Processing Capacity at Full Operation: 5.2 million m^3
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

MANAGEMENT DISCUSSION AND ANALYSIS

During the six-month period ended 30 September 2013 (the "Review Period"), the Group continued to focus on the construction of the three coal mines and the three circulative business chain projects in Fukang, Xinjiang, which are expected to commence commercial production successively starting from the fourth quarter of 2013. On the other hand, the Group completed the very substantial acquisition of Baicheng Coal Mine in Xinjiang at the end of June 2013 while the acquisition of Kaftar Hona Deposit in Tajikistan is under progress. Upon completion of the acquisitions and commencement of production of the 5 coal mines, the planned annual production capacity of the Group in 2016 will reach a range between 6 Mt and 8 Mt, rendering the Group first in the coking industry in northwestern China. The Group is expected to show significant improvement in its revenue and profit and its leading position in the coking industry in northwestern China will also be strengthened.

INDUSTRY REVIEW

Xinjiang is an important market for the sales of coking coal and coke products of the Group. The Group's four coal mines, namely the Xiaohuangshan Mine, the Shizhuanggou Mine, the Quanshuigou Mine and the Baicheng Coal Mine, are all located in Xinjiang, China, and the Kaftar Hona Deposit in Tajikistan, which is proposed acquisition, is near to the Kashgar Prefecture of Xinjiang. 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

The steel sector in China has started its winter inventory period since the fourth quarter in 2012 when coking coal companies greatly increased the purchase of coking coal, which tightened the supply of quality coking coal while increasing the purchasing cost. The price of coking coal in China stabilized and a rebound was seen afterwards. For example, the average traded ex-factory price of coking coal in Taiyuan, Shanxi as at the end of 2012 increased to RMB1,400 per tonne, higher than that of the third quarter of 2012 by RMB200 per tonne. As at the end of the first quarter of 2013, with the arrival of summer purchasing season of coking coal companies in China, the decrease in demand for coking coal from the steel sector and the increase in supply from coal mines across the State, the coking coal market was saturated, resulting in a price slump of coking coal starting from the end of March 2013. As at the end of August 2013, the average prices of quality coking coal and coke in Shanxi were RMB1,100 per tonne and RMB1,400 per tonne respectively, representing decreases of RMB300 per tonne and RMB200 per tonne respectively when compared with those recorded at the beginning of 2013. However, though the market was at its trough, the coking coal sector saw a new round of price rally resulting from the start of another winter inventory period. In September 2013, driven by the upward momentum of the steel sector, the price of coking coal and coke started increasing. As at the end of September, the price of quality coking coal in Shanxi was RMB1,300 per tonne while that of coke was RMB1,560 per tonne, which were similar to those of recorded at the beginning of 2013 and were found at the upside.

The impact of supply and demand of coal in China on the price of coking coal and coke in Xinjiang was relatively small because Xinjiang is a closed market to a certain extent. In March 2013, the prices of coking coal and coke in Xinjiang were RMB950 per tonne and RMB1,400 per tonne respectively. The prices of coking coal and coke started to increase commencing from July because of the price rally of steel in Xinjiang. As at the end of September, the price of coking coal in Xinjiang was RMB1,100 per tonne and that of coke was RMB1,580 per tonne. The price level was stabilized.

According to the observation above, the prices of coking coal and coke in China exhibited seasonal fluctuations with winter and summer, showing a basic trend of low season in summer and autumn and high season in spring and winter. As a result, the volatility recorded is high.

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

The delicate balance of demand and supply of imported coking coal was stabilized in the first half of 2013 after the continuous decrease in 2012.

In the second half of 2013, with the settlement of competition between certain well-known international steel companies and coal companies, the long term contract price of international coal companies increased significantly when compared with that of the beginning of the year. In particular, Nippon Steel & Sumitomo Metal of Japan, the alliance of BHP Billiton and Mitsubishi ("BMA") and Anglo American agreed the price of quality low-volatile hard coking coal at US$152 per tonne for the fourth quarter, representing an increase of US$7 when compared with the third quarter. The said price was the contract price of quality low-volatile coking coal produced by the Peak Downs Coal Mine and the Saraji Coal Mine of BMA and the German Creek Coal Mine of Anglo American. As for mid-volatile coking coal of the Goonyela Mine of BMA and the Moranbah North Coal Mine of Anglo American, the price for the fourth quarter was US$148 per tonne, representing an increase of US$6 when compared with the third quarter. The increase of the long term contract price of international coal companies represented a strong support for the bottom out of coking coal. It is expected that other steel factories and coal mines will also apply the said contract price.

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 30 September 2013, the Group had a total of approximately 377 Mt of JORC-compliant measured, indicated and inferred coal resources and a total of approximately 151 Mt of JORC-compliant proved and probable marketable coal reserves. In addition, the aggregate potential coal resources and reserves of the Shizhuanggou Mine and the Quanshuigou Mine are approximately 52 Mt. (Note: Since the acquisition of the Kaftar Hona Coal Mine has not been completed, the coal resource and reserve of which are not included.)

The estimated coal resources and reserves of the Baicheng Coal Mine in Xinjiang are approximately 126 Mt and 81 Mt respectively; while the Kaftar Hona Deposit in Tajikistan has a minimum of 158 Mt anthracite reserve according to the JORC technical report being prepared.

As of 30 September 2013, 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:

Unit: Mt

Name	Coal Resources (approximate)			Marketable Coal Reserves (approximate)	
Category	Measured	Indicated	Inferred	Proved	Probable
Amount	244	91	42	112	39
Total	**377**			**151**	

Note:

The sources of information are from Technical Report of John T. Boyd Company of October 2010 and Technical Report of Roma Oil and Mining Associates Ltd. of 6 May 2013, which were prepared in compliance with JORC.

(2) Exploration and Construction Activities

The supplementary exploration of the Xiaohuangshan Mine will continue in the northern region. 6 more holes with a total depth of 4,460 metres are expected to be 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-compliant) is expected to increase.

Expenses incurred during the Review Period were as follows:

Unit: RMB

Name of Coal Mine	Drilling	Exploitation and Construction	Trial Production	Mining	Key Development
Xiaohuangshan Mine	0	53,690,000	0	0	shaft sinking and drifting projects, power transmission projects, lift system, aboveground main building
Shizhuanggou Mine	0	32,040,000	0	0	shaft sinking and drifting projects, power transmission and transformation projects, projects in preferential area
Quanshuigou Mine	0	45,200,000	0	0	shaft sinking and drifting projects, power transmission and transformation projects, projects in preferential area
Baicheng Mine	0	2,300,000	0	0	refuge chambers, dual circuit engineering, materials for mine construction

(3) Safety Production

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Limited ("Pingan Gas") which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"). Huainan Mining will be responsible for supervising the production safety of the Group's Quanshuigou Mine, Shizhuanggou Mine and Xiaohuangshan Mine. Management teams have been sent by Huainan Mining to the above three mines successively since the end of 2012 to oversee production safety and provide technical services. Pingan Gas contributed to the capital of Up Energy (Fukang) Coal Mining Ltd. in the form of patent using rights and non-patent technology using rights, and procedures for the registration of change of shareholdings, etc. were completed in September.

(4) Construction Progress of Coal Mines and Projects in Fukang, Xinjiang

During the Review Period, the construction progress of the three mines and the three downstream ancillary projects met the Group's expectations and the mines and projects are likely to commence production successively in the fourth quarter of 2013 as scheduled.

Xiaohuangshan Mine

Shaft sinking and drifting project: Construction works of shaft bottom, underground chambers, haulage crosscuts, main ventilation drifts and the district rise etc. have been completed. Preparation of gas drainage and control works of pit water in coal mining areas is in progress.

Ground-level infrastructure: Construction works of material warehouses, equipment repair houses, hoist rooms of main and auxiliary inclined shafts and pipelines on surface level etc. have been completed. Construction works of hoist rooms of main and auxiliary inclined shafts, gas drainage pump houses on surface level etc. are in the final stage. Construction works of boiler rooms and buildings at the shaft entrance are in progress.

Equipment installation: Installation and testing of hoists of main and auxiliary inclined shafts have been completed. Construction, installation and testing of lifting hoists and shaft equipment of main and auxiliary inclined shafts as well as testing and tuning of underground equipment are in progress.

Shizhuanggou Mine

Shaft sinking and drifting project: Construction works of vertical ventilation shafts, main ventilation drifts, haulage crosscuts (roads and rails) and shaft stations of district rise of the shaft sinking and drifting project have been completed. Final stage of construction works of district rise has been completed. Preparation of gas drainage and control works of pit water in coal mining areas is in progress.

