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

Empowering Your Life with Up Energy

Annual Report 2015

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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

Chi Man Hoi (Resigned on 22 September 2014)
Chu Lai Wan (Appointed on 22 September 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (ESTABLISHED ON 30 MARCH 2015)

Li Bao Guo *(Chairman)*
Li Qiuyu
Chi Man Hoi
Chu Lai Wan

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 3201, 32/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
Completed 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)

2015

June
Up Energy entered into the acquisition of Grande Cache Coal and the acquisition process has reached a stage where a circular was issued by the Company and subject to shareholders of the Company's approval

2014

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

1 September
Up Energy raised approximately HK$575,100,000 (before expenses) by way of shares placing under the General Mandate and the net proceeds were used for repayment of existing bank loans and the general working capital of the Group

14 November
Up Energy entered into the Sale and Purchase Agreement with Winsway Enterprises Holdings Limited ("Winsway") and Marubeni Corporation ("Marubeni") to acquire 42.74% and 40% of Grande Cache Coal Corporation ("GCC") and Grande Cache Coal LP ("GCC LP") respectively

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

28 June
Completion of acquisition of Baicheng Coal Mine in Xinjiang

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

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 Development Group Limited ("**Up Energy**" or the "**Company**") is principally engaged in mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products. 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, which includes raw coal mining, raw coal washing, coal coking, cogenerating and coal mine gas utilizing.

Currently, Up Energy has four mines and three downstream ancillary projects in Xinjiang, namely the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine, which are under construction in Northern Xinjiang, and the Baicheng Mine, which is in operation in Southern Xinjiang. It is expected that construction of the three mines in Northern Xinjiang will be completed and production will commence successively from the second half of 2015. A positive cycle was formed in the production and operation among the coal production facilities of coal coking, coal washing, and water recycling projects near the mines in Northern Xinjiang.

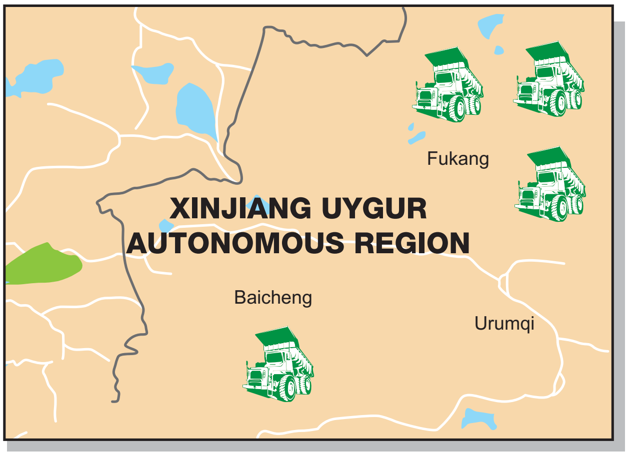
Concerning the business strategies, Up Energy always adheres to the implementation of the dual development strategies focusing on both Xinjiang regional market and the seaborne coking coal market. For the Xinjiang market, the central government is actively promoting the national development strategy of "One Belt, One Road" in recent years and positioned Xinjiang as the core region of the Silk Road Economic Belt in the beginning of this year. Under the support of this long-term and macroscopic policy, the fixed assets investment, including the infrastructure and public utilities in Xinjiang region and its surrounding regions, will continue to expand, thus the coal and coal chemical industry will flourish. Up Energy will take full advantage of the favorable geographical position and seize the unprecedented business opportunities. For the seaborne coking coal market, the Group has fully speeded up the acquisition project of Grande Cache Coal Corporation in Canada since the second half of 2014, which marked the first step for the Group to develop in the overseas market. In the future, the Group will continue to seek projects of quality and in operation in the major areas of coking coal supply including Canada and Australia, and carry out acquisition at low cost during the market downturn in order to optimize its resources distribution and achieve corporate internationalization.

The short and medium term objective of Up Energy is to become the largest listed non-state owned coking coal enterprise in Asia.

CORPORATE PROFILE (CONTINUED)

DISTRIBUTION OF OUR MINES

It is always the basic development strategy of Up Energy to sharpen our competitive edges in Xinjiang and proactively extend our reach into seaborne coking coal market. We adhere to the implementation of the dual development strategies focusing on both the Xinjiang regional market and the seaborne coking coal market, in order to optimize our resource distribution. We strive to become a leading enterprise in Asian coking coal market.

