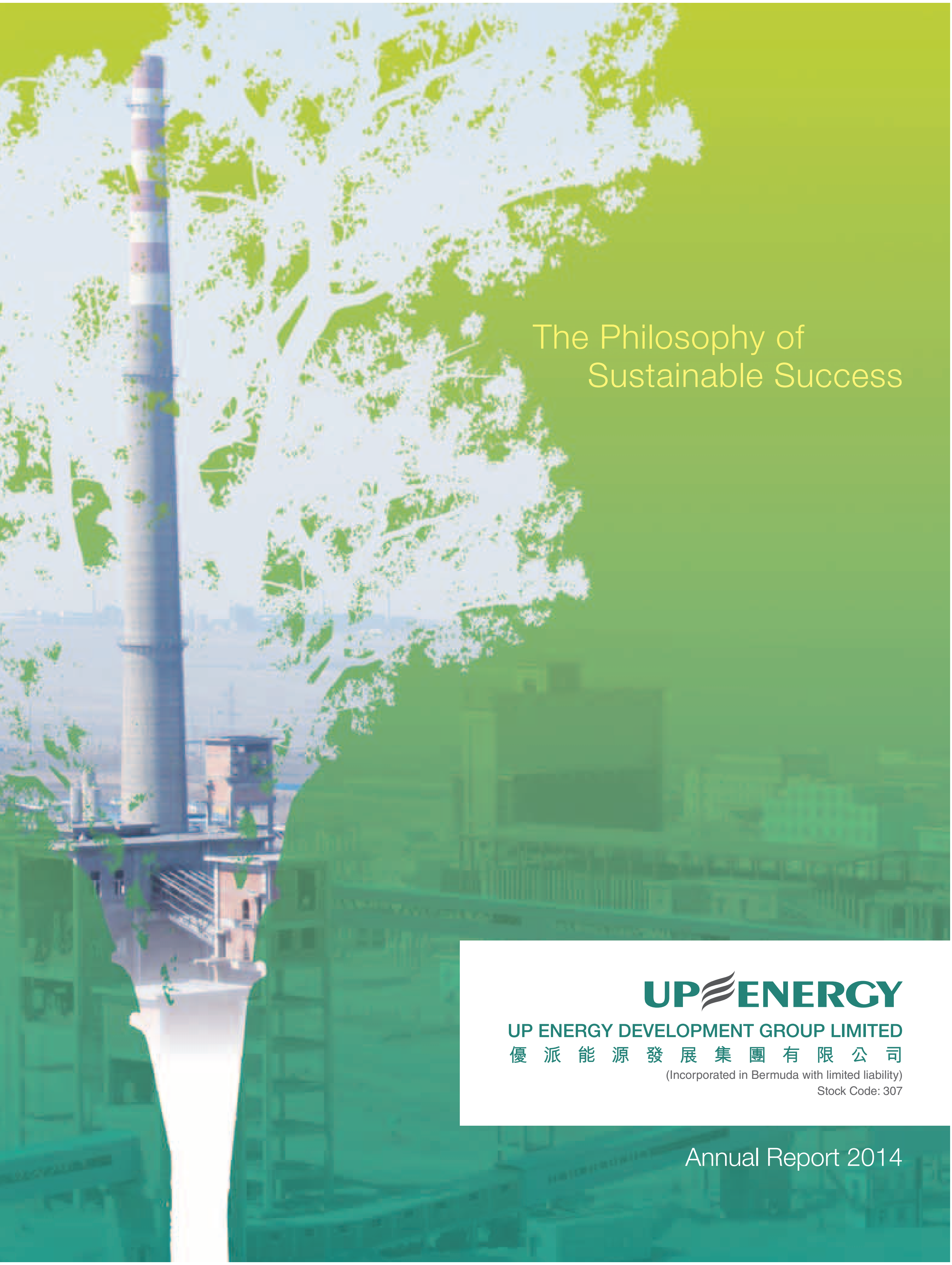


The Philosophy of Sustainable Success

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

Annual Report 2014

Contents

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 (Resigned on 1 July 2014)
Chi Man Hoi (appointed on 1 July 2014)

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

Corporate Information (continued)

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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.upenergy.com

STOCK CODE

307

Milestones

2005

2 November

Established Up Energy (Xinjiang) Mining Limited

2007

2 March

Competed the exploration of coal mines

2008

September

Organised ground breaking ceremony of Up Energy's three new coal mines and commenced construction

November

Received the mining licenses for the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine

2010

September

Officially commenced the construction of Up Energy Coal Coking Project

2011

18 January

Up Energy successfully listed on the Main Board of the Hong Kong Stock Exchange

February

Up Energy entered into a framework agreement with Pingan Coal Mine Gas (Methane) Engineering Research Ltd. ("Pingan Gas")

16 March

Up Energy entered into financial cooperative agreements with China Construction Bank Group and Industrial & Commercial Bank of China Group

23 March

Up Energy entered into a strategic cooperative memorandum with Baosteel Resources Company Limited

May

Passed the field examination for ISO9001 Quality Certification

July

Commenced the construction of Up Energy's Raw Coal Washing Project

Milestones (continued)

2014

22 April
Up Energy entered into a Comprehensive Strategic Cooperative Agreement with Heilongjiang Longmei Mining Holding Group Co., Ltd.

2013

March
Up Energy raised approximately HK$424,000,000 (before expenses) by way of a rights issue and the net proceeds were used to finance capital expenditure commitments and general working capital in relation to the ongoing construction and future operations of the Xiaohuangshan Mine, Shizhuanggou Mine and Quanshuigou Mine projects

8 June
A lighting ceremony was held by Up Energy for the coal coking project with an annual capacity of 1.3 million tonnes, indicating the onset of coke production

20 October
The successful production of coke by no. 1 coking oven of Up Energy (Fukang) Coking Ltd. signified the company's transition from the construction stage to the production and operation stage

2012

12 October
Up Energy entered into a Sale and Purchase Agreement with Hao Tian Resources Group Limited to acquire Baicheng Coal Mine in Xinjiang

19 December
Up Energy entered into a Sale and Purchase Agreement with Kaisun Energy Group Limited to acquire the interest of Kaftar Hona Deposit in Tajikistan

31 December
Up Energy entered into a comprehensive cooperation agreement with Pingan Gas (which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"). Huainan Mining is responsible for supervising the production safety of the Group's Quanshuigou Mine, Shizhuanggou Mine and Xiaohuangshan Mine

Corporate Profile

UP ENERGY IS:

- a professional and international energy investment group based in Xinjiang, China
- the first listed company in Hong Kong engaged in coking coal business in Xinjiang, China
- one of the largest integrated energy groups with circulative economy business model in Northwestern China
- mainly engaged in mining of coal for coking as well as production and sales of raw coking coal, clean coking coal and coking coal products

Exploration
- Existing Coal Mines: 4
- Proposed Acquisition: 1

Mining
- Pre-blended Coking Coal
- Planned Production: 6.4 Mtpa

Washing
- Raw Coal Washing
- Planned Production: 4.5 Mtpa

Coking & Chemicals
- Coking Coal, and by-products
- Planned Production: 1.3 Mtpa

Pit Water Recycling
- Pit Water Recycling
- Planned Processing: 5.2m m³

Up Energy adheres to the business concept of "increased value in circulation" by extending its production chain and enhancing added value of coal products through effective utilization of coal resources

Up Energy Development Group Limited ("Up Energy" or the "Company") is the first listed company engaged in coking coal business in Xinjiang Uygur Autonomous Regions ("Xinjiang") in China. With headquarters in Fukang City in northern Xinjiang close to the regional capital Urumqi, Up Energy 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. The four coal mines held by Up Energy are namely the Xiaohuangshan Mine, the Shizhuanggou Mine, the Quanshuigou Mine and the Baicheng Mine. It is expected that construction of the former three coal mines will be completed and production will commence successively starting from the third quarter of 2014, while the improvement works at the Baicheng Mine have been mostly completed during the year ended 31 March 2014. At present, production at the Baicheng Mine has been resumed and it is expected that the expansion works will be completed in 2016. In addition, our coal coking plant has successfully produced coke and by-products in October 2013. 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, Heilongjiang Longmei Mining Holding Group Co., Ltd. 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.

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 3rd 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 4th 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 4th 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: 39 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 of information: Technical Report of John T. Boyd Company of October 2010

** Source of information: Technical Report of Roma Oil and Mining Associates Ltd. of 6 May 2013

Note: No production during the transitional period after the handover, starting from 28 June 2013 (date of completion of the acquisition) to October 2013.

Profiles of Phase One Projects

Coal Coking Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Commencement Date of Production: 20 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 3rd 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 4th 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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Qin Jun

Mr. Qin Jun, aged 46, is the Chairman and Executive Director of the Company. He is one of the founders of Up Energy Investment (China) Ltd. ("UE China"). UE China became a subsidiary of the Group on 18 January 2011. He has over 20 years of experience in domestic or international business management and is primarily responsible for the overall strategic planning and management of UE China. Since 2003, Mr. Qin has focused on coking coal exploration and mining opportunities in Xinjiang. Mr. Qin has established a high-quality management team since he founded UE China. He also led the team to identify and acquire gradually UE China's three mines in 2003 and has formulated the overall strategy for the development of UE China. Mr. Qin Jun is the son-in-law of Mr. Wang Mingquan who is the substantial shareholder of the Company.

Mr. Qin graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990. From 1999 to 2001, he served as vice president of BOE Technology Group Co., Ltd., which is engaged in research, manufacturing and sales of thin film transistor liquid crystal display (TFT-LCD) products and related business solution services to customers. From 1993 to 1999, he was the chairman and the chief executive officer of Shenzhen Sinor Solar Industry Co., Ltd., which is engaged in the manufacturing and trading of electronic products. He was also a member of the Economic and Planning Department in the Ministry of Machinery and Electronics of the PRC from 1990 to 1993. Mr. Qin obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009. Mr. Qin has 10 years of relevant experience in coal mining and exploration activities and management of coal mining companies.

Mr. Jiang Hongwen

Mr. Jiang Hongwen, aged 45, is an Executive Director and the Chief Financial Officer of the Company, He also appointed as vice-president, chief financial officer and Director of UE China in August 2008. He is responsible for the overall management of the Group's financial operations. He graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990 and the University of Science and Technology of China with a master's degree in business administration in 2005. Mr. Jiang has been a licensed senior accountant awarded by the Senior Accounting Professional Assessment Committee of Anhui Province since 1999 and has extensive experience in financial management. He is an expert on the Senior Accountant Committee and a member of the Institute of Accounting of China, and has been awarded the certificate of "全國會計領軍人才" by the Ministry of Finance of the People's Republic of China. Mr. Jiang has previously held the positions of finance department manager, investment department manager, audit department manager and supervisor of investment holding company and deputy chief accountant in Anhui Garments Import and Export Corporation, a trading company in the PRC. Mr. Jiang also obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009.

Mr. Wang Chuan

Mr. Wang Chuan, aged 42, was appointed as the chief operating officer and a director of Up Energy (Xinjiang) Mining Ltd. (優派能源(新疆)礦業有限公司) in 2005. He participated in setting up Up Energy (Xinjiang) Mining Ltd. in 2005 and is responsible for its overall operations and execution of the board's decisions. Mr. Wang graduated from Anhui University of Technology (School of Mechanical and Electrical Engineering) (安徽工業大學(機電學院)), majoring in Industrial Electric Automation. He is a licensed engineer. Mr. Wang worked as the Deputy General Manager of Beijing Jindafeng Science and Trade Co., Ltd. (北京金達峰科貿有限公司) from 1996 to 1999 and acted as the General Manager of Beijing Zhida Venture Investment Co., Ltd. (北京致達創業投資有限公司) from 1999 to 2005. He has nine years of relevant experience in coal mining business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David

Mr Chau Shing Yim David, aged 50, is an Independent Non-executive Director of the Company. He has over 20 years experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of HKICPA.

Mr. Chau is currently an Independent Non-Executive Director of Lee & Man Paper Manufacturing Limited (Stock Code: 2314), Varitronix International Limited (Stock Code: 710), Man Wah Holdings Limited (Stock Code: 1999), Evergrande Real Estate Group Limited (Stock Code: 3333) and Richly Field China Development Limited (Stock Code: 313). All the aforesaid companies are listed on the Hong Kong Stock Exchange.

He has retired as an Executive Director of Zhidao International (Holdings) Limited (Stock Code: 1220), which is listed on Hong Kong Stock Exchange, in August 2013 and resigned as an Independent Non-Executive Director of Duoyuan Global Water Inc., which is listed on the New York Stock Exchange, in April 2012 and Shandong Molong Petroleum Machinery Company Limited (Stock Code: 568), which is listed on Hong Kong Stock Exchange, in June 2013.

Directors and Senior Management Profile (continued)

Mr. Li Bao Guo

Mr. Li Bao Guo, aged 60, is an Independent Non-Executive Director of the Company. He has over 40 years' experience in the coal-mining industry, specialized in coal mine construction and safety issues. Mr. Li is currently a vice president of the Xinjiang Guanghui Industry Investment Group Co., Ltd. During the period from 1997 to 2010, Mr. Li was the deputy director of Xinjiang Uygur Antonomous Region Coal Geology Bureau. Prior to that, he served as the deputy manager of Xinjiang Coal Construction Engineering Company for 5 years. During the period from 1989 to 1992, Mr. Li was the vice president and vice commander of Beiquan Mine of Xinjiang Hami Coal Bureau. During the period from 1977 to 1989, he was the chief engineer of No. 1 Mine of Xinjiang Hami Coal Bureau. He graduated from Xi'an Mining Institute (renamed to Xi'an University of Science and Technology) with the professional qualification in Coal Geology in 1977. During the period from 1970 to 1974, he worked at the open pit of Xinjiang Hami Coal Bureau. Mr. Li is a professorate senior engineer, an expert in Antonomous Region Safety Production, a registered safety engineer and a registered architect in coal industry.

Mr. Lien Jown Jing, Vincent

Mr. Lien Jown Jing, Vincent, aged 53, is an Independent Non-Executive Director of the Company. He is currently a director of Wah Hin & Company, a Singapore incorporated private investment holding company, an independent non-executive director of ILFS Wind Power Limited (a Singapore company), the chairman and a non-executive director of Deltec Capital Group Limited, the chairman and an independent non-executive director of Loyz Energy Limited (a company listed in Singapore), an independent non-executive director of Focus Media Network Limited (Stock Code: 8112), Viva China Holdings Limited (Stock Code: 8032) and CT Environmental Group Limited (Stock Code: 1363) (all of which are listed on The Stock Exchange of Hong Kong Limited), a director of The Maritime and Port Authority of Singapore and a non-executive director of Primeline Energy Holdings Inc. (a company listed in Canada). He has over 27 years of experience in the banking industry, specialized in corporate finance and capital management. Mr. Lien graduated from the University of New Brunswick with a Bachelor Degree in business administration. Mr. Lien started his career in the financial industry first in Merrill Lynch & Company. In the past years, Mr. Lien had been working in senior positions in major financial institutions such as Swiss Bank Corporation and Bankers Trust & Company. In year 2000, he became the Director of Wah Hin & Company. He also served as the Managing Director in the Financial Institutions & Public Sector division of ABN AMRO Bank from 2007 to 2008.