Ground-level infrastructure: Construction works of 110kv electricity transmitting and transforming facilities, buildings at the shaft entrance, material warehouses, hoist rooms of auxiliary inclined shafts and gas drainage pump houses on surface level have been completed. Construction works of the administrative services complex are in the final stage while those of boiler rooms and domestic sewage treatment rooms are in progress.

Equipment installation: Lifting and transportation rails of auxiliary inclined shafts have been laid. Testing and tuning of lifting hoists of auxiliary inclined shafts and gas drainage pump houses on surface level, underground water pump houses and central power substations are in the final stage.

Quanshuigou Mine

Shaft sinking and drifting project: Construction works of a vertical ventilation shaft with a depth of 410 meters, main ventilation drifts, +680-meter shaft bottom stations, underground chamber and haulage crosscuts have been completed. The district rise construction project is in progress.

Ground-level infrastructure: Construction works of 35kV electricity transmitting and transforming facilities, hoist rooms of auxiliary inclined shafts, material warehouses, mine office buildings, canteens, staff duty-shift quarters, buildings at the shaft entrance and gas drainage pump houses on surface level have been completed. Interior decorations of mine office buildings, canteens, staff duty-shift quarters and buildings at the shaft entrance are in progress. Works of boiler rooms and domestic sewage treatment rooms are in the final stage.

Equipment installation: Testing and tuning of lifting hoists of auxiliary inclined shafts and equipment of gas drainage pump houses on surface level have been completed. Rails of the auxiliary inclined shaft are being laid and drainage pipes are being installed. Testing and tuning of underground water pump houses and central power substation are in progress.

As for the three downstream ancillary projects:

Construction Progress of 1.3 Mt. Coking Project:

The fire oven has been ignited in early June 2013.

(i) Major construction works in relation to coal preparation, quenching and coking coal selection and storage systems, cooling turbine, ammonium sulphate and benzene removal and various utilities and ancillary processes.

(ii) Installation and tuning of crushers, five major machinery parts of the cookery, coke oven gas boosters and boilers have been completed. Tuning of operation of all mechanical and electrical equipment has been completed. Automated control systems are under tuning.

(iii) Utilities and ancillary facilities structures (centrally-controlled laboratory buildings, integrated water supply, electricity supply, boiler rooms, soft water stations, air compression stations, tank yards, foam stations, loading stations, etc.) are ready for operation.

(iv) Underground pipeline networks (heating, drainage, water for fire control, water for circulation, soft water, etc.) and the installation works of processing pipelines are all ready for operation.

(v) Construction works of the plant's front area (roads, fences, gates, slopes, green decorations, etc.) have been completed.

In preparation for production:

(i) Recruitment, internal and external training and duty roster have been completed and all staff are in position.

(ii) Coal preparation plans have been confirmed and raw coal and supplementary materials are purchased and ready in plant.

(iii) Production plans, operation plans and relevant technical standards have been approved and declared.

Raw Coal Washing Project

The project is expected to be ready for production in June 2014.

(i) Construction works of major structures, such as coal receiving systems, selection and crushing plants, major plants, concentrating workshops and transportation corridors have been completed.

(ii) Works for drainage, fire control, heating and lighting are being organized and processed.

(iii) Installation works of iron removers, electric cranes and concentrators have been completed. On-site installation of raw coal selection, wash boxes, scraper conveyors, belt conveyors, slurry pumps, pressure filters, flotation machines and clean coal dehydration sifting machines have been completed.

Water Recycling Project

All design and site formation works for the water recycling project have been completed, and the site has already been covered with road, water, electricity and telecommunication networks. Construction works of 50m^3 high level buffering tanks and 10.2km of coal mine water pipes have also been completed.

(5) Acquisition of Coal Mine in Xinjiang

In order to control and further develop the coal mines 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 12 October 2012, the Company and Up Energy Mining Limited (as the purchaser) entered into a sale and purchase agreement with Hao Tian Resources Group Limited ("Hao Tian Resources", as the vendor) in relation to the acquisition of the entire issued share capital of Champ Universe Limited (冠宇有限公司) ("Champ Universe"). All conditions precedent of the sale and purchase agreement have been fulfilled or waived and the agreement has been completed on 28 June 2013.

Champ Universe, through its direct and indirect wholly-owned subsidiaries, operate and 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 "Baicheng Coal Mine"). The Baicheng Coal 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 Baicheng Coal Mine as at 31 March 2012, the Baicheng Coal Mine has a coal field area of approximately 5.9178 square kilometres, with estimated coal resources and coal reserves of approximately 126 Mt and 81 Mt respectively. According to the mining licence dated 28 October 2009 granted by the Department of Land and Resources Office of Xinjiang Uygur Autonomous Region and the approval of productivity issued by the Coal Industry Administration Bureau of Xinjiang Uygur Autonomous Region on 12 September 2013, the annual output of Baicheng Coal Mine is 210,000 tonnes. The Group believes that in addition to helping us achieving the aforesaid target, the Group will also be benefited from the synergies resulting from the operation of the Baicheng Coal Mine with its existing mines in the region in terms of management, distribution and transportation.

(6) 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 19 December 2012, the Company and Up Energy Resources Company Limited (as the purchaser) entered into an agreement with Kaisun Energy Group Limited and its wholly-owned subsidiary Alpha Vision Energy Limited (as the vendor) in relation to the acquisition of 52% equity interest in Kamarob held by West Glory Development Limited (a wholly-owned subsidiary of the vendor) (the "Acquisition"). The completion of the sale and purchase agreement is still subject to the fulfillment of various conditions precedent. For details, please refer to the Company's announcement dated 8 January 2013.

Kamarob is a company incorporated and registered in the Republic of Tajikistan, and is holding the mining license in respect of the Kaftar Hona Deposit (the "Target Deposit") in Tajikistan. The Target Deposit is rich in coal resources, especially anthracite. However, the Target Deposit is in its early stage of development and additional time is required to carry out drilling and other activities. The Company considers that as the location of Tajikistan is relatively close to Xinjiang, the Acquisition will enable the Group to expand its coal reserves and mining operations, and reinforce its position as one of the largest integrated energy groups in northwestern China. In addition, the Acquisition will be beneficial for the Company to tap the expected significant demand for coal from new and expanding steel mills within the region, which have been planned or under construction. Overall, the Acquisition will enhance the long-term growth prospect of the Group.

Due to the continuous extreme weather conditions of the Kaftar Hona region in Tajikistan, the exploration and drilling activities are postponed and more time is needed to fulfill the conditions precedent of the agreement mentioned above accordingly. Both of the purchaser and vendor signed a supplementary letter on 18 October 2013 to postpone the long stop date from 31 December 2013 to 30 June 2015 or such later date as may be agreed in writing by both parties. Both parties are paying close attention to the progress for the sake of launching drilling works in a safe and reliable way.

BUSINESS PROSPECT

(1) Baicheng Coal Mine

The inspection and acceptance procedures for the resuming of production of coal for the coal mine were completed in early November 2013. Works for ground level restoration were started on 1 October 2013. It is expected that the monthly output of coal depletion resulted from ground level restoration can reach 100,000 tonnes in November and the output level will be sustained accordingly. The designer of the improvement project of the west end of the mines is confirmed. The project will commence within this year and be completed by October 2014. Upon completion, the realized output will be 450,000 tonnes per year. As to the mine improvement/expansion project with an annual output of 900,000 tonnes, works will be started upon the completion of procedures for registration of all changes. Construction works of the said project is expected to start in April 2014.

(2) Construction of 1.3 Mt Coking Project

The coking oven has been put to operation since 20 October 2013.

(3) Optimization and Modification of Designs of Coal Mines in Fukang

In April 2013, Huainan Mining Industry (Group) Co., Ltd. (淮南礦業(集團)有限公司) completed the optimization and modifications of the preliminary designs of the Quanshuigou Mine, the Shizhuanggou Mine and the Xiaohuangshan Mine of the Group. After the optimization, the production safety of the three coal mines of the Group has been safeguarded and production capacity will have larger room for improvement.

(4) Construction Progress and Scheduled Date for Trial Production

The three coal mines and three downstream auxiliary projects of the Group in Fukang will be completed and scheduled to commence production successively in the fourth quarter of 2013 and second quarter of 2014.

Following the commencement of production of the three downstream auxiliary projects, the Group's phase one project in Fukang will be completed. The Group plans to invest in four correlated circulative business projects in the second phase in order to expand the production facilities of the phase one project (the "Phase Two Project"). The Phase Two Project is currently in the preparation stage, and the feasibility study is in progress and we are waiting for the approvals from the various administrative authorities. Upon completion of definitive feasibility study on the Phase Two Project and the completion of the Phase One Project, the Group will speed up the progress of the Phase Two Project regarding the feasibility study report of the coal gangue materials project has been prepared and filed with relevant authorities for approval, and related formalities have also been completed.