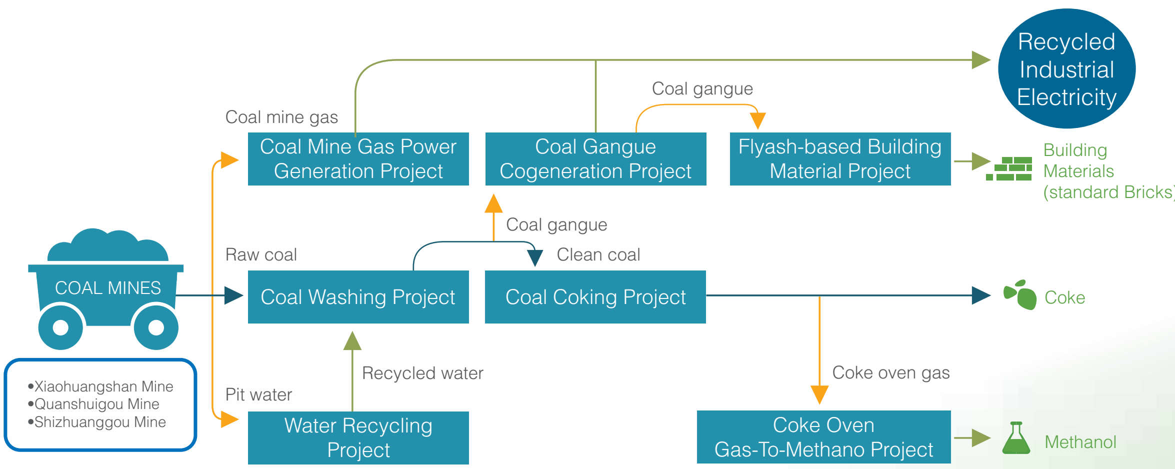


Xiaohuangshan Mine
Quanshuigou Mine
Shizhuanggou Mine
Baicheng Mine

Proposed Acquisition:
Grande Cache Coal

CIRCULATIVE BUSINESS MODEL

Starting from coal exploration, Up Energy proactively develops the downstream industry chain including raw coal mining, washing, coking, power cogeneration, and integrated gas utilization to form a complete industry chain in circulation.



Original Products (Coking Coal Industry Chain)
Unwanted Byproducts (Harmful & Washed)
Circulative Products (Added Value)

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 second half of 2015
Planned Annual Production Capacity of Coking Coal at Full Operation: 2.4 Mt
JORC Code Coal Resources*: 119 Mt
JORC Code Coal Reserves*: 26 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 second half of 2015
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 147 Mt
JORC Code Coal Reserves*: 24 Mt
JORC Code Potential Coal Reserves*: 25 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 second half of 2015
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 142 Mt
JORC Code Coal Reserves*: 21 Mt
JORC Code Potential Coal Reserves*: 27 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
Current Annual Coal Production Capacity: 0.21 Mt
JORC Code Coal Resources:** 126 Mt
JORC Code Coal Reserves:** 80 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

PROFILES OF CIRCULATIVE BUSINESS 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 second half of 2015

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 second half of 2015

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 47, 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 over 10 years of relevant experience in coal mining and exploration activities and management of coal mining companies.

Mr. Jiang Hongwen

Mr. Jiang Hongwen, aged 46, is an Executive Director and the Chief Financial Officer (the "**CFO**") of the Company. He was 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

Mr. Wang Chuan

Mr. Wang Chuan, aged 43, is an Executive Director and the Chief Operating Officer of the Company. He 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 ten years of relevant experience in coal mining business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David

Mr Chau Shing Yim David, aged 51, 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.

Mr. Li Bao Guo

Mr. Li Bao Guo, aged 61, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

Mr. Lien Jown Jing, Vincent

Mr. Lien Jown Jing, Vincent, aged 54, 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), an Independent Non-executive Director of 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).

Mr. Lien 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.

Dr. Shen Shiao-Ming

Dr. Shen Shiao-Ming, aged 65, 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**") Up Energy Development Group Limited (the "**Company**"), I hereby present the annual report of the Company for the year ended 31 March 2015 and the audited financial statement of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2015.

In the year 2014, China was still undergoing industrial restructuring. The overall business condition of the coal industry remained difficult with adverse factors such as decrease in demands and price under the overcapacity of the iron and steel industry. However in the past year, the Group actively moved towards to acquiring a coal mine project in Canada. The agreement for acquisition was signed on 14 November 2014, and a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval has been reached. Also, the central government further implemented the national development strategy of "One Belt, One Road" and positioned Xinjiang as the core region of the Silk Road Economic Belt, which will bring new atmosphere for coal and coking industry in the region, and all these factors are important to our business development.