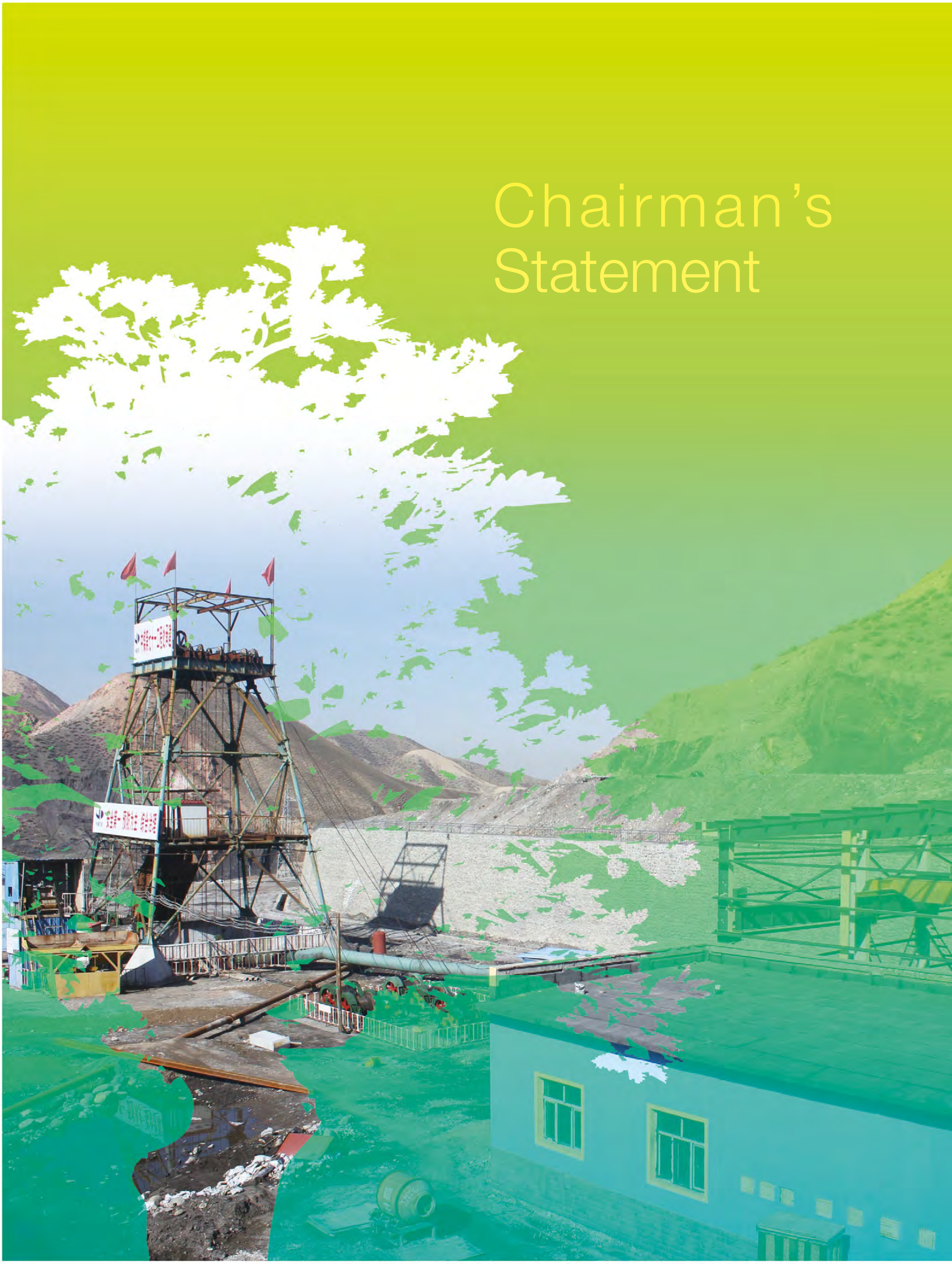
Directors and Senior Management Profile (continued)

Dr. Shen Shiao-Ming

Dr. Shen Shiao-Ming, aged 64, is an Independent Non-Executive Director of the Company. Dr. Shen has over 30 years legal and business experience with particular emphasis on business investment and the energy industry. Dr. Shen is currently an international legal consultant with the law firm of Mackenzie & Albritton in San Francisco, California and has previously worked for several other U.S. law firms, including Graham and James in San Francisco, and Kaye, Scholer, Fierman, Hays & Handle in New York. Dr. Shen's work involved multinational corporations in joint venture projects, energy projects and other international business transactions.

Dr. Shen has taught courses and lectured at Universities in Virginia, California, Texas and New York. Since 1998, Dr. Shen has also been a visiting professor of law at Southern Methodist University. Dr. Shen received a Master of Comparative Law Degree from Southern Methodist University School of Law, a Master of Laws Degree from Harvard Law School, and a Doctor of Juridical Science Degree from Boalt Hall School of Law at the University of California at Berkeley.

Chairman's Statement



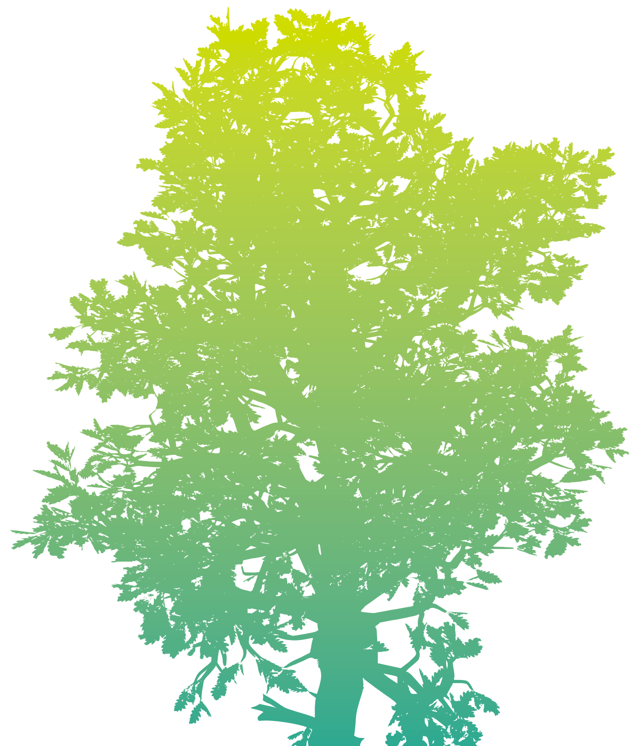
Chairman's Statement

On behalf of the board of directors (the "Board") of Up Energy Development Group Limited (the "Company"), I hereby present the annual report of the Company for the year ended 31 March 2014 and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014.

2013 is crucial to the Group's business development. The fire oven of the coking coal project with an annual capacity of 1.3 Mt was ignited in early June 2013 and the No. 1 coking coal oven produced coke in October accordingly, which signified that our coking coal project has been able to put to operation and Up Energy (Fukang) Coking Co., Ltd. has completed the construction period and entered into the production and operation period. The Group will continue to spare no effort to work on the construction of the phase one of the coal and coking coal circulation chain projects in Xinjiang, namely the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine and the three downstream ancillary industrial projects. It is expected that the phase one project will be completed and put to operation in the third quarter of 2014.

Moreover, in order to strengthen the Group's position as the leading integrated energy corporation in Xinjiang, China in the future, we have taken an active role to identify merger and acquisition in Xinjiang and overseas countries. In June 2013, the Group successfully acquired the Baicheng Coal Mine in Xinjiang. However, the acquisition of interests in the Kaftar Hona coal deposit in Tajikistan in still in progress. Due to the extreme weather recorded in the region previously, the completion of exploration works of the Kaftar Hona coal deposit will be postponed to June 2015. With these two acquisitions and coupled with the existing three coal mines in Fukang, it is expected by the Group that the planned annual production capacity will reach a maximum of 6.4 Mt in 2016. Currently, the four coal mines of Group had a total of approximately 377 Mt, 151 Mt and 159 Mt of JORC-compliant resources, reserves and probable coal reserves respectively, ranking the top in the coking coal industry in the northwestern part of China.

With a view to upgrading the application of technologies and safety management in mining operations to the advanced level of China, a subsidiary of the Group entered into a technology contribution and technical service agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Ltd., the core research unit of Huainan Mining Group which is a leading mining enterprise in China, in December 2012. The Group continued to pursue advancement in terms of technology and production safety. In April 2014, the Group entered into a "Comprehensive Strategic Co-operation Agreement" with Heilongjiang Longmei Mining Holding Group Co., Ltd. ("Longmei Mining"), the largest State-owned coal enterprise in Heilongjiang Province, pursuant to which Longmei Mining will be responsible for the management of production safety of the Group, including the basic construction and technological improvement of coal mines and the management of accidents in coal mines, during the construction and production period of coal mines of the Group.



Chairman's Statement (continued)

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 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 enhancing the added value of coal products. Accordingly, the Group will be able to maximize its profitability, enabling it to achieve its goal of becoming a leading professional and integrated energy group in the coking coal industry in the northwestern part of China.

As the construction of coal mines and downstream ancillary projects are coming to an end, the Group is preparing for and working on projects in the phase two, including the gas gangue cogeneration project, the gas power generation project, the liquefied coking oven gas generation project and the fly-ash-based building material project in order to achieve its established goal of accomplishing a complete business model of circulative economy as soon as possible.

The Board, with a macro perspective, will continue to capitalize on policies of the State and favourable market conditions and to try its best to meet the challenges and leverage on the opportunities faced by the Group in the course of its development, so as to ensure that the Group's business development is in the interests of the Company and its shareholders as a whole. In addition, the Group will identify and explore investment opportunities in various sectors in the oil and natural gas industry in China and overseas countries so as to diversify investment risks related to the industry and regional factors. From time to time, the Board will also consider various financing channels and alternatives for the sake of providing the Group with sufficient working capital.

The 2013/2014 financial year has witnessed the Group's steady development accomplished by invaluable contribution from each of the staff members of the Group. I hereby express the most sincere gratitude to the continual support from our shareholders for the last year and their determination towards and recognition of the Group's vision and strategy for future development. In return to shareholders' trust in us, the management, staff members and the Board of Up Energy shall spare no effort to achieve our business goals and collaborate with shareholders, business partners and clients to create a brighter future.

Qin Jun
Chairman

Hong Kong, 23 June 2014

Management Discussion and Analysis

Management Discussion and Analysis

During the year ended 31 March 2014 ("2014 Fiscal Year" or "Review Period"), the Group continued to focus on developing three mines in Xinjiang Uygur Autonomous Region ("Xinjiang") and three circulative business chain projects, and commenced production successively in the fourth quarter of 2013. In addition, the Group has completed a major acquisition project in relation to Xinjiang Baicheng Coal Mine by June 2013, while the acquisition of Kaftar Hona Coal Mine in Tajikistan, Xinjiang is still ongoing. Upon completion of these acquisitions and commencement of operation of the five mines, the Group's planned annual production capacity may reach 6 to 8 million tonnes, ranking No. 1 in the coking coal industry in northwestern China, and its expected revenue and profit will also increase sharply, further strengthening its leading position in the coking coal industry in northwestern China.

INDUSTRY REVIEW

Xinjiang is the key region of sales for coking coal and coke products. The Group owns four coal mines, namely the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine and the Baicheng Coal Mine, which are all located in Xinjiang, while the Kaftar Hona Coal Mine in Tajikistan which is being acquired is also located relatively close to the Kashgar Prefecture of Xinjiang. Thus, the operating environment in Xinjiang area will have direct impact on the Group's coal business.

At the end of the first quarter of 2013, with the arrival of summer procurement seasons of domestic coking coal enterprises, the demand for coking coal was not strong because the majority of steel enterprises started to control the production capacity of their own and the steel industry was busy in clearing its winter steel stock, resulting in a decline of coking coal purchasing. On the other hand, since coal mines across China have resumed production gradually, the coking coal market was becoming saturated. Accordingly, coal prices

started to drop at the end of March 2013. By the end of August 2013, the average prices of quality coking coal and coke in Shanxi were RMB1,100/tonne and RMB1,400/tonne respectively, decreasing by RMB300 and RMB200 per tonne when compared with the prices at the beginning of the year. In September 2013, coupled with a new round of coal storage for winter, the domestic coking coal market experienced a price surge again, with a sharp increase of RMB200/tonne. Such an upward trend continued until spring of 2014.

The prices of coking coal and coke in Xinjiang were less affected by the domestic coal supply and demand since it is a relatively closed market. In March 2013, coking coal and coke prices in Xinjiang still remained at RMB950/tonne and RMB1,400/tonne respectively. However, starting from July, stimulated by a price increase in steel in Xinjiang, the coking coal and coke have witnessed a price escalation in Xinjiang. By the end of September, the price of coking coal was RMB1,100/tonne while the coke price was RMB1,580/tonne in Xinjiang, delivering a stabilized price trend throughout the year.

In 2014, the basic trend of domestic coking coal and coke prices will still be highlighted by seasonal movements with the lower end in spring and summer and the higher end in autumn and winter. As a result, a high volatility is expected.

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 31 March 2014, 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 Coal Mine and the Quanshuigou Coal 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 Coal Mine in Tajikistan has a minimum of 158 Mt anthracite reserve according to the JORC technical report being prepared.

As of 31 March 2014, 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: Million Tonnes

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 derived from Technical Report of John T. Boyd Company of October 2010 and Technical Report of Roma Oil and Mining Associates Ltd. dated 6 May 2013, which were prepared in accordance with JORC.

The table below shows the coal resources and reserves of the four mines owned by the Group:

Unit: Million Tonnes

Coal Mine	Coal Resources	Coal Reserves
Xiaohuangshan Coal Mine	107.0	26.1
Quanshuigou Coal Mine	70.6	20.6
Shizhuanggou Coal Mine	73.2	23.5
Baicheng Coal Mine	125.9	80.5

The data of coal reserves and resources of the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine and the Quanshigou Coal Mine is extracted from the qualified person report prepared by John T. Boyd Company ("Boyd") in October 2010. Boyd completed investigation jobs for the three mines, including an independent technical review in November 2009 and an updated technical report in November 2009, both were proceeded in accordance with National Instrument NI143-101 of Canada. In order to estimate the quantity of coal resources and reserves, Boyd's technical experts in respect of coal mining (underground), coal processing, geology, reserve and environment stationed in the United States and China had completed a series of on-site investigation.

Since the release of Boyd reports in 2011, the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine and the Quanshigou Coal Mine have been in construction, so there is no change in the quantities of resources and reserves.

In respect of the Baicheng Coal Mine, the estimation on coal reserves is provided by Roma Oil & Mining Associates Ltd after considering the feasibility report prepared by the Exploration Design Institute of Hami Mining Administration Bureau in 2012 on measured and indicated coal resources.