(5) Enhancement of Strategic Co-operation

The Group strives to identify strategic partners along the industry chain as well as from the financial sector in order to enhance its competitiveness in the coal industry. In 2011, the Group entered into co-operation agreements with Pingan Gas, China Construction Bank, Industrial and Commercial Bank of China and Baosteel Resources Company Limited, covering the cooperation in terms of mine planning, finance, management and sharing of technology, etc. The Group will continue to seek strategic partners for synergy effects so as to further enhance its competitiveness.

BUSINESS STRATEGIES

(1) Production Safety

Production safety has been considered to be an indispensable factor in coal mining operations by the Group since its establishment. The Group issued various comprehensive guidelines for safe operation internally and co-operated with third-party professional safety bodies externally. The Group entered into various agreements for technological cooperation framework, technological co-operation and technological consultation in connection with the management of mine gas and pit water and advanced mining technologies with the Pingan Gas (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 procuring a safe and efficient environment for shaft construction and production activities in a later stage.

In addition, in December of 2012, the Group entered into a comprehensive cooperation agreement with Huainan Mining, pursuant to which Huainan Mining will be responsible for supervising the production safety of the Quanshuigou Mine, the Shizhuanggou Mine and the Xiaohuangshan Mine of the Group.

(2) Merger and Acquisition in Xinjiang and Overseas Countries

Mergers and acquisitions are crucial for the long term development of a company in the mining sector. The Group has adhered to the principle of low-cost expansion, paid close attention to the country's policy of eliminating small coal mines and prudently identified merger and acquisition opportunities in Xinjiang which coincide with its business strategy and philosophy. It is our goal that, through a gradual expansion of coal reserves and mining activities, the Group will be able to secure its leading position in the coking coal industry in Northwestern China. The above-mentioned acquisition of the Baicheng Coal Mine in Xinjiang represents an important step to reinforce the leading position of the Group in northwestern China. In respect of mergers and acquisitions in overseas countries, the Group's management regularly arranges overseas site visits and actively identifies investment opportunities regarding resource consolidation, mergers and acquisitions in coking coal and energy industries in foreign countries. Depending on the circumstances, this may involve other regions such as North America, Australia, Russia, etc. The above-mentioned acquisition of the Kaftar Hona Deposit in Tajikistan is definitely a milestone for the overseas development of the Group.

(3) Challenges

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

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 on the industry to control mining operations and exploration activities. If this is the case, the Group's cash flow, operating results and financial position in future may be affected adversely.

As for risks in relation to social stability of the region, with the strong support and assistance rendered by various policies of the government of China, the economy of Xinjiang has recorded sustained and steady development and the regional society has been stable as a whole. However, due to the impact of geographical, historical, human and developmental factors specific to multiracial population in Xinjiang, economic development in Xinjiang is still lag behind the average level of China as a whole. Also, racial and religious issues are also under the influence of overseas factors, making the relationship between interested parties within the region more complicated. Accordingly, the management and operation of the Group in the future may be affected to a certain extent. Meanwhile, the social stability is subject to a number of factors, which make security, stability and development issues more prominent.

For market risks, the Group's operating results are highly dependent on coking coal prices which tend to be cyclical and subject to fluctuations. The volatility and cyclicality of coal prices are linked to various factors such as the Chinese economy, the global financial environment and the steel manufacturing industry. Negative trends in coal prices may adversely affect the business, prospects, financial position and operating results of the Group.

As for operational risks, a variety of social and natural risks and disasters may delay the production and delivery schedules of coal products, increase the cost of mining activities or result in coal mine accidents whereas the Group may also encounter various unpredicted difficulties and technical issues that may affect the production schedule. In addition, the development of coal operations takes time, which may result in higher investment costs exceeding the budget.

As for liquidity risks, please refer to the section headed “Liquidity and Financial Resources”.

Despite challenges encountered in business operations, the Group will strive to find the best solution to facilitate its business development.

Looking ahead, the Group will continue to adhere to its philosophy of “increased value in circulation” by extending its production chain from coal exploration, mining, washing and coking to chemical by-products. With its active role in the procurement of projects in the upstream and downstream circulative economy industry chain in connection with coal resources, the Group will invest in the development of chemical by-products resulted from the processing of coking coal so as to realize an effective utilization of coal resources by increasing the added value of coal products. Accordingly, the Group will be able to maximize its profitability, enabling it to achieve its ultimate goal of becoming a leading professional and integrated energy group in the coking coal industry in the northwestern part of China.

FINANCIAL REVIEW

Administrative Expenses

Administrative expenses increased by 33.2% to HK$38,904,000 for the six months ended 30 September 2013 from HK$29,212,000 for the corresponding period in 2012. The increase was primarily due to the increase in employee expenses, transaction costs for Acquisition of subsidiaries. The increase in employee expenses was primarily due to the increase in headcount for future projects.

Finance Costs

Finance costs increased to HK$19,395,000 for the six months ended 30 September 2013 from HK$11,657,000 for the corresponding period in 2012. The increase was primarily due to the increase in bank borrowing.

Income Tax Expense

The Group recorded current income tax expenses of HK$1,525,000 (2012: HK$918,000) and a deferred income tax credit of HK$4,515,000 (2012: HK$277,000) for the six months ended 30 September 2013.

Loss for the Period

The Group's result for the six months ended 30 September 2013 recorded a loss of HK$53,033,000 comparing to a loss of HK$39,746,000 for the corresponding period in 2012.

Capital Expenditure

During the period under review, the additional property, plant and equipment mainly for mine development and processing facilities construction of the Group approximately amounted to HK$947,836,000 (2012: HK$435,788,000) which comprised of mining properties HK$395,915,000 (2012: HK$419,323,000) and other capital expenditures HK$551,921,000 (2012: HK$16,465,000).

On 28 June 2013, through acquisition of subsidiaries, the Group acquired property, plant and equipment with a carrying value after fair value adjustment of approximately HK$2,030,752,000.

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.

In addition, the Company has also entered into a share charge in connection with the introduction of bank borrowing to the Company, the charge is created over (i) entire issued share capital of Up Energy Mining Limited; (ii) the entire share capital of Champ Universe Limited; (iii) the entire share capital of Venture Path Limited; (iv) the entire share capital of West China Coal Mining Holdings Limited; and (v) the entire issued share capital of Baicheng County Wenzhou Mining Development Co., Ltd. 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 2013.

Liquidity and Financial Resources

As at 30 September 2013, the Group's current ratio was 0.26 (31 March 2013: 2.9), with current assets of approximately HK$175,140,000 (31 March 2013: HK$974,120,000) against current liabilities of approximately HK$675,061,000 (31 March 2013: HK$336,802,000). Cash and cash equivalents were approximately HK$33,260,000 (31 March 2013: HK$881,932,000). The Group's gearing ratio was 98% as at 30 September 2013 (31 March 2013: 89%). The Group's working capital is mainly financed through borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the period under review, and the Group continues to follow the practice of prudent cash management.

As at 30 September 2013, the Group had net current liabilities of HK$499,921,000 (as at 31 March 2013: net current assets of HK$637,318,000) and current portion of outstanding bank borrowings and other financial liabilities amounted to approximately HK$345,532,000 (as at 31 March 2013: HK$114,792,000) was due for renewals or repayments within the next twelve months. The Directors are confident that the Group will continue to obtain the ongoing support from its bankers. There are around RMB520,000,000 of banking facilities are liaised and available by the its bankers in the Mainland China upon the completion of relevant assets registration. In addition, the major shareholder has confirmed that to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months. Accordingly, the Directors are of the opinion that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim financial report on the going concern basis.

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 Risks

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 2013, the Group had a total of 989 employees (31 March 2012: 339) 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, share option scheme and share award scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2013 (2012: Nil).