In the past two or three years, the price of coking coal continued to decline, with the decrease of the international hard coking coal benchmark price from the historical high of US$330/tonne in 2011 to US$110/tonne in the first half of this year, while the price of domestic coking coal also continues to decline, which currently stays at around RMB750/tonne, near to the lowest in the past five years. The market price of coking coal is closed to the cost price, therefore, the room to move further downwards is limited. However, under the influence of various macroeconomic factors, the current low price cannot be improved in the short term, which will lead to the suspension of some capacities. Some enterprises were reluctant to take more risks and losses in the current market downturn, so they chose to suspend or exit in stages. The Group believes that it is now the appropriate opportunity to start to acquire coking coal production project to expand the control of coal resources and reserves scale. Therefore, after acquiring Baicheng Coal Mine in Xinjiang in 2013 from Hao Tian Resources Group Limited, a Hong Kong listed company, the Group entered into an agreement with another Hong Kong listed company, Winsway Enterprises Holdings Limited, in 2014 to acquire Grande Cache Coal Corporation ("**GCC**") Coal Mine in Canada.

GCC is the second largest coal mine corporate in Canada with abundant quality coking coal reserves, long operation history and stable customer bases. Currently, the reserves of premium hard coking coal with low volatility in the globe is limited, and each of the major coking coal importing countries lack medium to low volatile coal reserves, which leads to significant competitive advantages of GCC. The Group targets to purchase more than 80% of the shareholdings of GCC and Grande Cache Coal LP at a total consideration of US$2, which undoubtedly caused an impact on the entire coal market. We consider that the greatest benefit of acquiring GCC is the result of multiplying the resources, reserves and production capacity of the Group and it will advance to a leading position in the coking coal industry. We are confident to lower the cost of mining activities and revitalize it with our extensive industry experience and techniques. The project will bring a profit contribution to the Group in a short period of time when the coal price rises in the future.

CHAIRMAN'S STATEMENT (CONTINUED)

The steel industry in PRC will face structural adjustment in the future due to the influence of environmental and excess capacity issues, and will be transferred to coastal areas gradually. However, steel industry in emerging economies such as India and Brazil will bloom and create a huge opportunity for such industry based on seaborne coking coal market. Since we intend to develop Up Energy as an international enterprise with an optimistic attitude to seaborne coke in the long run, we must develop seaborne coking coal market. Acquiring GCC is the first step and a vital step as well. We will continue to seek high quality projects in operation in the main areas of coking coal supply such as Canada and Australia in the future.

The Group is also committed to maximizing the use of market advantages in Xinjiang area when proactively develop our reach into seaborne coking coal market. The steel industry in China has experienced excess production capacity coupled with a decline in demand for coking coal in the past few years, resulting in an imbalance between supply and demand. However, Xinjiang enjoys regional advantages and forms a relatively independent market. The prices of coking coal are supported by the rigid demand, leading to a relatively small decrease. Since the second half of 2014, the central government has continued to promote relief for addressing difficulties in coal industry, which includes: reducing various tax rates of coal exports, the abolition of zero imports duty for various types of coal and a change of calculation basis of coal resources tax from prices rather than quantities and restrictions on overproduction of coal mines. In the view of the market, the government will continue to strengthen the governance on illegal construction and production, unsafe production and low-quality coal production in 2015. At the beginning of June this year, National Energy Administration stated that it will deepen the reform, raise the concentration level of the coal industry, and put more efforts on financial support to the key coal enterprises which are in compliance with industry policies. It is noted that the state will contribute to establish a fund for integration in the coal industry in the future in order to speed up industry integration. A series of measures implemented by the government are conducive to the sound development of the entire coal industry in long run.

Actually, the recent national development strategy "One Belt, One Road" implemented by the central government provided critical support in promoting the demand for domestic coking coal industry, and Xinjiang region is the most beneficial area. The National Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Commerce of China jointly issued "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" in the beginning of this year, which positioned Xinjiang as the core area of the Silk Road Economic Belt. With the promotion and development of this long-term and macroscopic policy, as well as the establishment of Asian Infrastructure Investment Bank and Silk Road Fund, Xinjiang will embrace unprecedented development opportunities. We would see the fixed assets investment, including the infrastructure and public utilities in Xinjiang region, continue to expand, and the demand for natural resources in the market will gradually increase, thus the coal and coal chemical industry in the region will flourish.

CHAIRMAN'S STATEMENT (CONTINUED)

In general, we are optimistic about the long-term development of the coking coal industry and the Group itself. Coking coal is one of the main raw materials of the iron and steel industry, characterized by its scarcity of resources, irreplaceability, and non-renewability. Over the past century, no substitute for coking coal has been found in the global iron and steel industry. We believe that the current difficulties of the industry will not last long. Although the domestic and overseas coal enterprises will face high operation pressure and the industry situation will remain difficult, the international and domestic coking coal price will significantly improve in the coming one or two years with the acceleration in industry integration and decreasing supply. The Group will take an active role in response to the challenges from the market. We will optimize our resources distribution during the market downturn, adhere to the implementation of the dual development strategies focusing on both Xinjiang regional market and the seaborne coking coal market, and actively study the feasibility of exploring and establishing an internet cross-border electronic trading platform for bulk commodities in the "One Belt, One Road" regions. The Group will seize the opportunity from the central government's "One Belt, One Road" layout so as to prepare for our long-term and sustainable development.