Management Discussion and Analysis (continued)

(2) Exploration and Construction Activities

The supplementary exploration of the Xiaohuangshan Coal 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	Major Development
Xiaohuangshan Mine	0	77,670,000.00	0	0	shaft sinking and drifting projects, power transmission projects, lift system, aboveground main building
Shizhuanggou Mine	0	63,180,000.00	0	0	Shaft sinking and drifting projects, hoisting system, gas drainage engineering equipment, 110KV electricity transmitting and transforming projects, 110KV electricity transforming equipment, administrative and welfare zone projects, rescue centers
Quanshuigou Mine	0	57,600,000.00	0	0	shaft sinking and drifting projects, hoisting system, gas ventilation engineering equipment, 35KV electricity transmitting and transforming projects, 35KV electricity transforming equipment, administrative and welfare zone projects, training centers
Baicheng Mine	0	2,300,000.00	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 is responsible for supervising the production safety of the Group's Quanshuigou Coal Mine, Shizhuanggou Coal Mine and Xiaohuangshan Coal 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 2013.

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

During the Review Period, the construction progress of the three mines and three downstream ancillary projects was delayed due to the impact of major coal mine accidents occurred in adjacent areas, major festivals and holidays, requirements to stop production to ensure safety by the safety supervisory department in the mining area and continuous terrorist incidents in Xinjiang. The Group anticipates that they will start production successively in the third and fourth quarter of 2014.

Xiaohuangshan Coal 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. Gas drainage and control works of pit water in coal mining areas are still in progress.

Ground-level infrastructure: Construction works of material warehouses, equipment repair houses, hoist rooms of main and auxiliary inclined shafts, boiler rooms, main buildings at shaft entrance, pipelines on surface level and plant area hardening have been completed. The projects of aboveground gas pumping station and others are still in the final stage.

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 still in progress.

Shizhuanggou Coal 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 has been completed. Testing and tuning of drainage pipelines and gas drainage pump houses, underground water pump houses and central power substations are still in progress.

Management Discussion and Analysis (continued)

Quanshuigou Coal Mine

Shaft sinking and drifting project: Construction works of a vertical ventilation shaft with a depth of 534 meters, main ventilation drifts, +680-meter shaft bottom stations, underground chamber and haulage crosscuts have been completed. The district rise construction project is still 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, boiler rooms 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 as well as construction works of domestic sewage treatment rooms are at 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 still in progress.

As for the three downstream ancillary projects:

Construction Progress of 1.3 Mt./year Coking Project

(i) The no. 1 oven was installed at the end of October 2013 to produce coking coal, and ancillary facilities for coal preparation, quenching and coking coal selection, cooling turbine, ammonium sulfate and benzene removal and various utilities and ancillary processes are in the trial production stage.

(ii) The basic roofs, resisting walls, flues and others of the no. 2 oven have been completed.

(iii) The construction of gas desulfurization system for chemical production stage has been coordinated.

(iv) The final stage of installation of pipelines for biochemical sewage treatment facilities and coking coal oven ground dust removal station is being coordinated.

Production activities are safe and in order.

Raw Coal Washing Project

The project is expected to be ready for production in August 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 roads, 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 groups 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 will be maintained at the level of approximately 100,000 tonnes. The designer of the improvement project of the west end of the mines is confirmed and the project has been commenced in 2013. 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, all procedures for changes have been completed, and its technological upgrading and transformation has already been started. Now it is undertaking design modification, and construction works will commence once the modifications are completed and examined.

(2) Construction of 1.3 Mt/Year 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 Coal Mine, the Shizhuanggou Coal Mine and the Xiaohuangshan Coal 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 Group's three mines and three downstream ancillary projects in Fukang have been partially completed and commenced production in the fourth quarter of 2013. The rest are expected to be completed and commence production successively in the third 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 the Phase One Project, the Group will commence the final feasibility study of the Phase Two Project so as to speed up the progress of which. Currently, 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 cooperation 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 cooperation 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 Coal Mine, the Shizhuanggou Coal Mine and the Xiaohuangshan Coal Mine of the Group.

(2) Merger and Acquisition in Xinjiang and Overseas Countries

Upon completion of the acquisition of the Baicheng Coal Mine, the Group has further reinforced its leading position in northwestern China, bringing a significant increase in coal reserves as well as an expansion of operating scale to the Group. Moreover, the State's policy of eliminating small coal mines will be beneficial to the Group. In addition, the Group is actively identifying merger and acquisition opportunities for overseas resources, and overseas visits will be made from time to time. Depending on the circumstances, the Group's merger and acquisition activities may involve North America, Australia, Russia and other regions.

(3) Challenges

The Group's business may be subject to a variety of uncertainties and challenges in relation to policy, regional social stability, and 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, under the influence of overseas factors, racial and religious issues are getting more serious in recent years, 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

Revenue

After the coking oven has been put to operation and completion of the acquisition of Coal Mine in Xinjiang Baicheng, the Group recorded a revenue of HK$152,836,000 (2013: Nil) from its coking and coal mining business.

Other Revenue

Other revenue for the FY of 2014 was HK$4,602,000 (2013: HK$5,020,000), a 8.3% decrease compared with last year. Other revenue was mainly derived from bank interest income of HK$4,602,000 (FY2013: HK$4,846,000).

Other Net Income

In FY2014, other net income was HK$16,803,000 (FY2013: HK$4,347,000), which mainly comprised net realized and unrealized gain on financial liability with fair value through profit or loss and net gain on sales of property, plant and equipment of HK$30,007,000 (FY2013: Nil) and HK$296,000 (FY2013: HK$47,000) respectively and net-off with the net unrealized loss on trading securities for HK$13,500,000 (FY2013: Gains HK$4,300,000).

Administrative Expenses

Administrative expenses for the FY2014 was HK$88,221,000 (FY2013: HK$70,597,000) which was a 25.0% increase compared with last year, the increase in administrative expenses was mainly due to the significant increase in staff costs and depreciation and amortization during the year.

Results for Operation

For the aforementioned reasons, the Group's loss from operations increased by 31.5% from HK$61,230,000 in FY2013 to HK$80,544,000 in FY2014.

Finance Income/Costs

Finance costs increased to HK$54,024,000 for FY2014 from finance income HK$1,938,000 recorded in FY2013. The increase in finance costs was mainly due to the introduction of new bank loan and issue of put option upon completion of acquisition of subsidiaries.

Income Tax Expense

The Group recorded current income tax expenses of HK$3,625,000 (FY2013: HK$2,126,000) and a deferred tax credit of HK$14,592,000 (FY2013: HK$1,042,000) for the year.

Results for the Year

For the financial year ended 31 March 2014, the Group recorded a loss of HK$123,601,000 (FY2013: HK$60,376,000), representing an increase of 105% as compared with last year.

Liquidity and Financial Resources

As at 31 March 2014, the Group's current ratio was 0.32 (2013: 2.9), with current assets of approximately HK$360,416,000 (2013: HK$974,120,000) against current liabilities of approximately HK$1,122,959,000 (2013: HK$336,802,000). Cash and cash equivalents were approximately HK$23,992,000 (2013: HK$881,932,000). The Group's gearing ratio was 97% as at 31 March 2014 (2013: 89%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. The Group had long-term borrowings and short-term borrowings of HK$199,500,000 (2013: Nil) and HK$370,614,000 (2013: Nil) respectively. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 25 to the financial statements.

Treasury Policies

The Group adopts a balanced funding and treasury policy in cash and financial management. Cash is generally placed in short-term deposits which are mainly 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

The Group's assets and liabilities are mainly denominated in HKD and USD, in order to minimize the foreign currency exchange risk, the Group manages its transactions and balances that are denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources

As at 31 March 2014, the Group had a total of 1,169 employees (2013: 339) in the PRC and Hong Kong. Employees' remuneration packages are reviewed and determined with reference to the market pay and individual performance. Staff benefits include contributions to the mandatory provident fund, medical schemes and share option schemes.

Corporate Governance Report

Board of Directors (the "Board")

Three Executive Directors and four Independent Non-Executive Directors

Executive Committee
(3 EDs)

Major Duties

- Set strategies, policies, plans and operational directions for the Company and its subsidiaries (the "Group")
- Manage the financial and business affairs of the Group
- Develop and review the Group's policies and practices on corporate governance

Audit Committee
(4 INEDs)

Major Duties

- Review internal control issues
- Review financial results
- Review external audit matters

Nomination Committee
(1 ED & 2 INEDs)

Major Duties

- Make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors
- Review the structure, size and composition (including the gender, ethnicity, age, skills, knowledge, professional experience, cultural and educational background, etc.) of the Board

Remuneration Committee
(1 ED & 3 INEDs)

Major Duties

- Develop remuneration policy
- Review remuneration packages of Directors and senior management
- Formulate reward system

Notes:
ED = Executive Director
INED = Independent Non-Executive Director

INTERNAL ORGANIZATION STRUCTURE

A. Allocation of tasks within the Board

Director \ Board Committee	Audit Committee	Executive Committee	Nomination Committee	Remuneration Committee
Qin Jun		C	C	M
Jiang Hongwen		M		
Wang Chuan		M		
Li Bao Guo	M		M	M
Lien Jown Jing, Vincent	C			M
Shen Shiao-Ming	M		M	C
Chau Shing Yim, David	M			

Notes:

C = Chairman of the relevant Board Committees
M = Member of the relevant Board Committees

B. Board Members

Executive Directors

Name	Position	Current Function
Qin Jun	Chairman & Chief Executive Officer	responsible for overall strategic planning and management
Jiang Hongwen	Executive Director & Chief Financial Officer	responsible for finance and internal control, tax and treasury
Wang Chuan	Executive Director	responsible for overall operations

Independent Non-Executive Directors

Name	Independence *(Note)*	Experience
Chau Shing Yim, David	✔	corporate finance, investment, mergers and acquisitions
Li Bao Guo	✔	coal-mining expert
Lien Jown Jing, Vincent	✔	accounting and risk management
Shen Shiao Ming	✔	legal and compliance

Note: None of the Independent Non-executive Directors has been engaged in any business or has any relationship that can materially interfere with his independent judgment.

The Board is committed to upholding good corporate governance in order that the Company's business can be conducted in accordance with all applicable laws and regulations, and the interests of the Company's shareholders can be safeguarded.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 March 2014, 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 of directors (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 year ended 31 March 2014 owing to other commitments.

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 Company 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 year under review.

BOARD OF DIRECTORS

Board Diversity Policy

The Company has adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity on the Board since June 2013. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Composition of the Board

As at the date of this annual report, the Board comprised three Executive Directors, namely Mr. Qin Jun, Mr. Jiang Hongwen and Mr. Wang Chuan, and four Independent Non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors.

The Directors come from diverse backgrounds with expertise in the finance, legal and business fields. Biographical details of the Directors are set out in the section headed "Directors and Senior Management Profile" on pages 10 of this annual report.

Responsibilities and Delegation

The Board is mainly responsible for formulating the Group's long term strategies and development plans, deciding major financial and capital projects and reviewing internal controls and risks.

The Board delegates its management and administration functions to the management for implementing day-to-day operations. It has given clear directions to the management as to their powers, in particular, with respect to different circumstances. While allowing the management to enjoy substantial autonomy to run and develop the Company's business, the Board also plays a key role in structuring and monitoring the reporting systems and internal controls. The composition of each Board committee and their major roles and functions are described below. The final decision still rests with the Board unless otherwise provided for in the terms of reference of the relevant committees.

The Directors including the Independent Non-executive Directors may seek legal advices at the Company's expenses to discharge their duties.

Independent Non-executive Directors

All Independent Non-executive Directors were appointed for a term of two years. The Company has received annual confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers that the Independent Non-executive Directors are independent.

Supply of Information

The management provides the Board with appropriate and sufficient information through financial reports, business and operational reports and budget statements in a timely manner to keep them informed of the latest development of the Group. In addition, the management provides the Board with monthly financial updates of the Company. All Board papers and related materials are provided to the Directors through the company secretary of the Company ("Company Secretary").

Directors' and Officers' Liabilities Insurance

The Company has arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis.

Directors' Continuous Professional Development

As part of an ongoing process of Directors' training, the Directors of the Company are updated on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements. They are provided with written materials from time to time to develop and refresh their knowledge and skills.

During the year, the Company organized for the Directors a seminar on "Proposed Amendments in Relation to Connected Transactions" conducted by a leading solicitors' firm. Mr. Qin Jun, Mr. Jiang Hongwen, Mr. Lien Jown Jing, Vincent, Dr. Shen Shiao-Ming, Mr. Li Bao Guo and Mr. Chau Shing Yim, David attended the seminar. In addition, the Company Secretary provided Mr. Wang Chuan with the relevant induction materials (including an overview of the statutory and regulatory obligations of a director of a listed company) for his reference on his appointment as a Director. The Company received from all Directors their respective training records for the year ended 31 March 2014.

Attendance Records at Meetings

The attendance of individual Directors at the Board meetings, Board committee meetings and general meetings held during the year is set out in the following table:

	Meetings Held During the Year				
	Board Meetings	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Number of Meetings	5	3	1	1	2
Directors					
Qin Jun	5/5	N/A	1/1	1/1	0
Jiang Hongwen	5/5	N/A	N/A	N/A	1/2
Wang Chuan *(Note 1)*	2/3	N/A	N/A	N/A	N/A
Chau Shing Yim, David	5/5	3/3	N/A	N/A	2/2
Li Bao Guo	4/5	3/3	1/1	1/1	0
Lien Jown Jing, Vincent	5/5	3/3	1/1	N/A	2/2
Shen Shiao Ming	5/5	3/3	1/1	1/1	1/2

Notes:

1. Mr. Wang Chuan was appointed as an Executive Director with effect from 12 October 2013. Three Board meetings were held after his appointment.

2. Directors may attend meetings in person, by phone or through video conference.

In addition to regular Board meetings, the chairman of the Board holds meetings with the Independent Non-executive Directors without the presence of the other Executive Directors annually. In January 2014, the chairman of the Board met with the chairman of the Audit Committee to discuss the corporate governance and internal controls issues, and the financial status of the Group.

BOARD COMMITTEES

A total of four Board committees, namely the Executive Committee, Audit Committee, the Nomination Committee and the Remuneration Committee, have been formed, each of which is delegated with specific roles and responsibilities by the Board. All the Board committees follow the same principles and procedures as those of the Board.

Executive Committee ("EC")

The EC has been established since June 2011 with specific written terms of reference and currently comprises three Executive Directors, namely Mr. Qin Jun (Chairman), Mr. Jiang Hongwen and Mr. Wang Chuan.

The EC is responsible for the day-to-day management of the Group's business operations and the corporate governance functions as defined in its terms of reference. The EC reports its discussions and makes recommendations to the Board from time to time.

Nomination Committee ("NC")

The NC has been established since November 2011 and currently consists of the following three members:

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

The principal responsibilities of the NC are to review the structure, size and diversity of the Board, assess the independence of Independent Non-executive Directors, identify suitably qualified candidates to become Board members, and select or make recommendations to the Board on the selection of candidates nominated for directorships and succession planning for Directors.

The NC met once during the year. The attendance of individual Directors at the committee meeting is set out on page 37 of this annual report.

The following is a summary of the work performed by the NC during the year:

- review of the Diversity Policy and revised terms of reference of the NC, with a recommendation to the Board for approval;
- review of the structure, size and diversity of the Board and forming the view that the Board has a balance of skills, experience and diversity of perspectives which are appropriate to the business requirements of the Company, with a recommendation to the Board for approval;
- review and assessment of the independence of all Independent Non-executive Directors;
- consideration and recommendation to the Board for approval of the list of Directors retiring by rotation at the annual general meeting ("AGM") in 2013; and
- consideration and recommendation to the Board for approval of the appointment of Mr. Wang Chuan as an Executive Director and a member of the EC.