INDEPENDENT REVIEW REPORT

Independent Review Report
to the Board of Directors of
Up Energy Development Group Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 53 which comprises the consolidated statement of financial position of Up Energy Development Group Limited (the "Company") as of 30 September 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw your attention to note 2 to the unaudited interim financial report which describes that the Company together with its subsidiaries (the "Group") had net current liabilities of approximately $499,921,000 as at 30 September 2013 and explains that there are uncertainties about the commencement of the commercial production of the Group's projects in Fukang and Baicheng, Xinjiang and that consequently for the foreseeable future the Group is dependent upon the financial support from its bankers and major shareholder. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared on a going concern basis, the validity of which is dependent on the availability of the ongoing financial support from its bankers and major shareholder to enable the Group to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

KPMG

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

29 November 2013

CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 September 2013
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2013	2012
	Note	**$'000**	$'000
Revenue	5	**–**	–
Cost of revenue		**–**	–
Gross profit		**–**	–
Other revenue	6	**3,010**	1,676
Other net income	6	**(734)**	88
Administrative expenses		**(38,904)**	(29,212)
Loss from operations		**(36,628)**	(27,448)
Finance costs	7(a)	**(19,395)**	(11,657)
Loss before taxation	7	**(56,023)**	(39,105)
Income tax	8	**2,990**	(641)
Loss for the period		**(53,033)**	(39,746)
Attributable to:			
Equity shareholders of the Company		**(43,315)**	(34,159)
Non-controlling interests		**(9,718)**	(5,587)
Loss for the period		**(53,033)**	(39,746)
			Restated
Loss per share (basic and diluted)	10	**(2.46) cents**	(2.23) cents

The notes on pages 26 to 53 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 September 2013
(Expressed in Hong Kong dollars)

	Six months ended 30 September 2013 $'000	2012 $'000
Loss for the period	**(53,033)**	(39,746)
Other comprehensive income for the period (after tax adjustments):		
Items that may be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of subsidiaries outside of Hong Kong	**18,782**	303
Total comprehensive income for the period	**(34,251)**	(39,443)
Attributable to:		
Equity shareholders of the Company	**(26,481)**	(33,926)
Non-controlling interests	**(7,770)**	(5,517)
Total comprehensive income for the period	**(34,251)**	(39,443)

The notes on pages 26 to 53 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2013
(Expressed in Hong Kong dollars)

	Note	At 30 September 2013 $'000	At 31 March 2013 $'000
Non-current assets			
Property, plant and equipment, net	11	**18,521,294**	15,547,552
Prepaid land lease payments	12	**67,437**	66,201
Goodwill	13	**25,623**	–
Deferred tax assets		**8,042**	–
Restricted bank deposits	17	**23,926**	16,864
Other non-current assets	14	**232,562**	226,455
Total non-current assets		**18,878,884**	15,857,072
Current assets			
Trading securities	15	**7,800**	18,250
Inventories		**6,586**	297
Prepayments, deposits and other receivables	16	**120,584**	56,638
Restricted bank deposits	17	**6,910**	17,003
Cash and cash equivalents	17	**33,260**	881,932
Total current assets		**175,140**	974,120
Current liabilities			
Short term borrowings and current portion of long-term borrowings	18	**223,165**	–
Trade and bills payable	19	**6,710**	16,803
Other financial liabilities	20	**122,367**	114,792
Other payables and accruals	21	**316,691**	202,097
Current taxation		**6,128**	3,110
Total current liabilities		**675,061**	336,802
Net current (liabilities)/assets		**(499,921)**	637,318
Total assets less current liabilities		**18,378,963**	16,494,390
Non-current liabilities			
Long-term borrowings	18	**235,674**	–
Convertible notes	22	**4,186,350**	4,108,282
Other financial liabilities	20	**747,700**	229,597
Deferred tax liabilities		**3,923,577**	3,429,757
Provisions	23	**6,942**	–
Total non-current liabilities		**9,100,243**	7,767,636
NET ASSETS		**9,278,720**	8,726,754

The notes on pages 26 to 53 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2013
(Expressed in Hong Kong dollars)

	Note	At 30 September 2013 $'000	At 31 March 2013 $'000
CAPITAL AND RESERVES			
Share capital	25(b)	**590,965**	509,337
Equity component of convertible notes		**1,346,707**	1,364,709
Reserves		**4,600,444**	4,205,740
Total equity attributable to equity shareholders of the Company		**6,538,116**	6,079,786
Non-controlling interests		**2,740,604**	2,646,968
TOTAL EQUITY		**9,278,720**	8,726,754

The notes on pages 26 to 53 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 September 2013
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000 (note 25(b))	Share premium $'000 (note 25(e)(i))	Other reserve $'000 (note 25(e)(iii))	Contributed surplus $'000 (note 25(e)(ii))	Exchange reserve $'000 (note 25(e)(iv))	Capital reserve $'000 (note 25(e)(v))	Equity component of convertible notes $'000 (note 22)	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance 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		–	–	–	–	233	–	–	–	233	70	303
Total comprehensive income 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
Balance 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
Balance at 30 September 2012 and 1 October 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
Loss for the period		–	–	–	–	–	–	–	(13,627)	(13,627)	(7,003)	(20,630)
Other comprehensive income		–	–	–	–	1,420	–	–	–	1,420	303	1,723
Total comprehensive income for the period		–	–	–	–	1,420	–	–	(13,627)	(12,207)	(6,700)	(18,907)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	5,867	5,867
Issuance of share under rights issue		169,779	246,179	–	–	–	–	–	–	415,958	–	415,958
Conversion of convertible notes		22,986	210,564	–	–	–	–	(63,672)	–	169,878	–	169,878
Balance at 31 March 2013		509,337	3,386,675	–	84,798	20,046	3,490	1,364,709	710,731	6,079,786	2,646,968	8,726,754
Balance at 1 April 2013		**509,337**	**3,386,675**	**-**	**84,798**	**20,046**	**3,490**	**1,364,709**	**710,731**	**6,079,786**	**2,646,968**	**8,726,754**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,315)**	**(43,315)**	**(9,718)**	**(53,033)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**16,834**	**-**	**-**	**-**	**16,834**	**1,948**	**18,782**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**16,834**	**-**	**-**	**(43,315)**	**(26,481)**	**(7,770)**	**(34,251)**
Deemed disposal of the Group's interests in a subsidiary without losing control (note 25(e)(ii))		**-**	**-**	**-**	**300,370**	**-**	**-**	**-**	**-**	**300,370**	**95,074**	**395,444**
Contribution from non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,332**	**6,332**
Issuance of shares for acquisition of subsidiaries		**73,500**	**661,500**	**(606,665)**	**-**	**-**	**-**	**-**	**-**	**128,335**	**-**	**128,335**
Conversion of convertible notes	22	**8,128**	**65,980**	**-**	**-**	**-**	**-**	**(18,002)**	**-**	**56,106**	**-**	**56,106**
Balance at 30 September 2013		**590,965**	**4,114,155**	**(606,665)**	**385,168**	**36,880**	**3,490**	**1,346,707**	**667,416**	**6,538,116**	**2,740,604**	**9,278,720**

The notes on pages 26 to 53 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 September 2013
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2013 $'000	2012 $'000
Cash used in operations		**(28,957)**	(23,543)
Tax paid		**–**	–
Net cash used in operating activities		**(28,957)**	(23,543)
Net cash used in investing activities		**(1,179,744)**	(240,123)
Net cash generated from financing activities		**357,835**	–
Net decrease in cash and cash equivalents		**(850,866)**	(263,666)
Cash and cash equivalents at 1 April		**881,932**	801,019
Effect of foreign exchange rate changes		**2,194**	(356)
Cash and cash equivalents at 30 September	17	**33,260**	536,997

The notes on pages 26 to 53 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Up Energy Development Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability 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 in Hong Kong is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Company and its subsidiaries (the "Group") are principally engaged in development and construction of coal mining and coke processing facilities.

2 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 29 November 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

Details of these changes in accounting policies are set out in note 3.

As at 30 September 2013, the Group had net current liabilities of $499,921,000 (as at 31 March 2013: net current assets of $637,318,000) and current portion of outstanding bank borrowings and other financial liabilities amounted to approximately $345,532,000 (as at 31 March 2013: $114,792,000) was due for renewals or repayments within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group's 1.3 Mt Coking Project is currently under trial production stage as of 30 September 2013. Other than this project, the Group's principal projects in Fukang, Xinjiang, namely three coal mines and the other two circulative business chain projects, are still under construction. In relation to the newly acquired projects in Baicheng, Xinjiang, they are currently under trial production stage. Accordingly, the Group's principal projects in Fukang and Baicheng, Xinjiang, did not contribute any revenue to the Group for the six months ended 30 September 2013. The Group is using its best endeavours in an attempt to bring the projects into commercial production according to the prevailing development plan of the Group's principal projects. The Directors anticipates that certain of the Group's aforementioned projects will commence commercial production starting from the forth quarter of 2013 which will then improve the liquidity position of the Group. However, the commencement of the projects is still subject to satisfaction of certain conditions, which represents an uncertainty to the going concern of the Group.