The Group's steady and sound development all depends on the support from our shareholders, customers and partners as well as dedicated contributions from all the staff of the Group. The Board hereby expresses its sincere gratitude to them. The Group will continue its effort to take our business development to a new high and bring the best returns to all our supporters.

Qin Jun
Chairman

Hong Kong, 23 June 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2015 (the "**year under review**"), the Group continued to closely monitor the development of the regional coking coal market in Xinjiang and the international seaborne coking coal market. For Xinjiang market, the Group focused on developing four mines and three circulative business chain projects within the area, and some of them are in operation and the others will also commence production successively in near term. Regarding the seaborne coking coal market, the Group actively sought opportunities in overseas. We speeded up the acquisition of Grande Cache Coal, a well-known coking coal corporation in Canada, in the second half of the year. Agreements for acquisition were signed on 14 November 2014 and the acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

INDUSTRY REVIEW

Coking Coal Market in China and Xinjiang

Over the past year, China was still undergoing industrial restructuring. As the steel industry was suffering from overcapacity and adversely affected by various macroeconomic factors, the downward trend of coking coal prices in the country remained, sliding gradually from RMB1,590/tonne in the fourth quarter of 2011 to RMB750/tonne in the first quarter of 2015. However, Xinjiang enjoys geographical advantages which make it an isolated and independent market, the decline in coking coal prices in the region during the year was relatively small. In coal industry, quality is a major determinant of sales performance, the higher qualities the coking coal and coke have the higher of their prices and the more stable of their sales. Some mines with premium coking coal resources might still be profitable even though the industry was in the toughs. The currently low capacity utilization made the metallurgical coke market in Xinjiang attains a faint overall supply and demand equilibrium, and yet, taking the overall scale of the downstream businesses into consideration, the segment still has a very large demand-supply gap; on the contrary, gas coke segment was in a steady upward trend.

From 2012 onwards, due to the stringent requirement of the national environmental policy, blue carbon businesses in Xinjiang, whose outputs are low quality, cheap in prices and very contaminating, are gradually weeding out and their market share has been gradually captured by gas coke sector. By 2020, gas coke will completely replace blue carbon. Unlike the steel industry in Xinjiang with markets mainly confined within the locality and parts of Central Asian region, products of coal chemical industry players in the region penetrate into the nationwide market. Therefore, the aggregate market demand and market size of gas coke are increasing and gas coke prices rise steadily.

At the same time, benefiting from the national strategic development initiative, "One Belt One Road", Xinjiang's economic growth is above the national level. In 2014, Xinjiang had a GDP growth rate of 10.8%, compared with 7.4% for the whole country, which was the fifth consecutive year of economic growth higher than the national level. During 2015, overall demand for coking coal in major areas of Xingjiang was relatively stable, and demand and supply balance was reached.

In early 2015, China government clearly positioned Xinjiang as the core zone of the Silk Road Economic Belt. This signifies a new, huge room for Xinjiang's infrastructure growth and further stimulates customer demand for basic raw materials, unveiling an encouraging new chapter for coal and coking industries in the region.

International Seaborne Coking Coal Market

Due to the gradual decline of the international hard coking coal benchmark price (Platts Hard Coking Coal Index) to US$110/tonne in the first quarter of 2015 after reaching its historical peak of US$330/tonne in the second quarter of 2011, prices in international of coking coal market tended to be determined by cost of products instead of demand-driven. Quite a number of businesses were forced to suspend production, as the market price of coking coal was extremely close to its cost price (including mining cost, washing cost and transportation cost of raw coal). It is generally believes that room for a further drop of the coking coal price is very limited, the supply squeezed and the demand for production capacity of steel in the international market sees a moderate increase. As a result, the Group believes it is a right time to roll out the plan of securing a foothold in the overseas coking coal market, to initiate acquisitions of overseas production projects of coking coal and to increase the coal reserves and resources.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW AND PROSPECT

(1) Coal Resources and Reserves

As at 31 March 2015, the Group had a total of approximately 534 Mt of JORC Code-compliant measured, indicated and inferred coal resources, while there were approximately 377 Mt of coal resources within mining right control of which a total of approximately 151 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 31 March 2015, the JORC-compliant measured, indicated and inferred coal resources as well as the proved and probable marketable coal reserves of the Group are categorized as follows:

	Coal Resources (approximate) (within mining right control) (Mt)			Marketable Coal Reserves (approximate) (Mt)	
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.