Remuneration Committee ("RC")

The major function of the RC is to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The RC comprises four members, including three Independent Non-executive Directors and one Executive Director, and is chaired by an Independent Non-executive Director. At present, the members of the RC are as follows:–

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

The following is a summary of the work performed by the RC during the year:

- review of the new service agreements of the Independent Non-executive Directors, with a recommendation to the Board for approval;
- review of the remuneration of the Independent Non-Executive Directors, with a recommendation to the Board for approval;
- review of the Executive Director Service Agreement of Mr. Wang Chuan, with a recommendation to the Board for approval;
- review of the documents in relation to the share award scheme, with a recommendation to the Board for adoption of the scheme; and

The remuneration policy for Directors is that Directors' fees for all Directors are determined by reference to the fees paid by other listed companies, market practice and individual performance. There are no retirement benefit schemes in place for the Independent Non-executive Directors. No Director decides his or her own remuneration. Directors' remuneration is recommended by the RC for approval by the Board which seeks shareholders' delegation of authority at the AGM to fix the remuneration of the Directors.

Audit Committee ("AC")

The major roles and functions of the AC are to review and supervise the financial reporting process, financial controls, internal controls and risk management system of the Group and to provide recommendations and advices to the Board on the appointment, reappointment and removal of external auditors as well as their terms of appointment.

At present, the members of the AC are as follows:

Mr. Lien Jown Jing, Vincent *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Li Bao Guo
Dr. Shen Shiao-Ming

All the members of the AC are Independent Non-executive Directors. The chairman has financial management and risk management expertise and experience, and the other members have expertise in the legal, accounting and coal-mining fields.

The AC met thrice during the year, including one meeting with the external auditor without the presence of the management. The attendance of individual Directors at the committee meetings is set out on page 37 of this annual report.

The following is a summary of the work performed by the AC during the year:

- review of the annual report and results announcement of the Company for the year ended 31 March 2013, with a recommendation to the Board for approval;
- review of the interim report and results announcement of the Company for the six months ended 30 September 2013, with a recommendation to the Board for approval;
- review of an additional chapter of the Group's "Internal Control Manual" regarding the preparation of the Group's financial statements, with a recommendation to the Board for approval;
- review and monitoring of the external auditor's independence and objectivity, and the effectiveness of the audit process;
- review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function; and
- review of the report on audit plan and strategy for the year ended 31 March 2014.

In addition, the members of the AC met with the external auditor without the presence of the management in March 2014 to review the report on audit plan and strategy for the year ended 31 March 2014 submitted by the external auditor.

ACCOUNTABILITY AND AUDIT

The AC and the Board have reviewed the Company's consolidated financial statements for the year ended 31 March 2014. The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards. The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the consolidated financial statements. Other than the situations described in note 2(b) to the financial statements, the Board is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as a going concern.

For the year ended 31 March 2014, the fee payable to the external auditor in respect of audit and non-audit services is set out below:

	2014 HK$'000
Audit fees	2,363
Audit related fees (including interim review)	1,273
Non-Audit Services	–

INTERNAL CONTROLS

The Board acknowledges that it is responsible for establishing and maintaining an effective internal control system of the Group which enhances the Group's ability in achieving business objectives, safeguarding assets and complying with applicable laws and regulations, and contributes to the effectiveness and efficiency of its operations.

The chief financial officer ("CFO") of the Company reports directly to the Board and the AC and is responsible for the internal controls and risk management matters of the Group.

The Board, through the AC, assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls as well as risk management functions, twice annually. The processes used by the AC to review the effectiveness of the internal controls include:

- reviewing the internal audit plan;
- reviewing the significant issues raised by the external auditor; and
- reviewing the implementation status of action plans developed by the management.

During the year, the Board approved an additional chapter of the Group's "Internal Control Manual" regarding the preparation of the Group's financial statements.

The other key procedures established by the Board to provide effective internal controls are as follows:

- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the chairman of the AC or the CEO about possible improprieties in any matter related to the Company. The Company treats all information received confidentially and protects the identity and the interests of all whistle-blowers.
- Risk management policies have been formulated and relevant measures taken to mitigate risks such as technical, operational, market, liquidity, financial and regulatory risks, etc..

However, the aforesaid policies and procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These policies and procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

COMPANY SECRETARY

The Company Secretary reports directly to the chairman of the Board and is responsible to the Board for ensuring that Board procedures are followed and that Board activities are carried out efficiently and effectively. The Company Secretary also advises the Board on the compliance with different laws and regulations.

The Company Secretary ensures efficient information flow within the Board and Board committees and between the Board and management. The Company Secretary assists the chairman of the Board and chairmen of the Board committees in the development of agendas for Board and Board committee meetings. He also attends and prepares minutes for all Board and Board committee meetings.

During the year, the Company Secretary, Chau Kwok Ming, undertook over 15 hours of professional training.

SHAREHOLDERS' RIGHTS

Convening of a Special General Meeting

Shareholder(s) holding not less than one-tenth of the Company's paid up capital may submit a written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purpose of the meeting and be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Proposing a person for election as a Director at a general meeting

Pursuant to Bye-law 85 of the Company's Bye-laws, if a shareholder holding ten per cent. (10%) or more of the issued share capital of the Company wishes to propose a person other than a retiring Director of the Company for election as a Director of the Company at a general meeting, he/she should give a written notice of nomination to the Company Secretary together with other required documents and information within the 7-day period commencing on the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors of the Company from time to time). Details for the relevant requirements and procedures can be found in the "Shareholders' Rights" section under the "Investors Relation" section of the Company's website.

Procedures by which enquiries may be put to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through our investor relations team whose contact details are as follows:

Address:	Room 2704, 27/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
Fax:	(852) 25278522
Email:	info@upenergy.com

Procedures for putting forward proposals at general meetings

Any number of shareholders of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred members can submit a written requisition to the Board for putting forward proposals at general meetings pursuant to Bermuda Companies Act 1981.

The requisition must state the resolution with a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting and the requisition must be signed by the requisitionists.

The requisition must be deposited at the registered office of the Company by not less than six weeks before the meeting in the case of the requisition requiring notice of a resolution or by not less than one week before the meeting in case of any other requisition. The requisitionists must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement to all the shareholders of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company is committed to promoting and maintaining effective communication with the shareholders (both individual and institutional) and other stakeholders. A "Shareholders Communication Policy" has been adopted for ensuring that the Company provides the shareholders and the investment community with appropriate and timely information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the investment community to engage actively with the Company. All material information including financial reports, announcements and circulars are published on the websites of the Company and The Stock Exchange of Hong Kong Limited.

The Board encourages shareholders to attend the AGM and to meet with the Directors so as to stay informed of the Company's developments and raise issues to the Board. The Directors including the chairman of each Board committee as well as the external auditor will be present at the AGM to address shareholders' issues.

The chairman of the Board or the CFO regularly communicates with research analysts, fund managers and institutional investors through face-to face meetings, email communication and teleconferences to update them on the latest corporate developments and address their queries. All discussions are limited to explain published materials and non-price sensitive information.

During the year, the Company arranged site visits for potential investors and appointed a local public relations consultancy company for the publication of press releases and articles written by financial journalists in order to keep the investing public posted of the latest developments of the Group.

CONSTITUTIONAL DOCUMENTS

During the year, there were no significant changes in the Company's Memorandum of Association and Bye-laws.

Corporate Responsibility Report

The Group believes that the undertaking of responsibility to the stakeholders and society is of vital importance to the long term development of a company. Apart from generating satisfactory returns for its shareholders, the Group also values its corporate social responsibility, which is shown in five different aspects:

ENVIRONMENTAL PROTECTION

The Group strictly follows respective laws and regulations of the central and local governments and compiles environmental impact assessment reports and soil and water conservation plan. The Group also implements environmental protection plan and soil and water conservation plan to minimize impacts of the business on the ecological environment and soil and water loss, with an aim to reserve a better environment for our future generations.

The Group has plans to reserve the environment of its mines, which include sprinkling water on the road regularly, constructing temporary stockpile storage and other coals and rocks processing facilities to control dust emission, applying temporary covers to control dust emission of coal trucks, using dust-free materials for pavement construction, and replanting vegetation destroyed by dust. In addition, the water processing plant of Shizhuanggou Mine helps reduce pollution of water in the area through processing and recycling of waste water produced by Quanshuigou Mine and Shizhuanggou Mine. The Group will also install ventilation with noise controlling systems on the surface ground to minimize noise pollution.

These environmental protection facilities and plans of the Group are aimed to alleviate impacts on the local environment caused by the mine construction and mining operations.

CIRCULATIVE BUSINESS

The Group sticks to its philosophy of “increased value in circulation” and actively develops downstream industry chain projects. By utilizing associated resources, the Group aims to build a circulative business chain with coal exploring, mining, washing, coking and chemicals as its core business, and further develop its recycling operations with the solid wastes resulting from the business chain.

Through the development of circulative business, the Group will witness business growth with enhanced economic efficiency, thus providing more job opportunities to the area of its business and promoting local social and economic development.

SAFETY MANAGEMENT

The Group considers safety a crucial issue to operation and therefore invests resources and adopts advanced mining technique and facilities to compile with related mining safety laws in China. The Group endeavors to provide a healthy and safe working environment and sets up a department to formulate management system for healthy and safety production, supervise safety operations of coal business and strengthen pre-control of risks, so as to put safety management and supervision in the top priority of its daily operations.

The Group plans to apply an integrated mechanical mining method to minimize mining accidents and create a safe working environment for its employees during production. Moreover, the Group has set up a specified fire control system in each of its mines and joined hands with the most advanced research institutions in China to design and construct gas drainage and safety control systems with an aim to minimize risks of gas explosion and improve safety of working condition in the mines.

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Ltd. 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.

OCCUPATIONAL PROTECTION

The PRC Government has formulated important regulations regarding occupational safety for mine operations. The Group values the importance of occupational safety and plans to carry out a series of measures to strictly comply with the relevant regulations.

The Group strives to maintain a high safety standard for its production facilities. When the tunnel construction and surface mining commences, the Group plans to use gas drainage system in the mines to extract coal seam gas to conform to the gas level benchmark of the national coal mining regulations. The Group will enhance the operation safety in the mines using advanced shaft drilling equipment which are equipped with a protection system for over winding, over weighting, rope breaking, power-off and power surge. These facilities help reduce risks of gas explosion and enhance safety level of the mines.

The Group plans to offer monthly training courses for its employees regularly, with an aim to enhance their awareness and knowledge in safety operations. Currently, the Group provides its existing staff with various medical benefits in accordance with applicable laws and regulations, and will continue to offer the same benefits for all of its employees in the future.

CHARITY

The Group is committed to cultivating a caring corporate culture and allocates resources in supporting and actively participating in social charitable activities in the district where its business is located. The Group cares for the needy people and shows concern towards different classes and groups in the community. The Group will mobilize its manpower to realize its commitment in social responsibility.

The Group has granted subsidy to 5 university students from needy families at where we operate our business. Each of them is entitled to a subsidy of RMB4,000 per year until they graduate. Besides, the Group is also eager to take up corporate social responsibility. We have provided support to Dongcaozi Village of Shanghugou Township, a poor village situated at where we operate, by providing assistance to improve the unemployment problem facing by farmers and graziers; helping them to develop special breeding industry; improving the local infrastructure construction; making donations; as well as supporting the economic growth of poor villages. In addition, the Group has also actively taken part in afforestation and charity affairs opted for a better environment. During spring and autumn in 2013, the Group has afforested 360 mu of land and is planned to afforest 32,000 m^2 of land in 2014.

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in the financial statements on pages 113.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss on page 63.

No interim dividend was declared (2013: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: Nil).

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 March 2014 are set out in note 33(c) to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 30 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 March 2014 are set out in note 14 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 148. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 March 2014 are set out in note 33 to the financial statements and consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, as at 31 March 2014, the Company cannot distribute any of its reserves to the shareholders of the Company. Movements in the distributable reserves of the Company during the year ended 31 March 2014 are set out in note 33(g) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the largest and five largest customers accounted for approximately 36% and 77% respectively to the total Group's sales and the Group's purchase from the largest and five largest suppliers accounted for approximately 30% and 64% respectively to the total Group's purchase.

None of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Qin Jun
Mr. Jiang Hongwen
Mr. Wang Chuan (appointed on 12 October 2013)

Independent Non-Executive Directors

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

Pursuant to Bye-law 84 of the Company's Bye-laws, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM"). In addition, in accordance with bye-law 83(2) of the Company's Bye-laws, Mr. Wang Chuan who was appointed as an Executive Director on 12 October 2013 will retire from office at the AGM and, being eligible, offer himself for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and as at the date of this report still considers that all of the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2014, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2014, the Group had no connected transactions and continuing connected transactions.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are recommended by the Remuneration Committee, and decided by the Board, as authorised by shareholders in the annual general meeting, having regard to the Company's operating results, individual performance, experience, responsibility, workload and the remuneration level of directors of comparable listed companies. No Director is involved in deciding his own remuneration.

The Company has adopted a share option scheme and a share award scheme as incentives to the Directors and eligible employees, details of the schemes are set out under the headings "Share Option Scheme" and "Share Award Scheme" below.

Details of the Directors' and senior management's remuneration of the Group are set out in note 38(a) to the financial statements of the Company.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group during the year ended 31 March 2014 are set out in notes 8 and 9 to the financial statements.

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

As at 31 March 2014, 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 as set out in Appendix 10 to the Listing Rules (the "Model Code"), 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 of the Company as at 31 March 2014**
Qin Jun	Beneficiary Interest of Trust	1,115,913,268 (L)	1,746,693,763 (L)	2,862,607,031 (L)	94.47%
	Corporate Interest	14,046,000 (L)	227,493,326 (L)	241,539,326 (L)	7.97%
	Beneficiary Interest of Trust	1,105,207,549 (S)	1,506,460,810 (S)	2,611,668,359 (S)	86.19%

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. 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 227,493,326 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 31 March 2014, the number of issued Shares of the Company was 3,030,296,170 Shares.

Save as disclosed above, as at 31 March 2014, none of the Directors and 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.

SHARED-BASED COMPENSATION SCHEMES

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key personnel. Eligible participants of the schemes include the Company's Directors, including Independent Non-executive Directors, and other employees of the Group.

SHARE OPTION SCHEME

The Share Option Scheme was approved by the shareholders of the Company on 29 August 2011 and had a life of 10 years from its adoption for the purpose of recognising the contribution of certain Executive Directors and employees of the Group and retaining them for the continual operation and development of the Group.

Under the Share Option Scheme, the Board may, at its discretion, offer to any employee (including any Independent Non-executive Director), consultants, advisors or customers of the Group, options to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The Company adopted the Share Option Scheme on 29 August 2011. The purpose of the Scheme is to provide incentives to:

- award the eligible persons who have made contributions to the Group;
- provide incentives and help the Group to retain its existing employees and recruiting additional employees; and
- provide employees with a direct economic interest in attaining the long -term business objectives of the Group.