2 BASIS OF PREPARATION *(continued)*

The Directors are confident that the Group will continue to obtain ongoing support from its bankers. This includes additional banking facilities of approximately RMB520,000,000 which the Group's bankers located in the Mainland China have committed to make available to the Group upon the completion of relevant assets registration. In addition, the major shareholder has confirmed that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months. Accordingly, the Directors consider that it is appropriate to prepare the interim financial report on the going concern basis. The interim financial report does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on pages 18 and 19.

The financial information relating to the financial year ended 31 March 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2013 are available from the Company's principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2013.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Financial instruments: Disclosure – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

(b) HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 27. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(d) Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

(e) Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

4 SEGMENT REPORTING

For management purposes, the Group has no revenue recognised during the period and the loss for the period was only derived from the coal mining business, mainly engaged in development and construction of coal mining and coke processing facilities. Accordingly, no additional business and geographical segment information are presented.

5 REVENUE

The Group has no revenue or turnover from coal mining business during the six months ended 30 September 2013 and 2012 as it is still in a development stage.

6 OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Other revenue		
Interest income arising from:		
– Loan to a third party (note 16)	**1,436**	–
– Bank deposits	**1,574**	1,676
	3,010	1,676
Other net income		
Net unrealised loss on trading securities (note 15)	**(10,450)**	–
Net unrealised fair value change in other financial liabilities at fair value (note 20)	**9,419**	–
Others	**297**	88
	(734)	88

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September 2013 $'000	2012 $'000
Foreign exchange loss, net	**2,358**	2,269
Interest on borrowings	**11,125**	–
Unwinding interest of convertible notes (note 22)	**134,174**	155,293
Unwinding interest of other financial liabilities (note 20)	**15,352**	–
Other interest expenses (note 20)	**5,912**	–
Less: interest expense capitalised into construction in progress and mining properties*	**(149,526)**	(145,905)
Finance costs	**19,395**	11,657

* The borrowing costs have been capitalised at a rate of 6.89% per annum for the six months ended 30 September 2013 (six months ended 30 September 2012: 6.70% per annum).

(b) Staff costs

	Six months ended 30 September 2013 $'000	2012 $'000
Salaries, wages, bonus and other benefits	**4,332**	3,828
Retirement scheme contributions	**288**	306
	4,620	4,134

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes ("the Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2012: 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

7 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs *(continued)*

Pursuant to the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance, the Group is required to make contribution to MPF at a rate of 5% of the eligible employees' salaries. Contributions to MPF vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Amortisation of prepaid land lease payments	**1,129**	1,095
Depreciation of property, plant and equipment	**5,714**	4,919
Operating lease charges: minimum lease payments hire of property	**1,993**	1,377

8 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Current tax:		
Provision for the period	**1,525**	918
Deferred tax		
Origination and reversal of temporary differences	**(4,515)**	(277)
Total income tax (credit)/charge for the period	**(2,990)**	641

8 INCOME TAX *(continued)*

(a) Taxation in the consolidated income statement represents: *(continued)*

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the subsidiaries incorporated in Bermuda and BVI of the Group are not subject to any income tax.

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 2013 and 2012.

According to the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%. The Company's subsidiaries in Hong Kong and BVI are subject to tax rate of 7% and 10%, respectively, for interest income derived from Mainland China.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Loss before taxation	**(56,023)**	(39,105)
Notional tax on loss before taxation, calculated at the rates applicable to results in the jurisdictions concerned	**(12,562)**	(8,956)
Tax effect of non-deductible expenses	**7,830**	4,544
Tax effect of non-taxable income	**1,005**	863
Tax effect of unused tax losses not recognised	**737**	2,908
Actual tax (credit)/expenses	**(2,990)**	641

9 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 September 2013 and 2012.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2013 of $43,315,000 (six months ended 30 September 2012: $34,159,000) and the weighted average of 1,764,275,347 ordinary shares (six months ended 30 September 2012 (restated): 1,532,064,539) in issue during the interim period, as adjusted to reflect (1) the conversion of the Tranche A and Tranche B convertible notes and (2) issuance of shares for acquisition of subsidiaries (see note 26).

As described in note 25(c), the Company completed the rights issue on 22 March 2013. In calculating loss per share, the weighted average number of shares outstanding during the six months ended 30 September 2012 was restated retrospectively as if the bonus elements without consideration included in the rights issue had existed from the beginning of this period.

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 September 2013 and 2012 are the same as the basic loss per share as the conversion options for the outstanding convertible notes during the six months ended 30 September 2013 and 2012 have anti-dilutive effect to basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 September 2013, the Group acquired items of plant and machinery with a cost of $947,836,000 (six months ended 30 September 2012: $435,788,000), mainly representing the increase in the Group's mining properties of $395,915,000 (six months ended 30 September 2012: $419,323,000).

On 28 June 2013, through acquisition of subsidiaries, the Group acquired property, plant and equipment with a carrying value after fair value adjustment of approximately $2,030,752,000 (see note 26).

Items of motor vehicle and equipment with a net book value of $353,000 were disposed of during the six months ended 30 September 2013 (six months ended 30 September 2012: $24,000), resulting in a gain on disposal of $238,000 (six months ended 30 September 2012: $47,000).

12 PREPAID LAND LEASE PAYMENTS

During the year 2012, Up Energy (Xinjiang) Mining Co., Ltd. acquired use rights of two pieces of land amounting to $1,406,000 from the PRC government with lease terms of 50 years. The land use right certificates will expire in June and July 2061 respectively.

As at 31 March 2013, the Group was in the process of applying for the ownership certificate for certain land use rights with an aggregate net book value amounting to $1,093,000. During the six months ended 30 September 2013, the Group has obtained the relevant ownership certificate for those land use rights.

13 GOODWILL

	At 30 September 2013 $'000	At 31 March 2013 $'000
Carrying amount	**25,623**	–

The goodwill arose from the acquisition of Champ Universe limited ("Champ Universe") (see note 26). The goodwill is mainly attributable to the synergies expected to be achieved from integrating Champ Universe into the Group's existing coal business and the skills and technical talent of Champ Universe's workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

14 OTHER NON-CURRENT ASSETS

	At 30 September 2013 $'000	At 31 March 2013 $'000
Deposits for the Acquisition (note (i))	**98,662**	108,662
Deposits made in relation to other financial liabilities (note 20(a)(i))	**54,257**	53,267
Prepayments to suppliers for property, plant and equipment	**79,643**	64,526
	232,562	226,455

Note:

(i) As at 30 September 2013, deposits mainly represent the prepayment in relation to the acquisition of the interest of Kaftar Hona deposit in Tajikistan from Alpha Vision Energy Limited (the "Acquisition") of $98,662,000 (31 March 2013: $98,662,000).

15 TRADING SECURITIES

	At 30 September 2013 $'000	At 31 March 2013 $'000
Listed equity securities at fair value		
– in Hong Kong	**7,800**	18,250

The balance of trading securities represents fair value of the Group's investment in ordinary shares of a company listed on The Stock Exchange of Hong Kong Limited. The trading in shares of this company has been halted since 2 September 2013. At 30 September 2013, the Group assessed the fair value of trading securities using financial model that incorporates observable input of comparable listed companies.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2013 $'000	At 31 March 2013 $'000
Prepayments and deposits (note (i))	**8,160**	9,302
VAT recoverable and other tax receivables (note (ii))	**49,687**	34,689
Loan to a third party (note (iii))	**33,436**	–
Other receivables (note (iv))	**29,301**	12,647
	120,584	56,638

Notes:

(i) Prepayment and deposits mainly represent advance to suppliers, deposits and current portion of prepaid land lease payments.

(ii) VAT recoverable and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the local tax authorities. Based on current available information, the Group anticipates full recoverability of such amount after commercial production.

(iii) This represents the remaining balance receivable in relation to a loan to a third party of $48,000,000 which was made on 11 June 2013. Such loan is unsecured, bears interest at a rate of 12% per annum, is repayable within 90 days from the drawdown date. Any outstanding balance bears interest at a rate of 18% per annum subsequent to 9 September 2013. As of the date of approving this interim financial report, $28,000,000 has been repaid by the third party. Based on current available information the Group anticipates full recoverability of the remaining balance in early December 2013.

(iv) Other receivables mainly represent receivables in relation to the sale of materials and prepayments for handling services to a bank.

All other receivables were expected to be recovered or expensed off within one year.