In addition, the potential coal reserves are approximately 52 Mt, with details as follows:

Name of Coal Mine	Coal Resources (Mt)	Coal Resources (within mining right control) (Mt)	Coal Reserves (Mt)	Potential Reserves (Mt)
Xiaohuangshan Coal Mine	119	107	26	–
Quanshuigou Coal Mine	142	71	21	27
Shizhuanggou Coal Mine	147	73	24	25
Baicheng Coal Mine	126	126	80	–
Total	534	377	151	52

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) Production and Operation Review of Circulative Business Chain

The Group has been committed to the development of circulative business chain projects for maximizing its profits through enhancing added values to its products. Production and operation of the circulative business chain in Xinjiang during the year under review were as follows:

Construction and Operation of Coal Mines

Xinjiang experienced social unrest in the year under review, and for the sake of public safety, the local government imposed severe restrictions over blasting works. Further, in response to a coal mine accident in an adjacent area, regulatory authorities required all coal mines to suspense construction and production for inspection. The Group accommodated fully with the relevant social security measures and safety requirements of and from the local government, as a result, the construction of three mines in Fukang was affected and the production commencement was delayed. The situation has been back to normal basically for those measures were only of temporary nature. During the year under review, the Group continuously engaged in gas drainage and flood control in related to coal mining, making progress on testing of relevant systems and installing part of the equipment. There was no substantial capital expenditure incurred in the second half of Review Year. The Group expects that the relevant projects will begin production successively in the second half of 2015.

Baicheng Mine

The State and the Xinjiang Uygur Autonomous Region Development and Reform Commission has granted an approval for the master planning of mining areas in Baicheng, Xinjiang with a planned annual output of 900,000 tonnes in August 2014. Relevant procedures are being processed, and the construction will begin in the first quarter of 2016. Currently, besides maintaining its normal production open-pit mining has been started in near surface in the eastern area of the mines. Production capacity and raw coal product output of underground mining and open-pit mining are expected to reach 400,000 tonnes and 200,000 tonnes in 2015, respectively.

Operation of Coal Coking Plant

The Group has continued to improve in the areas of management optimization, energy and resources conservation and sales and marketing, and a positive cycle was formed in its production and operation of coal coking business. Steel industry in Xinjiang is currently contracting, and there is a sharp decline of metallurgical coke demand. The Group is actively exploring gas coke market and succeeding in this move and gradually expanding its market share. In March of this year, the market price of gas coke market price was RMB780 per tonne, and the market prices of chemical products such as coal tar and crude benzene prepaid in cash were RMB1,800 per tonne and RMB3,600 per tonne, respectively. With a smoothly running operation system, coal coking business will contribute to the Group's operating results.

The Group will accelerate the subsequent construction work for coking coal production facilities, and the completion of installation no. 2 coking oven and auxiliary facilities. After its full completion, the project has an annual production of coke of 1.3 million tonnes, recovery tar of 65,000 tonnes, sulfur and ammonia of 19,750 tonnes, crude benzene of 19,500 tonnes and gas for external supply of 350 million cubic meters. The coking oven model and coal coking capacity of the Group are superior in Xinjiang, and this will foster better results for the Group.

Operation of Coal Washing Plant

The Group's construction of production facilities suited its coal production requirement in a timely manner. The plant boasts its functions of main wash with wash boxes for all coal, floating wash for crude coal soil and dehydrating technology of compress filter for processed coal soil, which are all technological feasible. It is also equipped with core machines like advanced programmed control wash boxes with complex air chamber, bringing about the advantages of short processing time, low energy consuming, economic affordable and environmental friendly. A production line entered the commissioning phase in the year under review. Upon completion of all production facility construction, the Group's coking coal washing plant will be the largest in Xinjiang in terms of single line production, making it a new profit driver of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operation of Water Recycling Plant

For the Group's water recycling project, construction works of 50m^3 high level buffering tanks and 10.2km of coal mine water pipes have been completed.

The project makes full use of waste water resulting from mining activities. Waste water is purified and then re-used for production in the operational purposes. This promotes the effort of environment protection in the Group's business and facilitates the mixed usage of waste water from mines along with fresh water, thereby expediting the diversified development of the Group and strengthening its integrated competitiveness. As water resources are depleting, the government has stepped up its efforts in promoting conservation of water usage. In March of this year, the water tariff in the region was increased from RMB2.8/cubic metres to RMB3.9/cubic metres. Upon completion of construction of the water recycling facilities, the profitability of the Group's circulative economy business model will be enlarged.