(b) Participants of the Share Option Scheme

Pursuant to the Share Option Scheme, the Company may at its absolute discretion grant options to any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of shares available for issue under the Share Option Scheme

The total number of Shares available for issue under the Share Option Scheme is 105,317,772 Shares.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue, unless approved by the shareholders of the Company in the manner as stipulated in the Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the Share Option Scheme.

(f) The subscription price per Share

The subscription price per share in respect of an option granted under the Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of Share on the date of offer.

(g) Payment on acceptance of option

A non-refundable sum of HK$1.00 by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Remaining life of the Scheme

The Share Option Scheme will expire on 28 August 2021 and no further options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life of the Scheme may continue to be exercised in accordance with their respective terms of grant.

As at the date of this report, no option had been granted by the Company.

SHARE AWARD SCHEME

On 28 October 2013, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be awarded to selected employees (including Directors) of any members of the Group (the "Selected Participants") pursuant to the terms of the Scheme Rules and the Trust Deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 27 October 2023.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company at the time of an award of Awarded Shares. The maximum aggregate nominal value of Awarded Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company at the time of an award of Awarded Shares.

When a selected participant has satisfied all vesting conditions specified by the Board of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that participant at no cost. The Selected Participant however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

No Awarded Share was granted to the Directors of the Company for the year ended 31 March 2014.

Further details of the Share Award Scheme are disclosed in note 32(b) to the financial statements.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, so far as is known to the Directors of the Company, the following persons, not being a Director or the chief executive of the Company, had 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 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 capital	*Notes*
Up Energy Group Ltd.	Beneficiary Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*2*
Up Energy Holding Ltd.	Corporate Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*2*
Perfect Harmony Holdings Limited	Corporate Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*2*
Seletar Limited	Corporate Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*2*
Serangoon Limited	Corporate Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*2*
Credit Suisse Trust Limited	Trustee	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*3*
Liu Huihua	Spouse Interest	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*4*
Wang Mingquan	Founder of Trust	1,115,913,268 (L) 1,105,207,549 (S)	1,746,693,763 (L) 1,506,460,810 (S)	2,862,607,031(L) 2,611,668,359 (S)	94.47% 86.19%	*4*

Report of the Directors (continued)

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	*Notes*
Wang Jue	Beneficiary Interest of Trust/Spouse Interest	1,129,959,268 (L) 1,105,207,549 (S)	1,974,187,089 (L) 1,506,460,810 (S)	3,104,146,357 (L) 2,611,668,359 (S)	102.44% 86.19%	*5*
Up Energy Capital Limited	Corporate Interest	14,046,000 (L)	227,493,326 (L)	241,539,326 (L)	7.97%	*6*
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.16%	*7*
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.16%	*7*
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.16%	*7*
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	11.16%	*7*
Central Huijin Investment Ltd.	Corporate Interest	5,200,425 (L)	581,544,614 (L)	586,745,039 (L)	19.36%	*7 to 10*
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	8.08%	*8*
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	8.08%	*8*
CCB Financial Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	8.08%	*8*
CCB International Group Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	8.08%	*8*
China Construction Bank Corporation	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	8.08%	*8*
Proper Way Profits Limited	Beneficiary Interest	–	320,028,420 (L)	320,028,420 (L)	10.56%	
Exploratory Capital Limited	Beneficiary Interest	318,024,000 (L) 300,000,000 (S)	– –	318,024,000 (L) 300,000,000 (S)	10.49% 9.90%	*11*

Report of the Directors (continued)

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	*Notes*
Wu Tao	Corporate Interest	318,024,000 (L)	–	318,024,000 (L)	10.49%	*11*
		300,000,000 (S)	–	300,000,000 (S)	9.90%	
Hao Tian Development Group Limited	Beneficiary Interest	369,500,000 (L)	–	369,500,000 (L)	12.19%	
		298,000,000 (S)	–	298,000,000 (S)	9.83%	
	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 D1 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 Holding Ltd.. Up Energy Holding 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 Holding 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 same parcel of Shares by virtue of the SFO.

Report of the Directors (continued)

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 57.26% beneficially owned by 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 same parcel of Shares in the Company by virtue of the SFO.

12. As at 31 March 2014, the number of issued Shares of the Company was 3,030,296,170 Shares.

Save as disclosed above, as at 31 March 2014, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

No contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 March 2014, nor had there been any contract of significance entered into between the Group, and a controlling shareholder of the Company or any of its subsidiaries or for the provision of services to the Group by a controlling shareholder or any of its subsidiaries during the year ended 31 March 2014.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2014, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 33,748,000 Shares at a total consideration of HK$14,885,000.

COMPETING INTERESTS

As at 31 March 2014, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors of the Company since the date of publication of the 2013 Interim Report of the Company are as follows:–

(a) Other directorship

Mr. Lien Jown Jing, Vincent was appointed as the Chairman and a non-executive director of Deltec Capital Group Limited with effective from 28 February 2014. In addition, he was appointed as an independent non-executive director of CT Environmental Group Limited with effect from 15 April 2014.

(b) Directors' emoluments

The Director's fee of each of Mr. Lien Jown Jing, Vincent, Mr. Li Bao Guo and Dr. Shen Shiao-Ming would be increased to HK$24,200 per month with effect from 1 July 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current 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 Group's annual report for the year ended 31 March 2014, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company is committed to adopting good corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on page 32 of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2014 have been audited by Messrs. KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company for the re-appointment of Messr. KPMG as auditor of the Company.

On behalf of the Board

Qin Jun
Chairman
Hong Kong

23 June 2014

Independent Auditor's Report

KPMG

To the Shareholders of Up Energy Development Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Up Energy Development Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 63 to 147, which comprise the consolidated and company statements of financial position as at 31 March 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITY (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to note 2(b) to the financial statements which describes that the Group had net current liabilities of approximately HK$762,543,000 as at 31 March 2014 and current portion of outstanding bank borrowings of HK$370,614,000 and other financial liabilities of HK$164,350,000 was due for renewals or repayments within the next twelve months and explains that there are uncertainties about the commencement of the commercial production of the Group's projects in Fukang and that consequently for the foreseeable future the Group is dependent upon the financial support from its bankers and major shareholder and its ability to raise proceeds from existing and new investors. 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 consolidated financial statements have 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 and its ability to raise proceeds from existing and new investors to enable the Group to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future, details of which are set out in note 2(b) to the financial statements. The consolidated financial statements do 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

23 June 2014

Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Revenue	4	152,836	–
Cost of revenue		(164,315)	–
Gross loss		(11,479)	–
Other revenue	5	4,602	5,020
Other net income	5	16,803	4,347
Distribution costs		(2,249)	–
Administrative expenses		(88,221)	(70,597)
Loss from operations		(80,544)	(61,230)
Finance (costs)/income	6(a)	(54,024)	1,938
Loss before taxation	6	(134,568)	(59,292)
Income tax	7	10,967	(1,084)
Loss for the year		(123,601)	(60,376)
Attributable to:			
Equity shareholders of the Company		(98,617)	(47,786)
Non-controlling interests		(24,984)	(12,590)
Loss for the year		(123,601)	(60,376)
Loss per share	12		
Basic and diluted		(3.57) cents	(2.97) cents

The notes on pages 71 to 147 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 33(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

(Expressed in Hong Kong dollars)

	Note	**2014** **$'000**	2013 $'000
Loss for the year		(123,601)	(60,376)
Other comprehensive income for the year (after tax adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries outside of Hong Kong	11	22,360	2,026
Total comprehensive income for the year		(101,241)	(58,350)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(78,033)	(46,133)
Non-controlling interests		(23,208)	(12,217)
Total comprehensive income for the year		(101,241)	(58,350)

The notes on pages 71 to 147 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment, net	14	18,824,714	15,547,552
Prepaid land lease payments	15	74,952	66,201
Goodwill	16	25,623	–
Deferred tax assets	29(b)	13,474	–
Restricted bank deposits	24	23,923	16,864
Other non-current assets	19	119,166	226,455
Total non-current assets		19,081,852	15,857,072
Current assets			
Trading securities	20	4,750	18,250
Inventories	21	110,068	297
Trade and bills receivable	22	71,803	–
Prepayments, deposits and other receivables	23	107,453	56,638
Restricted bank deposits	24	42,350	17,003
Cash and cash equivalents	24	23,992	881,932
Total current assets		360,416	974,120
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	25	370,614	–
Trade and bills payable	26	196,391	16,803
Other financial liabilities	27	164,350	114,792
Other payables and accruals	28	383,500	202,097
Current taxation	29(a)	8,104	3,110
Total current liabilities		1,122,959	336,802
Net current (liabilities)/assets		(762,543)	637,318
Total assets less current liabilities		18,319,309	16,494,390
Non-current liabilities			
Long-term borrowings	25	199,500	–
Convertible notes	30	4,213,246	4,108,282
Other financial liabilities	27	673,898	229,597
Deferred tax liabilities	29(b)	3,918,863	3,429,757
Provisions	31	7,482	–
Total non-current liabilities		9,012,989	7,767,636
NET ASSETS		9,306,320	8,726,754

The notes on pages 71 to 147 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
CAPITAL AND RESERVES			
Share capital	33(c)	606,059	509,337
Equity component of convertible notes	30	1,311,693	1,364,709
Reserves		4,663,402	4,205,740
Total equity attributable to equity shareholders of the Company		6,581,154	6,079,786
Non-controlling interests		2,725,166	2,646,968
TOTAL EQUITY		9,306,320	8,726,754

Approved and authorised for issue by the board of directors on 23 June 2014.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 71 to 147 form part of these financial statements.

Statement of Financial Position

At 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Investments in subsidiaries	17	7,800,010	7,800,000
Amounts due from subsidiaries	18	1,375,807	–
Total non-current assets		9,175,817	7,800,000
Current assets			
Prepayments, deposits and other receivables	23	1,567	632
Amounts due from subsidiaries	18	157,620	188,220
Cash and cash equivalents	24	4,163	666,713
Total current assets		163,350	855,565
Current liabilities			
Amounts due to subsidiaries	18	17,867	8,260
Other payables and accruals	28	7,306	7,510
Total current liabilities		25,173	15,770
Net current assets		138,177	839,795
Total assets less current liabilities		9,313,994	8,639,795
Non-current liabilities			
Other financial liabilities	27	568,116	–
Convertible notes	30	4,213,246	4,108,282
Total non-current liabilities		4,781,362	4,108,282
NET ASSETS		4,532,632	4,531,513
CAPITAL AND RESERVES	33(a)		
Share capital		606,059	509,337
Equity component of convertible notes		1,311,693	1,364,709
Reserves		2,614,880	2,657,467
TOTAL EQUITY		4,532,632	4,531,513

Approved and authorised for issue by the board of directors on 23 June 2014.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 71 to 147 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000 (note 33(c))	Share premium $'000 (note 33(f)(i))	Other reserve $'000 (note 33(f)(ii))	Contributed surplus $'000 (note 33(f)(iii))	Exchange reserve $'000 (note 33(f)(iv))	Capital reserve $'000 (note 33(f)(v))	Equity component of convertible notes $'000 (note 30)	Share award scheme trusts $'000 (note 33(f)(vi))	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
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	5,867	5,867
Issuance of shares under rights issue	33(d)	169,779	246,179	–	–	–	–	–	–	–	415,958	–	415,958
Conversion of convertible notes		108,586	1,053,159	–	–	–	–	(300,784)	–	–	860,961	–	860,961
Loss for the year		–	–	–	–	–	–	–	–	(47,786)	(47,786)	(12,590)	(60,376)
Other comprehensive income for the year		–	–	–	–	1,653	–	–	–	–	1,653	373	2,026
Total comprehensive income for the year		–	–	–	–	1,653	–	–	–	(47,786)	(46,133)	(12,217)	(58,350)
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
Deemed disposal of Group's interests in a subsidiary without losing control	33(f)(iii)	–	–	–	300,370	–	–	–	–	–	300,370	95,074	395,444
Contribution from non-controlling interests	17	–	–	–	–	–	–	–	–	–	–	6,332	6,332
Issuance of shares for acquisition of subsidiaries	33(e)	73,500	661,500	(606,665)	–	–	–	–	–	–	128,335	–	128,335
Conversion of convertible notes	30	23,222	195,375	–	–	–	–	(53,016)	–	–	165,581	–	165,581
Contributions to share award scheme trusts		–	–	–	–	–	–	–	(14,885)	–	(14,885)	–	(14,885)
Loss for the year		–	–	–	–	–	–	–	–	(98,617)	(98,617)	(24,984)	(123,601)
Other comprehensive income for the year		–	–	–	–	20,584	–	–	–	–	20,584	1,776	22,360
Total comprehensive income for the year		–	–	–	–	20,584	–	–	–	(98,617)	(78,033)	(23,208)	(101,241)
Balance at 31 March 2014		606,059	4,243,550	(606,665)	385,168	40,630	3,490	1,311,693	(14,885)	612,114	6,581,154	2,725,166	9,306,320

The notes on pages 71 to 147 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Loss before taxation		(134,568)	(59,292)
Adjustments for:			
Net valuation loss/(gain) on trading securities	5	13,500	(4,300)
Depreciation of property, plant and equipment	6(c)	43,591	9,674
Amortisation of prepaid land lease payments	6(c)	2,393	2,258
Interest income	5	(4,602)	(4,846)
Gain on sales of property, plant and equipment	6(c)	(296)	(47)
Net valuation gain on other financial liabilities	5	(30,007)	–
Finance costs/(income)	6(a)	54,024	(1,938)
		(55,965)	(58,491)
Changes in working capital:			
(Increase)/decrease in inventories		(109,771)	5,383
Increase in trade and bills receivable		(71,803)	–
Increase in prepayments, deposits and other receivables		(48,253)	(18,357)
Increase in trade and bills payable		181,265	–
(Decrease)/increase in other payables and accruals		(11,469)	1,809
Net cash used in operating activities		(115,996)	(69,656)
Investing activities			
Payment for purchase of property, plant and equipment		(427,127)	(422,048)
Proceeds from sales of property, plant and equipment		683	62
Payment for purchase of trading securities		–	(13,950)
Payment for acquisition of subsidiaries		(787,365)	(108,662)
Refund of payment for acquisitions		74,331	–
Loan to a third party		(48,000)	–
Repayment of loan from a third party		48,000	–
Interest received		4,602	4,846
Increase in restricted bank deposits		(32,406)	(14,936)
Net cash used in investing activities		(1,167,282)	(554,688)

The notes on pages 71 to 147 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Financing activities			
Proceeds from new bank loans		637,032	–
Repayment of bank loans		(75,937)	–
Contributions to share award scheme trusts		(14,885)	–
Proceeds from acquisition of financial liabilities		–	344,462
Installments of financial liabilities		(90,078)	(7,999)
Payment for security of financial liabilities		–	(53,267)
Interest paid		(39,562)	–
Proceeds from issuance of shares under rights issue		–	415,958
Contributions from non-controlling interests		6,332	5,867
Net cash generated from financing activities		422,902	705,021
Net (decrease)/increase in cash and cash equivalents		(860,376)	80,677
Cash and cash equivalents at 1 April		881,932	801,019
Effect of foreign exchange rate changes		2,436	236
Cash and cash equivalents at 31 March	24	23,992	881,932

The notes on pages 71 to 147 form part of these financial statements.