17 CASH AND CASH EQUIVALENTS

	At 30 September 2013 $'000	At 31 March 2013 $'000
Cash at bank and in hand	**64,096**	915,799
Less: Restricted bank deposits included in non-current assets	**(23,926)**	(16,864)
Restricted bank deposits included in current assets	**(6,910)**	(17,003)
Cash and cash equivalents	**33,260**	881,932

As at 30 September 2013, the Group's bank balances of $23,926,000 (31 March 2013: $16,864,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 30 September 2013, the Group's bank balances of $6,910,000 (31 March 2013: $17,003,000) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six months.

18 BORROWINGS

(a) The Group's long-term interest-bearing borrowings comprise:

	At 30 September 2013 $'000	At 31 March 2013 $'000
Bank loans		
– Unsecured	**421,002**	–
Less: Current portion	**185,328**	–
	235,674	–

18 BORROWINGS *(continued)*

(a) The Group's long-term interest-bearing borrowings comprise: *(continued)*

On 28 June 2013, Up Energy Mining Ltd., a wholly owned subsidiary of the Group, obtained a loan facility, amounting to $480,000,000, from China Minsheng Banking Corp., Ltd., Hong Kong Branch. The effective interest rate is 9.28% per annum. Pursuant to the contract, the loan will be repaid by instalment in each quarter within 30 months.

	At 30 September 2013 $'000	At 31 March 2013 $'000
Within 1 year or on demand	**185,328**	–
After 1 year but within 2 years	**188,310**	–
After 2 years but within 5 years	**47,364**	–
	421,002	–

In accordance with the loan facility, the entire issued share capital of Up Energy Mining Limited, Champ Universe Limited, Venture Path Limited, West China Coal Mining Holdings Limited and Baicheng County Wenzhou Mining development Co., Ltd. are pledged to China Minsheng Banking Corp., Ltd. Hong Kong Branch.

(b) The short-term interest-bearing borrowings comprise:

	At 30 September 2013 $'000	At 31 March 2013 $'000
Bank loans		
– Unsecured	**37,837**	–
Current portion of long-term borrowings		
– Bank loan	**185,328**	–
	223,165	–

On 30 August 2013, Baicheng Wenzhou Mining Development Co. Ltd., a wholly owned subsidiary of the Group, entered into a one-year loan agreement with Baicheng Rural Credit Cooperative* amounting to $37,800,000. The interest rate is 9.6% per annum.

* The official name of this entity is in Chinese (拜城縣農村信用合作社), the English name is for identification purpose only.

19 TRADE AND BILLS PAYABLE

Bills payable represents bank acceptance bills issued by the Group to equipment suppliers and construction contractors. All bills payable are interest-free and are normally settled on terms of within six months.

At 30 September 2013, the ageing analysis of trade creditors and bills payable is as follows:

	At 30 September 2013 $'000	At 31 March 2013 $'000
Over 1 month but within 2 months	4,238	–
Over 2 months but within 3 months	2,075	8,191
Over 3 months but within 6 months	397	8,612
	6,710	16,803

20 OTHER FINANCIAL LIABILITIES

	At 30 September 2013 $'000	At 31 March 2013 $'000
Other financial liabilities:		
– At amortised cost (note (a))	525,473	344,389
– At fair value (note (b))	344,594	–
	870,067	344,389
– Current portion	122,367	114,792
– Non-current portion	747,700	229,597

20 OTHER FINANCIAL LIABILITIES *(continued)*

(a) Other financial liabilities at amortised cost

	For finance lease (note (i)) $'000	For puttable shares (note (ii)) $'000	Total $'000
At 31 March 2012	–	–	–
Addition	344,462	–	344,462
Unwinding interests	7,912	–	7,912
Repayment	(7,999)	–	(7,999)
Exchange adjustments	14	–	14
At 31 March 2013	**344,389**	**–**	**344,389**
– Current portion	114,792	–	114,792
– Non-current portion	229,597	–	229,597
At 1 April 2013	**344,389**	**–**	**344,389**
Addition from acquisition of subsidiaries	–	225,907	225,907
Unwinding interests (note 7(a))	15,352	5,912	21,264
Repayment	(72,626)	–	(72,626)
Exchange adjustments	6,539	–	6,539
At 30 September 2013	**293,654**	**231,819**	**525,473**
– Current portion	122,367	–	122,367
– Non-current portion	171,287	231,819	403,106

Notes:

(i) On 19 December 2012, the Group entered into agreements and supplemental agreements (collectively referred to as the "Agreements") with Cinda Financial Leasing Company Limited ("Cinda"). Pursuant to the Agreements, Cinda provided funds amounted to $296,000,000 and $59,000,000 to two subsidiaries of the Company, respectively. The annual interest of both funds is 9.204%. The funds deemed to be used for the purchase of equipment and machineries as specified in the Agreements. Pursuant to the Agreements, the ownership of equipment and machineries purchased under the Agreements are in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of $45,000,000 and $9,000,000 made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 30 September 2013, ownership of equipment and machineries amounted to $162,900,000 (31 March 2013: $122,000,000), which were recorded as construction in progress, was in possession of Cinda.

(ii) 140,000,000 ordinary shares of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of subsidiaries (see note 16). Such other financial liabilities were amortised at a rate of 10.47% per annum.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of Top Up Option arising from acquisition of subsidiaries (see note 26). The fair value of derivative financial liabilities as at 30 September 2013 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

21 OTHER PAYABLES AND ACCRUALS

	At 30 September 2013 $'000	At 31 March 2013 $'000
Payables for construction work and equipment purchases	**259,633**	164,970
Payables for professional services	**8,188**	9,151
Security deposits on construction work	**29,153**	23,155
Other taxes payables	**3,514**	2,263
Others	**16,203**	2,558
	316,691	202,097

All of the other payables and accruals are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

22 CONVERTIBLE NOTES

	Liability component $'000	Equity component $'000	Total $'000
Carrying amount at 1 April 2013	4,108,282	1,364,709	5,472,991
Interest charged during the period (note 7(a))	134,174	–	134,174
Conversion of convertible notes	(56,106)	(18,002)	(74,108)
Carrying amount at 30 September 2013	4,186,350	1,346,707	5,533,057

On 18 January 2011, the Company issued three tranches of convertible notes, namely Tranche A, Tranche B and Tranche C convertible notes.

All Tranche C convertible notes have been converted into ordinary shares before 31 March 2012. As at 31 March and 30 September 2013, no Tranche C convertible notes were outstanding.

The fair value of the liability component of Tranch A and Tranch B convertible notes was estimated at the issue date and discounted using an equivalent market interest rate of 6.7% per annum. The residual amount is assigned as the equity component and is included in the shareholders' equity.

23 PROVISIONS

Provisions represent the net present value of future restoration liabilities assumed from the acquisition of subsidiaries (see note 26).

24 SHARE OPTION SCHEME

The Company operates a share option scheme, approved on 29 August 2011 (the "Share Option Scheme") to replace the share option scheme adopted by the Company on 29 October 2002, for the purpose of enabling the Company to continue to grant options to the eligible participants who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. Eligible participants of the Share Option Scheme include any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) who is in full time employment when an option is granted to such employee, or any person who, at the sole discretion of the Board, have contributed or may contribute to the Group. The Share Option Scheme became effective on 29 August 2011, the date on which the Share Option Scheme are conditionally adopted by an ordinary resolution of the shareholder and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption date.

During the six months ended 30 September 2013, and at the end of the reporting period and at the date of approval of this interim financial report, no option has been granted under the Scheme.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of interim dividend in respect of the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

	At 30 September 2013 No. of shares '000	At 30 September 2013 $'000	At 31 March 2013 No. of shares '000	At 31 March 2013 $'000
Authorised:				
Ordinary shares of $0.2 each	**6,000,000**	**1,200,000**	6,000,000	1,200,000
Convertible non-voting preference shares of $0.02 each	**2,000,000**	**40,000**	2,000,000	40,000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	**2,546,687**	**509,337**	1,154,860	230,972
Conversion of convertible notes	**40,639**	**8,128**	542,931	108,586
Issuance of shares under rights issue (note c)	**–**	**–**	848,896	169,779
Issuance of shares for acquisition of subsidiaries (note d)	**367,500**	**73,500**	–	–
At the end of the period/year	**2,954,826**	**590,965**	2,546,687	509,337

(c) Issuance of shares under rights issue

On 22 March 2013, 848,895,627 ordinary shares were issued upon the rights issue on the basis of one rights share for every two existing shares at $0.50 each. Total consideration amounting to $424,448,000 of which $169,779,000 was credited to share capital and the remaining proceeds of $254,669,000, after offsetting the share issuance costs of $8,490,000, were credited to the share premium account.

The Company did not issue any of ordinary shares under rights issue during the six months ended 30 September 2013.