(3) Acquisition Project

Acquisition of GCC in Canada

On 14 November 2014, the Group, Winsway Enterprises Holdings Limited ("**Winsway**") and Marubeni Corporation ("**Marubeni**") entered into the Sale and Purchase Agreement for acquisition of an aggregate of 82.74% interest in the total issued share capital of Grande Cache Coal Corporation ("**GCC**") and an aggregate of 82.74% partnership interest in Grande Cache Coal LP ("**GCC LP**"). The acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

GCC is a company incorporated in Alberta, Canada and is engaged in the production and sales of premium hard coking coal. It is an exporter of premium low volatile hard coking coal, and is one of the only four coking coal producers in North America with the ability to export coking coal from the west coast to the end user market in Asia. GCC coal mines are situated in Smoky River Coal Field and commenced production in 2004. With 25 mines held totaling over 29,000 hectares, it has abundant reserves position for surface mining and underground mining. The raw coal resources, prepared in accordance with the Canadian Standard NI 43-101, amounted to 664 million tonnes, and the total saleable coal reserves amounted to 148 million tonnes, with a mine life over 40 years. GCC produces low volatile hard coking coal with low ash content, and it is classified as world class premium types of coal. Currently, the reserves of high-quality and low volatile hard coking coal in the world are very limited. There is no medium to low volatile coal reserve required for coking coal mixtures in each of the major markets demanding for coking coal including China, thus, GCC's competitive advantage is obvious. Besides, GCC possesses well-established infrastructure and logistics facilities, and it has direct access to Canadian National Railway with connection to the east-west line. Also, a favourable agreement has been signed with Westshore Terminals, with valid until 2021. There are also excellent on-site infrastructure, including two-lane paved highways, railway load-out, office facilities, coal-washing plant and nearby natural gas and coal-fired power stations. Except the above, GCC has a long operation history with stable customer bases all around China, Brazil, Korea, Japan and India. The coking coal is successfully sold to Asia, Europe and America for supply to major steel plants. The Group estimates that the annual production capacity of GCC in 2015 will amount to 1 million tonnes of clean coal, with a possibility to increase to 4 million tonnes in 2017. During the transitional period of acquisition, the Group will offer a maximum amount of US$74 million of transitional fund subsidy for GCC. As of 31 March 2015, such amount reached US$51.50 million.

The management believes that the Group will be able to obtain high-quality coal resources and reserves through acquiring such project and extend its business to seaborne coking coal market. The rise of coal price in the future will ensure a profit contribution to the Group in a short period of time, and thus it is in the interests of the Shareholders as a whole.

Kaftar Hona Project in Tajikistan

The Group and Kaisun Energy Group Limited entered into an agreement in December 2012 in relation to the acquisition of equity interest in Kamarob. Since the drilling season was drawing near, both parties had to make up their mind on the start of exploration immediately. After due consideration and assessment by both parties, they were of the view that due to the current uncertainties in the region, economic benefits generated by large scale mining activities in Kafta Hona Deposit may not be sufficient enough to fulfill the conditions of the proposed transaction at this moment. Hence, both parties agreed to terminate this proposed transaction in July 2014 and no claim shall be made against each other.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Production Safety Management and Strategic Co-operation

The Group has focused on the production safety of mining activities and endeavoured to provide a safe working environment, and relevant coal mines have been granted the Safety Certificates issued by the Bureau of Xinjiang Coal Mine Safety Supervision. Coal mines of the Group have adopted advanced mining technologies and facilities and observed state safety regulations in respect of the mining industry. The Group has established a specific department to set up a management system for production safety and also established dedicated safety supervision department to oversee the operational safety of the coal mining activities for the sake of holding its mines harmless from any potential risk. The Group considers the safety of its employees is of the first priority. The Group has been co-operating with a number of third-party professional safety institutes and has entered into various cooperation agreements with reputable universities and research institutions for procuring a safe and efficient environment for shaft construction and production activities in a later stage. In the year under review, the Group continuously increased its investment and promoted production safety so as to make itself a model in the coal mining industry in the region.

In the year under review, the Group entered into the Comprehensive Strategic Cooperative Agreement ("**SCA**") with 黑龍江龍煤礦業控股集團有限責任公司 ("**Longmei**"). Pursuant to the SCA, both parties intended to co-operate in certain areas, including (i) the promotion of resource integration projects regarding special and rare kinds of coal in Xinjiang, the Mainland and overseas; (ii) the enhancement of the financing access to overseas capital markets for funding the business development of both parties; (iii) the appointment of Longmei by the Group for the management of production safety, including the construction of infrastructure for coal mines, the improvement of coal mining technologies, the management of coal mine accidents and etc.; and (iv) Longmei's responsibility for production safety during the construction, production and operational periods of coal mines.