Notes to the Consolidated Financial Statements

(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 Group (as defined below) are principally engaged in development and construction of coal mining and coke processing facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and savings arrangements for Part 9 of Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

As at 31 March 2014, the Group had net current liabilities of $762,543,000 (as at 31 March 2013: net current assets of $637,318,000) and current portion of outstanding bank borrowings of $370,614,000 (see note 25) (as at 31 March 2013: nil) and other financial liabilities of $164,350,000 (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 started its operation from October 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 resumed production of coal from November 2013. Accordingly, certain of the Group's principal projects in Fukang and Baicheng, Xinjiang, contributed a revenue amounting to approximately $152,836,000 to the Group for the year ended 31 March 2014. The Group is using its best endeavours in an attempt to bring the projects in Fukuang, Xinjiang, into commercial production according to the prevailing development plan of the Group's principal projects. The Directors anticipate that certain of these aforementioned projects will commence commercial production by the third quarter of 2014 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 a material uncertainty to the going concern of the Group.

The Directors are confident that the Group will continue to obtain ongoing support from its bankers. This includes unused banking facilities as of 31 March 2014 of approximately RMB510,000,000 obtained from the Group's bankers located in Mainland China. 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. The Group is also actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue and issuance of corporate bonds as alternative sources of funding. Accordingly, the Directors consider that it is appropriate to prepare these financial statements on the going concern basis. These financial statements do 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 consolidated financial statements for the year ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– trading securities (see note 2(f));
– derivative financial instruments (see note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- HK(IFRIC) 20, *Stripping costs in the production phase of a surface mine*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the amendments to HKAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*, which modify the disclosure requirements for impaired non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014, but as permitted by the amendments, the Group has adopted the amendments early. The disclosures about the Group's impaired non-financial assets in notes 14 to 16 have been conformed to the amended disclosure requirements. Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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.

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 17.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 35. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

The adoption of the amendments does not have an impact on these financial statements.

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 these financial statements 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 during the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

HK(IFRIC) 20, *Stripping costs in the production phase of a surface mine*

HK(IFRIC) 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when one of the two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory or improved access to further quantities of material that will be mined in future periods.

Upon adoption of HK(IFRIC) 20, the Group assessed the previously recognised stripping activity asset on the consolidated statement of financial position as at 1 April 2012 and determined that there are identifiable components of the ore body with which this stripping activity asset can be associated. Accordingly, no opening consolidated statement of financial position as at 1 April 2012 was presented as no opening balance adjustment was recorded.

In addition, the Group assessed the effect of the adoption of HK(IFRIC) 20 and determined that the effects to the Group's results for the year ended 31 March 2013 and the Group's financial position as at 31 March 2013 are not material and does not require any restatement of the comparative figures in these financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n), (o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

Notes to the Consolidated Financial Statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in debt and equity securities (continued)

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

(i) Mine properties

Mine properties include the mining rights and capitalised costs directly attributable to the development and construction of mines, capitalised stripping costs and assets recognised for the rehabilitation obligations of the mining operations.

Costs directly attributable to the development and construction of mines are capitalised when the expenditures will provide a future benefit to the Group.

In open pit mining operations, the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Stripping costs incurred during the development phase of a mine are capitalised as stripping activity asset forming part of the cost of constructing the mine properties.

Notes to the Consolidated Financial Statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

(i) Mine properties (continued)

Stripping costs incurred during the production phase of a surface mine are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred (note 2(l)), unless the stripping activity can be shown to give rise to probably future economic benefits from the mineral property by improving the access to the ore body, the component of the ore body for which assess has been improved is identifiable and the costs associated with that component can be reliably measured, in which case the stripping costs would be capitalised as stripping activity asset included in property, plant and equipment – mine properties.

Mine properties are depreciated on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost less impairment losses (see note 2(k)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

(ii) Other property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and machinery	3 to 30 years
Motor vehicles	5 years
Office furniture and other fixtures	3 to 5 years
Equipment and others	3 to 5 years
Vessel	5 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Exploration and evaluation expenditure (continued)

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Prepaid land lease payments

Prepaid land lease payments represent the costs of acquiring the land use rights. Prepaid land lease payments are carried at cost less accumulated amortisation and impairment losses (see note 2(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the prepaid land lease payments.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investment in associate and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- goodwill;
- investments in subsidiaries in the Company's statement of financial position;
- construction in progress;
- prepaid land lease payments; and
- other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Coal and coke inventories are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in the construction of mining structure are stated at cost less provisions for obsolescence.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Convertible notes (continued)

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(o) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, including contributions to Mandatory Provident Funds ("MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defied contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or capitalised as cost of property, plant and equipment.

(ii) Share-based payments

The fair value of share options and awarded shares under share award scheme granted to employees is recognised as an employee costs with a corresponding increase in capital reserve within equity. The fair value of share options is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of awarded shares under share award scheme is measured at grant date using market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and awarded shares under share award scheme, the total estimated fair value of the options and awarded shares under share award scheme is spread over the vesting period, taking into account the probability that the options and awarded shares under share award scheme will vest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options and awarded shares under share award scheme that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and awarded shares under share award scheme that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount related to share options is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits). The equity amount related to awarded shares under share award scheme is recognised in capital reserve until the awarded shares under share award scheme become vested and is transferred to share award scheme trusts (see note 33(f)(vi)).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and contingent liabilities (continued)

(ii) Obligations for rehabilitation

The Group's obligations for rehabilitation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final rehabilitation and mine closure, which is included in the mine properties. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of rehabilitation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies. In addition to those disclosed in note 32 about share-based payment transactions and in note 37 about the environmental contingencies, other significant accounting estimates and judgements were summarised as follows:

(a) Reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant coal deposit. In addition, as prices and cost levels change from year to year, the estimate of coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of assets

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group’s net asset value.

In relation to trade and other receivables (including the value-added tax (“VAT”) receivables), a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the net profit in future years.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Production start date

The Group assesses the stage of its mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on construction project's nature, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from "Construction in progress" to "Mine properties". Some of the criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the estimated construction cost
- Completion of a reasonable period of testing of the mine facility and equipment
- Ability to produce coals in saleable form (within specifications)
- Ability to sustain ongoing production of coals

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(e) Mine rehabilitation provision

The estimation of the liabilities for final rehabilitation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of rehabilitation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of rehabilitation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(f) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

(g) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(h) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(i) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4. REVENUE

The Group is principally engaged in the mining, coking and sale of coal. Revenue represents the sales value of goods sold to customers exclusive of value-added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2014	2013
	$'000	$'000
Coke	46,914	–
Coal	99,128	–
Others	6,794	–
	152,836	–

During the year ended 31 March 2014, the Group had three customers that individually exceeded 10% of the Group's turnover. The revenue from sales to these three customers amounted to approximately $100,082,000 for the year ended 31 March 2014. The Group has no revenue or turnover during the year ended 31 March 2013.

Details of concentrations of credit risk arising from these customers are set out in note 35(a).

5. OTHER REVENUE AND NET INCOME

	2014	2013
	$'000	$'000
Other revenue		
Interest income	4,602	4,846
Others	–	174
	4,602	5,020

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5. OTHER REVENUE AND NET INCOME (CONTINUED)

	2014 $'000	2013 $'000
Other net income		
Net unrealised (loss)/gains on trading securities (note 20)	(13,500)	4,300
Net realised and unrealised gain on other financial liability with fair value through profit or loss (note 27)	30,007	–
Net gain on sales of property, plant and equipment	296	47
	16,803	4,347

6. LOSS BEFORE TAXATION

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

(a) Net finance costs/(income)

	2014 $'000	2013 $'000
Foreign exchange loss/(gain), net	1,901	(1,938)
Interest on borrowing	33,085	–
Unwinding interest of convertible notes (note 30)	270,545	270,317
Unwinding interest of other financial liabilities (note 27)	46,270	7,912
Other interest expense	835	–
Less: interest expense capitalised into construction in progress and mine properties*	(298,612)	(278,229)
Finance costs	52,123	–
Net finance costs/(income)	54,024	(1,938)

* The borrowing costs have been capitalised at a rate of 6.87% per annum for the year ended 31 March 2014 (2013: 6.75%).

6. LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2014 **$'000**	2013 $'000
Salaries, wages, bonus and other benefits	17,378	9,186
Retirement scheme contributions	853	635
	18,231	9,821

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% (2013: 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

Pursuant to the Hong Kong Mandatory Provident Fund 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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6. LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

	2014 $'000	2013 $'000
Amortisation of prepaid land lease payments	2,393	2,258
Depreciation of property, plant and equipment	43,591	9,674
Operating lease charges: minimum lease payments hire of property	4,165	5,118
Gain on sales of property, plant and equipment	296	47
Auditors' remuneration	3,636	2,315
Cost of inventories*	164,315	–

* Cost of inventories include $34,285,000 relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each type of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 $'000	2013 $'000
Current tax		
Provision for the year (note 29(a))	3,625	2,126
Deferred tax		
Origination and reversal of temporary differences (note 29(b))	(14,592)	(1,042)
	(10,967)	1,084

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(a) Taxation in the consolidated statement of profit or loss 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 years ended 31 March 2014 and 2013.

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 (credit)/expense and accounting loss at applicable tax rates:

	2014 **$'000**	2013 $'000
Loss before taxation	(134,568)	(59,292)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	(28,882)	(12,326)
Tax effect of non-deductible expenses	16,822	15,626
Tax effect of non-taxable income	(1,111)	(8,031)
Tax effect of unused tax losses not recognised	2,204	5,815
Actual tax (credit)/expense	(10,967)	1,084

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Executive directors				
Mr. Qin Jun	–	6,659	15	6,674
Mr. Jiang Hongwen	–	1,205	15	1,220
Mr. Wang Chuan	–	315	–	315
Independent non-executive directors				
Mr. Chau Shing Yim, David	365	–	–	365
Mr. Li Bao Guo	263	–	–	263
Mr. Lien Jown Jing, Vincent	263	–	–	263
Dr. Shen Shiao-Ming	263	–	–	263
Total	1,154	8,179	30	9,363

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8. DIRECTORS' REMUNERATION (CONTINUED)

	2013			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Executive directors				
Mr. Qin Jun	–	5,605	15	5,620
Mr. Jiang Hongwen	–	505	15	520
Non-executive director				
Mr. Chau Shing Yim, David	–	365	15	380
Independent non-executive directors				
Mr. Li Bao Guo	221	–	–	221
Mr. Lien Jown Jing, Vincent	221	–	–	221
Dr. Shen Shiao-Ming	221	–	–	221
Total	663	6,475	45	7,183

No emoluments have been paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2014 and 2013.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 **$'000**	2013 $'000
Salaries and other emoluments	2,450	1,611
Retirement scheme contributions	45	39
	2,495	1,650

During the year ended 31 March 2014, the emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

$	**2014** **Number of individuals**	2013 Number of individuals
Nil – 1,000,000	3	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2014 and 2013.

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $277,912,000 (2013: $289,605,000) which has been dealt with in the financial statements of the Company.

11. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 March 2014 and 2013.

12. 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 of $98,617,000 (2013: $47,786,000) and the weighted average of 2,765,566,070 ordinary shares (2013: 1,610,816,199) in issue during the year, as adjusted to reflect (1) the conversion of the Tranche A and Tranche B convertible notes; (2) shares purchased by share award scheme trusts (see note 33(f)(vi)); and (3) issuance of shares for acquisition of subsidiaries (see note 34).

(b) Diluted loss per share

The diluted loss per share for the years ended 31 March 2014 and 2013 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option (as defined in note 34) for the acquisition of subsidiaries during the years ended 31 March 2014 and 2013 have anti-dilutive effect to basic loss per share.

13. SEGMENT REPORTING

The Group has one business segment, mainly engaged in development and construction of coal mining and coke processing facilities. Accordingly, no additional business and geographical segment information are presented.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT, NET

The Group

	Plant and machinery $'000	Motor vehicles $'000	Office furniture and fixtures $'000	Equipment and others $'000	Vessel $'000	Mine properties $'000	Construction in progress* $'000	Total $'000
Cost:								
At 1 April 2012	29,612	11,426	973	4,893	32,238	13,784,709	951,333	14,815,184
Additions	21,352	2,439	3	4,105	122	–	727,936	755,957
Disposals	–	(124)	–	(1)	–	–	–	(125)
Exchange adjustments	979	664	–	340	–	446	2,961	5,390
At 31 March 2013	51,943	14,405	976	9,337	32,360	13,785,155	1,682,230	15,576,406
At 1 April 2013	51,943	14,405	976	9,337	32,360	13,785,155	1,682,230	15,576,406
Acquisitions of subsidiaries (note 34)	42,649	3,679	–	954	–	1,986,000	9,333	2,042,615
Additions	48,045	10,343	54	7,524	14	395,852	801,146	1,262,978
Transferred from construction in progress	470,595	–	–	–	–	–	(470,595)	–
Disposals	–	(983)	–	–	–	–	–	(983)
Exchange adjustments	5,602	283	–	149	–	2,241	19,744	28,019
At 31 March 2014	618,834	27,727	1,030	17,964	32,374	16,169,248	2,041,858	18,909,035
Accumulated depreciation								
At 1 April 2012	(1,813)	(3,292)	(164)	(1,335)	(5,211)	–	–	(11,815)
Charge for the year	(4,344)	(3,129)	(202)	(2,346)	(6,268)	–	–	(16,289)
Written back on disposals	–	109	–	1	–	–	–	110
Exchange adjustments	(344)	(373)	–	(143)	–	–	–	(860)
At 31 March 2013	(6,501)	(6,685)	(366)	(3,823)	(11,479)	–	–	(28,854)
At 1 April 2013	(6,501)	(6,685)	(366)	(3,823)	(11,479)	–	–	(28,854)
Acquisitions of subsidiaries (note 34)	(9,542)	(1,813)	–	(508)	–	–	–	(11,863)
Charge for the year	(18,387)	(3,867)	(162)	(3,161)	(6,278)	(11,736)	–	(43,591)
Written back on disposals	–	596	–	–	–	–	–	596
Exchange adjustments	(270)	(122)	–	(93)	–	(124)	–	(609)
At 31 March 2014	(34,700)	(11,891)	(528)	(7,585)	(17,757)	(11,860)	–	(84,321)
Net book value:								
At 31 March 2014	584,134	15,836	502	10,379	14,617	16,157,388	2,041,858	18,824,714
At 31 March 2013	45,442	7,720	610	5,514	20,881	13,785,155	1,682,230	15,547,552

* During the year ended 31 March 2014, no coal (2013: approximately $27 million of coal) was extracted during the construction of coal mining facilities, and the management has deducted construction in progress at the same amount.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Mine properties mainly represented costs to obtain the rights for the mining of coal reserves in Shizhuanggou coal mine, Quanshuigou coal mine, Xiaohuangshan coal mine and Target Mine (as defined in note 34) located in the Xinjiang Uyghur Autonomous Region, the PRC.

As at 31 March 2014, ownership of equipment and machineries amounting to $209,000,000 (2013: $122,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda (see note 27 (a)).