(d) Issuance of shares for acquisition of subsidiaries

On 28 June 2013, 367,500,000 ordinary shares were issued at $2 per share for acquisition of subsidiaries (see note 26). Total nominal consideration amounted to $735,000,000 of which $73,500,000 share capital and the remaining proceeds of $661,500,000 were credited to the share premium account.

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves

(i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Contributed surplus

The Group's balance represents the credit arising from a previous capital reduction exercise and surplus from the deemed disposal of the Group's interests in a subsidiary without losing control as a result of capital contribution from non-controlling interests.

(iii) Other reserve

Pursuant to Bermuda Company Law, difference between the issue price and fair value of the Issued Shares (as defined below) amounted to $345,800,000 and issue price of the Puttable Shares amounted to $280,000,000 were debited to other reserves. Equity component of the Puttable Shares amounting to $19,135,000 was credited to other reserves. Both Issued Shares and Puttable Shares are arising from acquisition of subsidiaries on 28 June 2013 (see note 26).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the Group's accounting policies.

(v) Capital reserve

The capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation in November 1992 and the nominal value of the Company's shares issued in exchange thereof.

(f) Distributability of reserves

Pursuant to the Bermuda Companies Act 1981, the amount of retained profits available for distribution to shareholders of the Company is Nil.

26 ACQUISITION OF SUBSIDIARIES

On 12 October 2012, the Group entered into a share purchase agreement with Hao Tian Resources Group Limited ("Vendor") in relation to the acquisition of Champ Universe. Champ Universe through its direct and indirect wholly-owned subsidiaries, owns 100% interests of Baicheng Wenzhou Mining Development Co., Ltd. (the "Target Mine"), which is located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China. The acquisition was completed on 28 June 2013.

The consideration for the Acquisition includes:

(i) $845,000,000 immediately paid by the Group to the Vendor on 28 June 2013;

(ii) $455,000,000 by way of issue and allotment to Vendor or its nominees of 227,500,000 ordinary shares of the Company at an issue price of $2 per share (the "Issued Shares");

(iii) A right was grant to the Vendor or its nominees for the Issued Shares. If average closing price of ordinary shares of the Company for the 5 trading days immediately preceding and including 28 June 2016 is less than $2, the Group will allot and issue additionally new shares or pay cash to the Vendor (the "Top Up Option");

(iv) $280,000,000 by way of issue and allotment to Vendor or its nominees of 140,000,000 ordinary shares of the Company at an issue price of $2 per share. A put option was attached to these shares. Vendor has right to request the Group to repurchase the shares at $2.2 per share with 20 business days after 28 June 2016 (the "Puttable Shares").

As at 28 June 2013, $1,650,191,000 of intercompany loans transferred to the Group, which were previously owed by Champ Universe to the Vendor (the "Intercompany loans").

In connection with the Acquisition, transaction costs of approximately $2,710,000 were incurred, which have been included in the Group's administrative expenses for the six months ended 30 September 2013.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

26 ACQUISITION OF SUBSIDIARIES *(continued)*

Identifiable assets acquired and liabilities assumed as at 28 June 2013:

	Carrying value $'000	Fair value adjustments $'000	Fair value $'000
Property, plant and equipment, net (note 11)	32,614	2,805	35,419
Construction in progress (note 11)	9,333	–	9,333
Mining properties (note 11)	1,580,202	405,798	1,986,000
Deferred tax assets	–	3,988	3,988
Restricted bank deposits	7,489	–	7,489
Prepaid land lease payments	1,903	–	1,903
Inventories	465	–	465
Prepayments, deposits and other receivables	46	–	46
Cash and cash equivalents	50,345	–	50,345
Trade and bills payable	(3,404)	–	(3,404)
Other payables and accruals	(20,502)	–	(20,502)
Current taxation	(7,465)	–	(7,465)
Short term borrowings	(33,796)	–	(33,796)
Deferred tax liabilities	–	(495,300)	(495,300)
Provisions (note 23)	(6,889)	–	(6,889)
Total identifiable assets acquired net of liabilities assumed	1,610,341	(82,709)	1,527,632

Consideration transferred as at 28 June 2013:

	Fair value $'000
Cash	**845,000**
Fair value of Issued Shares	**109,200**
Fair value of Top Up Option (note 20)	**354,013**
Fair value of Puttable Shares (note 20)	**245,042**
Fair value of total consideration	**1,553,255**

26 ACQUISITION OF SUBSIDIARIES *(continued)*

The initial fair value/acquisition accounting for Champ Universe was determined provisionally. In accordance with HKFRS 3, adjustments to the fair value of the consideration and the assets acquired and liabilities assumed can be made during the 12 months from the date of acquisition.

An analysis of the payment for the acquisition of subsidiaries is as follows:

	28 June 2013 $'000
Cash consideration paid	845,000
Add: transaction costs in relation to the acquisition	2,710
Less: cash and cash equivalents acquired	50,345
	797,365

27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(a) Fair value assets measured at fair value

Fair value hierarchy

		Fair value measurements as at 30 September 2013 using		
	Fair value at 30 September 2013 $'000	Quoted prices in active market for Identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Recurring fair value Measurement				
Financial assets:				
Trading securities	7,800	–	7,800	–
Financial liabilities:				
Derivative liability for Top Up Option	344,594	–	–	344,594

27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT *(continued)*

(a) Fair value assets measured at fair value *(continued)*

Fair value hierarchy (continued)

		Fair value measurements as at 31 March 2013 using		
	Fair value at 31 March 2013	Quoted prices in active market for Identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Recurring fair value Measurement				
Financial assets:				
Trading securities	18,250	18,250	–	–

During the six months ended 30 September 2013, except for a transfer from Level 1 to Level 2 for the trading securities, there were no other transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Information about Level 2 fair value measurements

The fair value of trading securities in Level 2 is determined by using financial model that incorporates observable input of comparable listed companies. As the trading securities, amounting to $7,800,000, is suspended in trading in an active market.

27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT *(continued)*

(c) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Value
Top Up Option	Black-Scholes model	Expected volatility	60.334%

The fair value of Top Up Option is determined using the Black-Scholes model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	$'000
Top Up Option	
At 1 April 2013	–
Addition from acquisition of subsidiaries (note 26)	354,013
Changes in fair value recognised in profit or loss during the period (note 6)	(9,419)
At 30 September 2013	344,594

The net unrealised gains arising from the remeasurement of the Top Up Option is presented in "Other net income" in the consolidated income statement.

(d) Fair value of financial instruments carried at other than fair value

In respect of cash and cash equivalents, trade and other receivables, and trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of borrowings and the liability component in respect of the convertible notes, the carrying amounts are not materially different from their fair values as at 30 September 2013. The fair values of borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The fair values of the convertible notes are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

The aggregate carrying values of other financial liabilities carried on the consolidated statement of financial position are not materially different from their fair values as at 30 September 2013.

28 COMMITMENTS

(a) Capital commitments

	At 30 September 2013 $'000	At 31 March 2013 $'000
Contracted for	**383,833**	336,492

(b) Operating lease commitments

(i) At 30 September 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2013 $'000	At 31 March 2013 $'000
Within 1 year	**2,174**	1,661
After 1 year but within 5 years	**736**	–
	2,910	1,661

The Group leases certain buildings through operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the agreements contain escalation provisions that may require higher future rental payments.

29 CONTINGENCIES

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except for amounts incurred pursuant to the environment compliance protection and precautionary measures in China, the Group has not incurred any other significant expenditure for environmental remediation, is currently not involved in any other environmental remediation, and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislation, the directors believe that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. The outcome of environmental liabilities under future environmental legislations cannot be estimated reasonably at present and which could be material.

30 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the six months ended 30 September 2013:

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Salaries and other emoluments	**4,483**	3,576
Retirement scheme contributions	**16**	16

The remuneration is included in "staff costs" (see note 7 (b)).

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions

During the six months ended 30 September 2013, the Group entered into the following material related party transactions:

	Six months ended 30 September 2013 $'000	2012 $'000
Cash advance to related parties	**125**	–
Cash advance from related parties	**25**	–

The directors are of the opinion that the above transactions with related parties were conducted on terms which are fair and reasonable so far as the shareholders of the Company are concerned.

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	At 30 September 2013 $'000	At 31 March 2013 $'000
Amounts due from related parties	**126**	–
Amounts due to related parties	**25**	–

31 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed acquisition of the interest of Kaftar Hona deposit

On 18 October 2013, the Group entered into a supplementary letter with Alpha Vision Energy Limited, a wholly-owned subsidiary of Kaisun Energy Group Limited, which is the seller in relation to the Acquisition. It was agreed to extend the Long Stop Date from 31 December 2013 to 30 June 2015 or such later date as the two parties may agree in writing.