BUSINESS STRATEGIES

Since its establishment, the Group has been insisting on its philosophy of "increased value in circulation" by extending its production chain from coal exploration, mining, washing to coking. With its active and steady role in the procurement of projects in the upstream and downstream circulative economy industry chain in connection with coking coal resources, the Group will realize an effective utilization of coal resources, increase the added value of coal products and enhance its profitability. The Group sticks to its basic development strategies of enhancing its regional market advantage in Xinjiang and explorating seaborne coking coal market, and is always be committed to putting efforts on integration, merger and acquisition and undertaking structural adjustment on a basis of enabling safety production and seeking strategic cooperation partners. The Group actively achieves internationalization while strengthening its top position in Xinjiang regional coking coal market, aiming at becoming leading enterprise in coking coal industry in China and even in Asia.

Recently, the steel industry in China has experienced excess production capacity which led to a decline in demand for coking coal, resulting in an imbalance between supply and demand in coking coal industry. However, the coal price has approximated to the lowest level from the market's point of view. The central government has implemented various adjustment and regulatory policy in respect of coal industry as a whole since the second half of 2014, including: a decrease in exports tax rate of all coal types from 10% to 3% from 2015; revocation of zero import tax of various types of coal and resumption of most-favored nation treatment tax rate of 3% to 5% from 15 October 2014; a change of calculation basis of coal resources tax from prices rather than quantities from 1 December 2014; with the tax rate determined by the provincial government within the prescribed range; measures regarding the restrictions on overproduction of coal mines jointly issued by the State Administration of Coal Mine Safety, NDRC and National Energy Administration on 15 August 2014 for stringent requirements of annual production capacity and safety production. From the market's point of view, the Chinese government will continue to promote relief for addressing difficulties in coal industry in 2015 and concentrate on strengthening the governance on illegal construction and production, unsafe production and low-quality coal production of coal mines, whereas the local government in Xinjiang will also continue to abolish small-scale coal mines with annual production capacity below 600,000 tonnes in the region. Recently, the National Energy Administration stated that it will deepen reform, raise the concentration level of the coal industry, and put more efforts on financial support to the key coal enterprises which are in compliance with industry policies. It is noted that the state will contribute to establish a fund for integration in the coal industry in the future in order to speed up further integration of coal industry. Such measures will be beneficial to the balance between market demand and supply, will stabilize the coal price and will be conducive to the sound development of the entire coal industry in long run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Actually, the recent national development strategy "One Belt, One Road" implemented by the central government provided critical support in promoting the demand for domestic coking coal industry, and Xinjiang region is the most beneficial area. On 28 March 2015, the NDRC, Ministry of Foreign Affairs, Ministry of Commerce of China jointly issued "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", which stated that the unique regional advantages of Xinjiang and its important role as an access to the development of western areas make it as the core zone of the Silk Road Economic Belt. Xinjiang targets railway construction as a breakthrough with a focus on China and Pakistan railway in the mid-term. It will further expand trade cooperation with countries in South Asia, West Asia and East Europe, and accelerate free and convenient trade and investment in the region in order to basically build an important international financial center on the Silk Road Economic Belt. The management team considers that such long-term and macroscopic policy shall promote the fixed assets investment including infrastructure and public utilities, which will gradually raise the demand for natural resources in the market. Also, China recently canvassed other countries for collaboration to establish the Asian Infrastructure Investment Bank in an active manner. Currently, over 50 countries around the world participate and support such event with an expectation of increasing expansion of social capital contribution to the investment in western areas in the future. From the publicly available statistics, the total amount regarding the infrastructure investment projects of "One Belt, One Road" stated in the government work report of the "two sessions" of each of the provinces in China in 2015 exceeds RMB1 trillion with a focus on the investment projects such as railways, roads, airports, water conservancy construction, etc.

Besides, the Group continues to focus on the development of seaborne coking coal market. Due to the effects of environmental issues and overproduction capacity, the iron and steel industry in China will see structural adjustment and gradually transfer to coastal areas from which seaborne coking coal will be benefited, while steel industry in emerging economies such as India and Brazil will bloom and create a huge opportunity for such industry based on seaborne coke market. Acquisition of the GCC project will be marked the first and also the vital step for Up Energy to develop in the overseas market. The Group will continue to seek quality projects in operation in the major areas of coking supply and conduct research for the probability for resources integration. China and Australia signed a free trade agreement pursuant to which a consensus of revoking the tariff on refined coking coal was reached and the tariff on refined coking coal imports from Australia has been adjusted to zero. The Group will keep an eye on the potential for development in such market with a goal to develop Up Energy as an international enterprise.