As at 31 March 2014, mine properties of the Group of $8,370,418,000 (2013: nil) and construction in progress of the Group of $100,776,000 (2013: nil) have been pledged as collateral for the Group's borrowings (see note 25).

15. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	The Group	
	2014	2013
	$'000	$'000
Carrying amount at beginning of year	68,461	70,638
Acquisition of subsidiaries	1,903	–
Additions	9,066	–
Amortisation for the year	(2,393)	(2,258)
Exchange adjustments	476	81
Carrying amount at end of year	77,513	68,461
Current portion included in prepayments, deposits and other receivables:	(2,561)	(2,260)
Non-current portion	74,952	66,201

As at 31 March 2014, the Group is in the process of applying for the ownership certificate for certain land use rights with an aggregate net book value amounting to $nil (2013: $1,093,000).

As at 31 March 2014, prepaid land lease payments of the Group of $60,387,000 (2013: nil) have been pledged to certain banks for the Group's borrowings (see note 25).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16. GOODWILL

	The Group
Cost	
At 1 April 2013	–
Acquisition of subsidiaries (note 34)	25,623
Impairment loss	–
At 31 March 2014	25,623
Carrying amount:	
At 31 March 2014	25,623
At 31 March 2013	–

The goodwill arose from the acquisition of Champ Universe limited ("Champ Universe") (see note 34). 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.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	The Group	
	2014	2013
	$'000	$'000
Coal – Mining in PRC	25,623	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: not applicable) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 12.81% (2013: not applicable). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES

	The Company 2014 $'000	2013 $'000
Unlisted shares, at cost	7,800,010	7,800,000

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Up Energy Investment (China) Ltd. ("UE China")	BVI	US$141,506,005	100.00%	–	Investment holding
Up Energy Mining Limited ("UE Mining")	BVI	US$1	100.00%	–	Investment holding
Up Energy Resource Company Limited ("UE Resources")	BVI	US$1	100.00%	–	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. ("UE Xinjiang")	PRC	US$30,000,000	–	70.00%	Coal mining, manufacture and sale of coke and clean coke
Up Energy International Ltd. ("UE International")	BVI	US$50,000	–	100.00%	Investment holding
Up Energy (Hong Kong) Limited ("UE HK")	Hong Kong	10,000 shares	–	100.00%	Investment holding
Up Energy (Fukang) Coal Mining Ltd. ("UE Fukang Coal Mine")	PRC	US$17,050,000	–	79.20%	Mine construction

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Up Energy (Fukang) Coking Ltd. ("UE Coking")	PRC	US$12,999,990	–	70.00%	Manufacture and sale of coke
Up Energy (Fukang) Coal Washing Ltd. ("UE Coal Washing")	PRC	US$5,000,000	–	70.00%	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd.*	PRC	US$3,200,000	–	70.00%	Water recycling
Baicheng Wenzhou Mining Development Co. Ltd.	PRC	RMB46,280,000	–	100.00%	Coal Mining

* On 3 July 2013, a holder of the non-controlling interests injected capital of US$816,000 into Up Energy (Fukang) Recycled Water Project Ltd.

The Company has entered into a share charge in connection with the issue of the convertible notes (see note 30) of the Company. Pursuant to the share charge, the charge is created over (i) the entire issued share capital of UE China; (ii) the entire issued share capital of UE International; and (iii) the entire issued share capital of UE HK. All of these companies are wholly-owned subsidiaries of the Company.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

In accordance with the Minsheng Bank Hong Kong loan facility (see note 25), the entire issued share capital of UE Mining, 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.

The following table lists out the information relating to UE Xinjiang, the major subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014	2013
	$'000	$'000
NCI percentage	30%	30%
Current assets	35,360	56,086
Non-current assets	8,899,002	8,719,542
Current liabilities	621,287	435,943
Non-current liabilities	1,421,251	1,408,641
Net assets	6,891,824	6,931,044
Carrying amount of NCI	2,067,547	2,079,313
Revenue	–	–
Loss for the year	42,165	32,666
Other comprehensive income	2,945	718
Total comprehensive loss	39,220	31,948
Loss allocated to NCI	12,650	9,800
Net cash used in operating activities	23,893	18,908
Net cash used in investing activities	130,613	186,611
Net cash generated from financing activities	134,902	183,634

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. AMOUNT DUE FROM AND TO SUBSIDIARIES

Amounts due from and to subsidiaries included in the Company's current assets and current liabilities of $157,620,000 (2013: $188,220,000) and $17,867,000 (2013: $8,260,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Amount due from subsidiaries in the Company's non-current assets represent receivables that are not expected to be repaid within one year.

19. OTHER NON-CURRENT ASSETS

	The Group	
	2014	2013
	$'000	$'000
Deposits for acquisitions (note (i))	24,331	108,662
Deposits for financial liabilities (note 27(a))	54,248	53,267
Prepayments to suppliers for property, plant and equipment	40,587	64,526
	119,166	226,455

Notes:

(i) As at 31 March 2014, deposits mainly represent the prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited of $24,331,000 (2013: $98,662,000). During the year ended 31 March 2014, an amount of $74,331,000 has been refunded by Alpha Vision Energy Limited pursuant to the negotiation between the Group and the seller.

20. TRADING SECURITIES

	The Group	
	2014	2013
	$'000	$'000
Listed equity securities at fair value		
– in Hong Kong	4,750	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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2014	2013
	$'000	$'000
Raw materials	79,922	–
Work in progress	3,658	–
Goods in transit	3,549	–
Finished goods	27,309	–
Materials and supplies	5,335	297
	119,773	297
Less: provision for diminution in value of inventories	9,705	–
	110,068	297

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2014	2013
	$'000	$'000
Carrying amount of inventories sold	154,610	–
Write down of inventories	9,705	–
	164,315	–

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. TRADE AND BILLS RECEIVABLE

	The Group 2014 $'000	2013 $'000
Trade receivables	67,762	–
Bills receivable	4,041	–
	71,803	–

Trade and bills receivable are invoiced amounts due from the Group's customers which are due from the date of billing.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	The Group 2014 $'000	2013 $'000
Within 3 months	61,533	–
3 to 6 months	10,270	–
	71,803	–

(b) Trade and bills receivable that are not impaired

The analysis of trade receivables and bills receivable, based on the current and overdue status, that are neither individually nor collectively considered to be impaired is as follows:

	The Group 2014 $'000	2013 $'000
Current	39,823	–
Within 1 month	4,984	–
1 to 3 months overdue	17,504	–
3 to 6 months overdue	9,492	–
	71,803	–

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. TRADE AND BILLS RECEIVABLE (CONTINUED)

(b) Trade and bills receivable that are not impaired (continued)

Bills receivable are generally due within 180 days from the date of billing. As at 31 March 2014, the Group has no impairment losses on trade and bills receivable (31 March 2013: nil).

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary as there has not been any significant change in credit quality and these trade and bills receivable were considered fully recoverable. The Group has not held any collateral over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits and prepayments (note (i))	33,516	9,302	206	134
VAT and other tax receivables (note (ii))	58,090	34,689	–	–
Amount due from related parties	3,039	–	–	–
Other receivables	12,808	12,647	1,361	498
	107,453	56,638	1,567	632

Notes:

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

(ii) VAT 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.

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

Notes to the Consolidated Financial Statements (continued)

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24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	90,265	915,799	4,163	666,713
Less: restricted bank deposits	(66,273)	(33,867)	–	–
Cash and cash equivalents	23,992	881,932	4,163	666,713

As at 31 March 2014, the Group's bank balances of approximately $23,923,000 (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 31 March 2014, the Group's bank balances of approximately $12,877,000 (2013: $17,003,000) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six months.

As at 31 March 2014, the Group's bank balances of approximately $29,473,000 (2013: nil) were deposited at banks as secured deposit for borrowings (see note 25).

Included in cash and cash equivalents in the statements of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
RMB	14,180	178,879	–	–
US$	356	33,613	–	41
CAD	–	85	–	–

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25. BORROWINGS

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

	2014 **$'000**	2013 $'000
Bank loans		
– secured	444,505	–
Less: current portion	245,005	–
	199,500	–

As at 31 March 2014, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong (as defined below) and ICBC Fukang (as defined below), were repayable as follows:

	The Group	
	2014 **$'000**	2013 $'000
Within 1 year or on demand	245,005	–
After 1 year but within 2 years	199,500	–
	444,505	–

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 ("Minsheng Bank Hong Kong"). The effective interest rate is 9.14% per annum. Pursuant to the amended contract, the loan principal and management fee outstanding as at 31 March 2014 will be paid as follows:

Payable on	**Principal and management fee payable** $'000
30 June 2014	76,834
29 September 2014	61,714
29 December 2014	61,714
30 March 2015	61,714
29 June 2015	68,194
29 September 2015	61,714
28 December 2015	61,714
	453,598

Notes to the Consolidated Financial Statements (continued)

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25. BORROWINGS (CONTINUED)

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

In accordance with the Minsheng Bank Hong Kong loan facility, the entire issued share capital of UE Mining, Champ Universe Limited, Venture Path Limited, West China Coal Mining Holdings Limited and Baicheng County Wenzhou Mining Development Co., Ltd. are pledged to Minsheng Bank Hong Kong.

On 5 March 2014, UE Xinjiang as Borrower constructed in the form of a long-term facility loan agreement of RMB250 million (equivalent to $315 million) and RMB270 million (equivalent to $340 million), respectively with Industrial and Commercial Bank of China Limited Fukang Branch ("ICBC Fukang") for the construction of the Shizhuanggou Mine and Quanshuigou Mine. As at 31 March 2014, RMB10,000,000 (equivalent to $12,610,000) has been drawn down under this loan facility. The loan period is 2 years, and the interest rate is 110% of the prime loan rate of People's Bank of China. Mine properties with an aggregate carrying value of $8,370,418,000 were pledged to ICBC Fukang as security. UE China also pledged its equity interests in UE Xinjiang as security. In addition, 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 ICBC Fukang for, including but not limited to, all amounts payable by the Group under RMB250 million and RMB270 million loan facility.

(b) The short-term borrowings comprise:

	The Group	
	2014	2013
	$'000	$'000
Unsecured loans	63,050	–
Secured bank loans (note (i))	62,559	–
Current portion of long-term borrowings		
– Bank loan	245,005	–
	370,614	–

Note:

(i) As at 31 March 2014, bank loans amounting to $6,305,000 (2013: nil) were secured by prepaid land lease with aggregate carrying value of $32,517,000 (2013: nil).

As at 31 March 2014, bank loans amounting to $15,650,000 (2013: nil) were guaranteed by a third party (2013: nil).

As at 31 March 2014, bank loans amounting to $27,994,000 (2013: nil) were secured by bank deposits with an aggregate carrying value of $29,473,000 (2013: nil) (see note 24).

As at 31 March 2014, banks loans amounting to $12,610,000 (2013: nil) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $27,870,000 (2013: nil) and $100,776,000 (2013: nil) respectively.

Notes to the Consolidated Financial Statements (continued)
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26. TRADE AND BILLS PAYABLE

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

As at 31 March 2014, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	The Group	
	2014	2013
	$'000	$'000
Over 1 month but within 2 months	125,850	–
Over 2 months but within 3 months	49,104	8,191
Over 3 months but within 6 months	21,437	8,612
	196,391	16,803

27. OTHER FINANCIAL LIABILITIES

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Other financial liabilities:				
– At amortised cost (note (a))	514,242	344,389	244,110	–
– At fair value (note (b))	324,006	–	324,006	–
	838,248	344,389	568,116	–
Among which:				
– Current portion	164,350	114,792	–	–
– Non-current portion	673,898	229,597	568,116	–

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

27. OTHER FINANCIAL LIABILITIES (CONTINUED)

(a) Other financial liabilities at amortised cost

	The Group			The Company	
	For finance lease (note (i))	For puttable shares (note (ii))	Total	For puttable shares (note (ii))	Total
	$'000	$'000	$'000	$'000	$'000
At 1 April 2012	–	–	–	–	–
Addition	344,462	–	344,462	–	–
Unwinding interests (note 6(a))	7,912	–	7,912	–	–
Repayment	(7,999)	–	(7,999)	–	–
Exchange adjustments	14	–	14	–	–
At 31 March 2013	344,389	–	344,389	–	–
Among which:					
– 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	225,907	225,907
Unwinding interests (note 6(a))	28,067	18,203	46,270	18,203	18,203
Repayment	(107,937)	–	(107,937)	–	–
Exchange adjustments	5,613	–	5,613	–	–
At 31 March 2014	270,132	244,110	514,242	244,110	244,110
Among which:					
– Current portion	164,350	–	164,350	–	–
– Non-current portion	105,782	244,110	349,892	244,110	244,110

Notes to the Consolidated Financial Statements (continued)
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27. OTHER FINANCIAL LIABILITIES (CONTINUED)

(a) Other financial liabilities at amortised cost (continued)

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 amounting 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 $45,207,000 and $9,041,000 (see note 19) 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 31 March 2014, ownership of equipment and machineries amounting to $209,000,000 (31 March 2013: $122,000,000), which were recorded as plant and machinery and 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 34). The financial liabilities was 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 34). The fair value of derivative financial liabilities as at 31 March 2014 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

28. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Payables for construction work and equipment purchases	299,196	164,970	–	–
Payables for professional services	11,054	9,151	7,306	7,306
Security deposits on construction work	29,778	23,155	–	–
Amount due to related parties	7,764	–	–	–
Other taxes payable	7,847	2,263	–	–
Others	27,861	2,558	–	204
	383,500	202,097	7,306	7,510

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.

Notes to the Consolidated Financial Statements (continued)
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29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014	2013
	$'000	$'000
At 1 April	3,110	989
Acquisition of subsidiaries (note 34)	1,431	–
Provision for the year (note 7)	3,625	2,126
Exchange adjustments	(62)	(5)
At 31 March	8,104	3,110

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

The Group

Deferred tax arising from:	**Fair value adjustment arising from acquisition of subsidiaries**	**Depreciation allowance in excess of related depreciation**	**Tax losses**	**Total**
	$'000	$'000	$'000	$'000
At 1 April 2012	3,427,857	2,942	–	3,430,799
Credited to profit or loss (note 7)	(336)	(706)	–	(1,042)
At 31 March 2013	3,427,521	2,236	–	3,429,757
At 1 April 2013	3,427,521	2,236	–	3,429,757
Acquisition of subsidiaries (note 34)	495,300	–	(3,988)	491,312
Credited to profit or loss (note 7)	(4,235)	(862)	(9,495)	(14,592)
Exchange adjustments	(1,097)	–	9	(1,088)
At 31 March 2014	3,917,489	1,374	(13,474)	3,905,389

Notes to the Consolidated Financial Statements (continued)
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29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

Reconciliation to the consolidated statement of financial position

	The Group	
	2014	2013
	$'000	$'000
Deferred tax assets recognised in the consolidated statement of financial position	(13,474)	–
Deferred tax liabilities recognised in the consolidated statement of financial position	3,918,863	3,429,757
	3,905,389	3,429,757

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(t), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of $186,852,000 and $85,880,000, respectively (2013: $173,495,000 and $85,880,000, respectively) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are available indefinitely or not more than five years (depending on the jurisdictions in which tax losses were incurred).