(b) Share award scheme

Pursuant to a written resolution of the board of director passed on 28 October 2013, the Company adopts a share award scheme ("Share Award Scheme"). The Share Award Scheme shall be subject to the administration of an executive committee and the trustee in accordance with the scheme rules and trust deed. As at the date of this interim financial report, no shares of the Company have been subscribed or purchased and no award has been made under the Share Award Scheme.

32 MAJOR NON-CASH TRANSACTION

As disclosed in note 22, $445,282,000 Tranche A convertible notes, $1,660,103,934 Tranche B convertible notes and $83,802,000 Tranche C convertible notes were converted by note-holders into ordinary shares from 13 May 2011 to 31 March 2013 on basis of one ordinary share for every $2 convertible note held. $1,000,000 Tranche A convertible notes and 65,989,000 Tranche B convertible notes were converted by note-holders into ordinary shares from 1 April 2013 to 30 September 2013 on the basis of one ordinary share for every $1.6484 convertible note held.

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 2013, 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 to 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

		Number of Shares/underlying Shares held in the Company			
Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Qin Jun	Beneficiary Interest of Trust	1,045,541,999 (L)	1,877,729,920 (L)	2,923,271,919[1] (L)	98.93%
	Corporate Interest	14,046,000 (L)	166,828,439 (L)	180,874,439[2] (L)	6.12%
	Beneficiary Interest of Trust	994,797,456 (S)	1,616,870,905 (S)	2,611,668,361[1] (S)	88.39%

Abbreviations:
"L" stands for long position
"S" stands for short position

Notes:

1. Mr. Qin Jun and his wife, Ms. Wang Jue, are the beneficiaries of the J&J Trust. The 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.

2. 14,046,000 Shares and 166,828,439 derivatives interests 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.

3. As at 30 September 2013, the number of issued Shares of the Company was 2,954,825,425 Shares.

Save as disclosed above, as at 30 September 2013, 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 2013, 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 a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and Underlying Shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Up Energy Group Ltd.	Beneficiary Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	2
Up Energy Holding Ltd.	Corporate Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	2
Perfect Harmony Holdings Limited	Corporate Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	2
Seletar Limited	Corporate Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	2
Serangoon Limited	Corporate Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	2
Credit Suisse Trust Limited	Trustee	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	3
Liu Huihua	Spouse Interest	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	4
Wang Mingquan	Founder of Trust	1,045,541,999 (L) 994,797,456 (S)	1,877,729,920 (L) 1,616,870,905 (S)	2,923,271,919 (L) 2,611,668,361 (S)	98.93% 88.39%	4

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Wang Jue	Beneficiary Interest of Trust/ Spouse Interest	1,059,587,999 (L) 994,797,456 (S)	2,044,558,359 (L) 1,616,870,905 (S)	3,104,146,358 (L) 2,611,668,361 (S)	105.05% 88.39%	5
Up Energy Capital Limited	Corporate Interest	14,046,000 (L)	166,828,439 (L)	180,874,439 (L)	6.12%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.44%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.44%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.44%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.44%	7
Central Huijin Investment Ltd.	Corporate Interest	5,200,425 (L)	581,544,614 (L)	586,745,039 (L)	19.86%	7 to 10
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	3,644,000 (L)	244,983,187 (L)	248,627,187 (L)	8.41%	8
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	3,644,000 (L)	244,983,187 (L)	248,627,187 (L)	8.41%	8
CCB Financial Holdings Limited	Corporate Interest	3,644,000 (L)	244,983,187 (L)	248,627,187 (L)	8.41%	8
CCB International Group Holdings Limited	Corporate Interest	3,644,000 (L)	244,983,187 (L)	248,627,187 (L)	8.41%	8
China Construction Bank Corporation	Corporate Interest	3,644,000 (L)	244,983,187 (L)	248,627,187 (L)	8.41%	8
Proper Way Profits Limited	Beneficiary Interest	–	320,028,420 (L)	320,028,420 (L)	10.83%	
Exploratory Capital Limited	Beneficiary Interest	312,852,000 (L) 300,000,000 (S)	–	312,852,000 (L) 300,000,000 (S)	10.59% 10.15%	11
Wu Tao	Corporate Interest	312,852,000 (L) 300,000,000 (S)	–	312,852,000 (L) 300,000,000 (S)	10.59% 10.15%	11
Hao Tian Resources Group Limited	Beneficiary Interest	367,500,000 (L) 298,000,000 (S)	– –	367,500,000 (L) 298,000,000 (S)	12.44% 10.09%	
	Corporate Interest	2,000,000 (L)	–	2,000,000 (L)	0.07%	

Abbreviations:
"L" stands for long position
"S" stands for short position

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 the Stock Exchange's official website. When a shareholder's shareholdings 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 shareholdings in the Company may be different to the shareholdings 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 DI Forms. Therefore, some substantial shareholders' interests in Shares or short positions may not have breakdown in their relevant interests.

2. These Shares were the same parcel of Shares held by the J&J Trust of which Mr. Wang Mingquan was the founder. Up Energy Group Ltd. is 100% wholly owned by Up Energy Holdings Ltd. Up Energy Holdings Ltd. 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 the J&J Trust. Accordingly, Up Energy Group Ltd., Up Energy Holdings Ltd., Seletar, Serangoon and Perfect Harmony are also deemed to be interested in the relevant Shares and short position by virtue of the SFO.

3. Credit Suisse Trust Limited, as a trustee of the J&J Trust, is deemed to be interested in the relevant Shares and the short position by virtue of the SFO.

4. 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. Lui Huihua are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

5. 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 the SFO.

6. 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 the SFO.

7. Capital Sunlight Limited ("Capital Sunlight") is wholly owned by ICBC International Investment Management Limited ("ICBC Investment"). ICBC Investment is wholly owned by ICBC International Holdings Limited ("ICBC Holdings"). ICBC Holdings is wholly owned by Industrial and Commercial Bank of China Limited ("ICBC"). By virtue of the SFO, Capital Sunlight, ICBC Investment, ICBC Holdings and ICBC and are deemed to be interested in the same parcel of Shares.

8. 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 Financial"). CCB Financial is wholly owned by CCB International Group Holdings Limited ("CCBI Group"). CCBI Group is wholly owned by China Construction Bank Corporation ("CCB Corp"). By virtue of the SFO, CCB International, CCB Financial, CCBI Group, CCB Corp. and Central Huijin are deemed to be interested in the same parcel of Shares.

9. CCB Corp is in turn 57.10% beneficially owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.

10. ICBC is in turn 35.46% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which ICBC was interested.

11. Exploratory Capital Limited is 80.12% owned by Mr. Wu Tao. Accordingly, Mr. Wu Tao is deemed to be interested in the Shares of the Company by virtue of the SFO.

12. As at 30 September 2013, the number of issued Shares of the Company was 2,954,825,425 Shares.

Save as disclosed above, as at 30 September 2013, the Directors and the chief executive of the Company were not aware of any person who had 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 2013 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executive 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2013, except for code provisions A.2.1 and A.6.7 as explained below:

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Qin Jun currently assumes the roles of both the chairman of the Board and the chief executive officer ("CEO") of the Company. The Board considers that this structure could enhance the efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing a suitable candidate to assume the role of the CEO when necessary.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Several independent non-executive Directors were unable to attend the special general meeting and annual general meeting held during the six months ended 30 September 2013 owing to other commitments.

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:–

(i) The Directors' fee of each of Mr. Lien Jown, Jing, Vincent, Mr. Li Bao Guo and Dr. Shen Shiao-ming has been increased to HK$22,000 per month with effect from 1 July 2013.

(ii) Mr. Lien Jown Jing, Vincent was appointed as an independent non-executive director of ILFS Wind Power Limited, a Singapore company, with effect from 3 September 2013.

(iii) Mr. Lien Jown Jing, Vincent was appointed as the chairman and an independent non-executive director of Loyz Energy Limited, a company listed in Singapore, with effect from 6 November 2013.

Save as disclosed above, as at 30 September 2013, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. At present, the audit committee comprises four members, namely Mr. Lien Jown Jing, Vincent (chairman), Mr. Chau Shing Yim, David, Mr. Li Bao Guo and Dr. Shen Shiao-Ming, all of whom are independent non-executive Directors.

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 and to provide advices and comments thereon to the Board.

The audit committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 September 2013 in conjunction with KPMG, the Company's independent auditor. Such review does not constitute an audit. The independent review report issued by KPMG is set out in this interim report of the Company.

By Order of the Board

Qin Jun
Chairman

Hong Kong, 29 November 2013