30. CONVERTIBLE NOTES

	The Group and the Company		
	Liability component	**Equity component**	**Total**
	$'000	$'000	$'000
At 1 April 2013	4,108,282	1,364,709	5,472,991
Interest charged during the year (note 6(a))	270,545	–	270,545
Conversion of convertible notes	(165,581)	(53,016)	(218,597)
At 31 March 2014	4,213,246	1,311,693	5,524,939

As at 31 March 2014, two tranches of convertible notes of the Company are outstanding, namely Tranche A and Tranche B convertible notes.

30. CONVERTIBLE NOTES (CONTINUED)

Tranche A and Tranche B

Tranche A convertible notes with a principal amount of $3,480,000,000 and Tranche B convertible notes with a principal amount of $4,300,000,000 were issued as part of the consideration of $7.8 billion for the acquisition of UE China.

Tranche A and Tranche B convertible notes are convertible at the option of the note-holders into ordinary shares on the basis of 10 ordinary shares for every $1 convertible note held. The conversion period for Tranche A and Tranche B convertible notes commences on 18 January 2011 (the issue date) and 19 July 2011 (the day following the end of six months after the issue date) respectively, and expiring on 11 January 2016 (five business days preceding the maturity date). The maturity date for these convertible notes is 18 January 2016 (the business day falling on the fifth anniversary of their issue date). These convertible notes are non-interest-bearing and may be redeemed by the Company on the maturity date at their respective principal amounts outstanding.

During the period from 1 April 2011 to 12 May 2011, $236,172,000 Tranche A convertible notes were converted by note-holders into ordinary shares on the basis of 10 ordinary shares for every $1 convertible note held. As such, an aggregate amount of $747,867,000 Tranche A convertible notes were converted by note-holders into ordinary shares during the period from 18 January 2011 (the date of issuance) to 12 May 2011 on the basis of 10 ordinary shares for every $1 convertible note held. On 12 May 2011, the Company had a share consolidation for its ordinary shares. After that, $445,282,000 Tranche A convertible notes and $574,241,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 13 May 2011 to 31 March 2012 on the basis of one ordinary share for every $2 convertible note held.

$856,000,000 and $229,862,934 Tranche B convertible notes were converted by note-holders into ordinary shares on 27 April 2012 and 4 January 2013 respectively on the basis of one ordinary share for every $2 convertible note held.

$117,000,000 Tranche A convertible notes and $74,395,000 Tranche B convertible notes were converted by noteholders into ordinary shares in the period from 1 April 2013 to 31 March 2014 on the basis of one ordinary share for every $1.6484 convertible note held.

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

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

31. PROVISIONS

	The Group	
	2014	2013
	$'000	$'000
At 1 January	–	–
Acquisition of subsidiaries (note 34)	6,889	–
Accretion expense	537	–
Exchange adjustments	56	–
At 31 March	7,482	–

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the end of reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations at 31 March 2014 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

32. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(a) 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 year ended 31 March 2014, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the Scheme.

(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 31 March 2014, no award has been made under the Share Award Scheme.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Notes	Share capital $'000	Share premium $'000	Other reserve $'000	Contributed surplus $'000	Equity component of convertible notes $'000	Share award scheme trusts $'000	Accumulated losses $'000	Total $'000
Balance at 1 April 2012		230,972	2,087,337	–	84,798	1,665,493	–	(524,401)	3,544,199
Changes in equity for 2013:									
Total comprehensive loss for the year	10	–	–	–	–	–	–	(289,605)	(289,605)
Issuance of shares under rights issue		169,779	246,179	–	–	–	–	–	415,958
Conversion of convertible notes		108,586	1,053,159	–	–	(300,784)	–	–	860,961
Balance at 31 March 2013		509,337	3,386,675	–	84,798	1,364,709	–	(814,006)	4,531,513
Balance at 1 April 2013		509,337	3,386,675	–	84,798	1,364,709	–	(814,006)	4,531,513
Changes in equity for 2014:									
Total comprehensive loss for the year	10	–	–	–	–	–	–	(277,912)	(277,912)
Issuance of shares for acquisition of subsidiaries	33(e)	73,500	661,500	(606,665)	–	–	–	–	128,335
Conversion of convertible notes	30	23,222	195,375	–	–	(53,016)	–	–	165,581
Contributions to share award scheme trusts		–	–	–	–	–	(14,885)	–	(14,885)
Balance at 31 March 2014		606,059	4,243,550	(606,665)	84,798	1,311,693	(14,885)	(1,091,918)	4,532,632

(b) Dividends

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 March 2014.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2014		2013	
	No. of shares '000	**$'000**	No. of shares '000	$'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 1 April	2,546,687	509,337	1,154,860	230,972
Conversion of convertible notes	116,109	23,222	542,931	108,586
Issuance of shares under rights issue (note 33(d))	–	–	848,896	169,779
Issuance of shares for acquisition of subsidiaries (note 33(e))	367,500	73,500	–	–
At 31 March	3,030,296	606,059	2,546,687	509,337

(d) 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 have any rights issue during the year ended 31 March 2014.

(e) 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 34). Total nominal consideration amounted to $735,000,000 of which $73,500,000 were credited to share capital and the remaining proceeds of $661,500,000 were credited to the share premium account.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) 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) 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 34).

(iii) Contributed surplus

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(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.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves (continued)

(vi) Share award scheme trusts

The Group operates a long-term incentive program in 2013 to retain and motivate the employees to make contributions to the long-term growth and performance of the Group, namely the Share Award Scheme (see note 32(b)). An awarded share ("Awarded Share") gives a participant in the Share Award Scheme conditional right when the Awarded Share vests to obtain ordinary shares (existing ordinary shares in issue or new ordinary shares to be issued by the Company).

Share award scheme trusts are established for the purposes of awarding shares to eligible employees under the Share Award Scheme. The share award scheme trusts are administered by trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market or subscribing new shares and recorded as contributions to share award scheme trusts, an equity component. The administrator of the share award scheme trusts transfers the shares of the Company to employees upon vesting.

(g) 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.

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

In order to maintain or adjust the capital structure, the directors of the Company review the capital structure on a regular basis. During the development and construction stage of the coal mines and coke processing facilities, the shareholders of the Company contributed capital based on the needs of these entities.

33. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management (continued)

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value. The Group's financial liability is mainly in respect of the liability component of its convertible notes, details of which have been disclosed in note 30.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the year.

34. 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 directly and indirectly 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 granted 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").

Notes to the Consolidated Financial Statements (continued)

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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 year ended 31 March 2014.

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

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 14)	32,614	2,805	35,419
Construction in progress (note 14)	9,333	–	9,333
Mine properties (note 14)	1,580,202	405,798	1,986,000
Deferred tax assets (note 29(b))	–	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	(26,536)	–	(26,536)
Current taxation (note 29(a))	(1,431)	–	(1,431)
Short term borrowings	(33,796)	–	(33,796)
Deferred tax liabilities (note 29(b))	–	(495,300)	(495,300)
Provisions (note 31)	(6,889)	–	(6,889)
Total identifiable assets acquired net of liabilities assumed	1,610,341	(82,709)	1,527,632

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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	354,013
Fair value of Puttable Shares	245,042
Fair value of total consideration	1,553,255

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

Notes to the Consolidated Financial Statements (continued)

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade and other receivables, included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Bank deposits are placed in banks with a strong credit rating. Management does not expect any losses from non-performance by these banks.

The credit risk of the Group's other financial assets, which comprise trade and other receivables and restricted cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

(b) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations. Note 2(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from equity holders and the use of payables to related parties.

Notes to the Consolidated Financial Statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period), is as follows:

The Group

	2014 Contractual undiscounted cash outflow					
	Within 1 year $'000	After 1 year within 2 years $'000	After 2 years within 5 years $'000	After 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount $'000
Trade and bills payable	196,391	–	–	–	196,391	196,391
Other payables and accruals	383,500	–	–	–	383,500	383,500
Convertible notes	–	4,735,353	–	–	4,735,353	4,213,246
Borrowings	407,591	196,175	12,610	–	616,376	570,114
Other financial liabilities	181,536	110,730	632,006	–	924,272	838,248
	1,169,018	5,042,258	644,616	–	6,855,892	6,201,499

	2013 Contractual undiscounted cash outflow					
	Within 1 year $'000	After 1 year within 2 years $'000	After 2 years within 5 years $'000	After 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount $'000
Trade and bills payable	16,803	–	–	–	16,803	16,803
Other payables and accruals	202,097	–	–	–	202,097	202,097
Convertible notes	–	–	4,108,282	–	4,108,282	4,108,282
Other financial liabilities	142,603	142,603	108,728	–	393,934	344,389
	361,503	142,603	4,217,010	–	4,721,116	4,671,571

Notes to the Consolidated Financial Statements (continued)

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2014 Contractual undiscounted cash outflow					
	Within 1 year $'000	**After 1 year within 2 years $'000**	**After 2 years within 5 years $'000**	**After 5 years $'000**	**Total contractual undiscounted cash flow $'000**	**Carrying amount $'000**
Other payables and accruals	7,306	–	–	–	7,306	7,306
Other financial liabilities	–	–	632,006	–	632,006	568,116
Convertible notes	–	4,735,353	–	–	4,735,353	4,213,246
	7,306	4,735,353	632,006	–	5,374,665	4,788,668

	2013 Contractual undiscounted cash outflow					
	Within 1 year $'000	After 1 year within 2 years $'000	After 2 years within 5 years $'000	After 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount $'000
Other payables and accruals	7,510	–	–	–	7,510	7,510
Convertible notes	–	–	4,108,282	–	4,108,282	4,108,282
	7,510	–	4,108,282	–	4,115,792	4,115,792

Notes to the Consolidated Financial Statements (continued)

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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings and convertible notes.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group				The Company			
	2014		2013		2014		2013	
	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:								
Other financial liabilities	9.2%	838,248	9.2%	344,389	–	–	–	–
Convertible notes	6.7%	4,213,246	6.7%	4,108,282	6.7%	4,213,246	6.7%	4,108,282
		5,051,494		4,452,671		4,213,246		4,108,282
Variable rate borrowings:								
Borrowings	4%~12%	570,114	–	–	–	–	–	–
Total borrowings		5,621,608		4,452,671		4,213,246		4,108,282

(ii) Sensitivity analysis

At 31 March 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased retained earnings by approximately $4,276,000 (2013: $nil).

In respect of the expose to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax and retained earnings and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

Notes to the Consolidated Financial Statements (continued)
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35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

Other than the exposure of bank deposits made in foreign currencies (see note 24), the Group are not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 March 2014 using		
	Fair value at 31 March 2014 $'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	4,750	–	4,750	–
Financial liabilities:				
Derivative liability for Top Up Option	324,006	–	–	324,006

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

		Fair value measurements as at 31 March 2013 using		
	Fair value at 31 March 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	18,250	18,250	–	–

During the year ended 31 March 2014, 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 (2013: no transfer of levels). 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.

(ii) Information about Level 2 fair value measurements

The fair value of trading securities in level 2 is determined by using financial model that incorporate observable input of comparable listed companies. As the trading securities, amounting to $4,750,000, is suspended in trading in an active market.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(iii) 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 34)	354,013
Changes in fair value recognised in profit or loss during the year (note 5)	(30,007)
At 31 March 2014	324,006

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

(iv) 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 31 March 2014. 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 31 March 2014.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	The Group	
	2014	2013
	$'000	$'000
Contracted for	401,435	336,492

(b) Operating lease commitments

(i) At 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Within 1 year	127	1,661	20	32

(ii) 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.

37. 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 the PRC, 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 except for the Target Mine. 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.

38. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(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 as disclosed in note 8, and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014 **$'000**	2013 $'000
Salaries and other emoluments	9,333	7,138
Retirement scheme contributions	30	45

The remuneration is included in "staff costs" (see note 6 (b)).

(b) Material related party transactions

Related parties refer to enterprises over which the Group is able to exercise significant influence or control during the year. During the year, the Group entered into transactions with the following related parties.

Name of party	**Relationship**
新疆久域房地產開發有限公司	Under control of the same controlling party
新疆久融典當有限公司	Under control of the same controlling party
新疆絲綢之路奧特萊斯置業有限公司	Under control of the same controlling party
新疆久拓投資有限公司	Non-controlling shareholder of a major subsidiary of the Company
阜康市優派能源礦業有限公司	Non-controlling shareholder of a major subsidiary of the Company

38. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions (continued)

Particulars of significant transactions between the Group and the above related parties during the year ended 31 March 2014 are as follows:

	2014 **$'000**	2013 $'000
Short-term borrowing (note (i))	43,292	–
Repayment of short-term borrowing	35,601	–
Rental expense for lease of properties from a related party	525	519

(i) Short-term borrowing is interest-free and with no specific repayment terms.

The directors of the Company are of the opinion that the above transactions were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

(c) Related party balances

	2014 **$'000**	2013 $'000
Other receivables (note 23)	3,039	–
Other payables and accruals (note 28)	7,764	–

39. NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 17 April 2014, UE HK, an indirect wholly-owned subsidiary of the Company, pledged all of its equity interest in UE Fukang Coal Mine as the additional security for the obligations under the $480,000,000 term loan facility from Minsheng Bank Hong Kong (note 25 (a)).

40. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 March 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be J & J Trust, a discretionary trust set up by Mr. Wang Mingquan.

Notes to the Consolidated Financial Statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

41. MAJOR NON-CASH TRANSACTION

As disclosed in note 30, $117,000,000 Tranche A convertible notes, $74,395,000 Tranche B convertible notes were converted by note-holders into ordinary shares from 1 April 2013 to 31 March 2014 on the basis of one ordinary share for every $1.6484 convertible note held.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015
Amendments to HKFRS 9, *Financial instruments and* HKFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap.622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
TURNOVER					
Continuing operations	74,454	–	–	–	152,836
Discontinued operation	296	26,121	5,078	–	–
	74,750	26,121	5,078	–	152,836
OPERATING PROFIT/(LOSS)					
Continuing operations	8,595	943,740	(97,701)	(59,292)	(134,568)
Discontinued operation	163	(170)	11	–	–
PROFIT/(LOSS) BEFORE TAX	8,758	943,570	(97,690)	(59,292)	(134,568)
Income tax expense	(1,185)	84	(3,576)	(1,084)	10,967
PROFIT/(LOSS) FOR THE YEAR	7,573	943,654	(101,266)	(60,376)	(123,601)
Attributable to:					
Owners of the Company	7,573	944,656	(91,357)	(47,786)	(98,617)
Non-controlling interests	–	(1,002)	(9,909)	(12,590)	(24,984)
	7,573	943,654	(101,266)	(60,376)	(123,601)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2010 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
TOTAL ASSETS	59,416	15,531,530	15,759,123	16,831,192	19,442,268
TOTAL LIABILITIES	(19,353)	(9,072,567)	(8,256,805)	(8,104,438)	(10,135,948)
	40,063	6,458,963	7,502,318	8,726,754	9,306,320
TOTAL EQUITY					
Attributable to:					
Owners of the Company	40,063	3,800,153	4,849,000	6,079,786	6,581,154
Non-controlling interests	–	2,658,810	2,653,318	2,646,968	2,725,166
	40,063	6,458,963	7,502,318	8,726,754	9,306,320

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