As a leading listed non-state owned coking coal enterprise in China, the Group possesses the unique locational advantages of Xinjiang and abundant quality coal resources. Also, characterized by its scarcity of resources, irreplaceability, and non-renewability, coking coal has been the key raw material in the iron and steel industry other than iron ore for a long time. The management team believes that the coking coal industry and the business of the Group still have plenty room for development. It is confident to seize the opportunity and face the challenges. The Group will actively seek projects of high quality and in operation in Xinjiang and overseas countries during market downturn, undertake acquisition in a relatively low cost and conduct the parallel development in both Xinjiang regional market and seaborne coking coal market. Meanwhile, the Group will actively conduct research to explore and establish an internet cross-border electronic trading platform for bulk commodities in the "One Belt, One Road" regions, by which it could seize the opportunities from the central government's "One Belt, One Road" layout so as to prepare for its long-term and sustainable development.

RISK ANALYSIS

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 central and local governments may adjust the regulatory policies on mining operations and exploration activities, which may have impact on the Group's operation.

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, economic development in the area is still lag behind the average level of China in general. Also, racial and religious discrepancies may have impact on the management and operation of the Group.

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 coking coal prices are linked to various factors such as the Chinese economy, the global financial environment and the steel manufacturing industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As for operational risks, a variety of social and natural risks and disasters, and various unpredicted technical issues may delay the production and delivery schedules of coal products, cause suspension or closure in stages in respect of production, and increase the cost of mining activities or result in coal mine accidents;

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

In order to provide adequate protection for the interests of investors, the Group will continue to try its best to minimize the risks mentioned above by taking effective risk management measures.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2015, the Group recorded a revenue of approximately HK$245,314,000, representing an increase of HK$92,478,000 or 60.5% as compared with that of approximately HK$152,836,000 for the same period of 2014. The increase in revenue was mainly due to the full year operation of coking plant for the year ended 31 March 2015 comparing to just around six months of operation of coking plant in the same period last year.

Cost of Revenue

During the year under review, cost of revenue was approximately HK$278,159,000, representing an increase of approximately HK$113,844,000 or 69.3%, as compared with that of approximately HK$164,315,000 for the same period of 2014. The increase in cost of sales was mainly due to the increase in sale volume of coke and the depreciation and direct labour costs in relation to coking plant.

Gross Loss

As a result of the reasons above, gross loss was approximately HK$32,845,000 for the year ended 31 March 2015, representing an increase of loss approximately HK$21,366,000 as compared with that of approximately HK$11,479,000 for the same period of 2014. During the year under review, the increase in gross loss was mainly due to the drop in average selling prices of coke compared with the same period of 2014.

Other Revenue

During the year under review, other revenue was approximately HK$13,430,000, representing an increase of approximately HK$8,828,000 or 191.8% as compared with approximately HK$4,602,000 of the same period in 2014. The increase was mainly due to the increase in interest income from the loan to a third party.

Other Net Income/Loss

During the year under review, other net loss was approximately HK$20,641,000, which mainly represented by a net unrealized loss on the other financial liabilities with fair value through profit or loss of approximately HK$22,612,000. For the same period in 2014, other net income was approximately HK$16,803,000, which mainly represented by net unrealized loss on trading securities of approximately HK$13,500,000 and net unrealized gain on the other financial liabilities with fair value through profit or loss of approximately HK$30,007,000. The net change from other net income for the year ended 31 March 2014 to other net loss for the same period in 2015 was approximately HK$37,444,000.

Distribution costs

During the year under review, distribution costs were approximately HK$22,971,000, representing a significant increase of approximately HK$20,722,000 as compared with that of approximately HK$2,249,000 for the same period of 2014. The increase was mainly as a result of the substantial increase in transportation costs arising from the significant increase in sales volume of coke.

Administrative Expenses

During the year under review, administrative expenses were approximately HK$120,410,000, representing an increase of approximately HK$32,189,000 or 36.5% as compared with that of approximately HK$88,221,000 for the same period of 2014. The increase in administrative expenses was mainly due to the significant increase in staff costs which were approximately HK$45,746,000 (2014: HK$28,227,000) and depreciation and amortization which were approximately HK$34,433,000 (2014: HK$20,321,000) during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Loss from Operations

For the aforementioned reasons, the loss from operation during the year under review was approximately HK$183,437,000 while the loss from operation was approximately HK$80,544,000 for the same period of 2014.

Finance Costs

During the year under review, finance costs were approximately HK$360,503,000 representing a significant increase of approximately HK$306,479,000 or 567.3% as compared with that of approximately HK$54,024,000 for the same period of 2014. The increase in finance costs was mainly due to the increase in interest on borrowing which were approximately HK$58,988,000 (2014: HK$33,085,000) and increase in the interest expenses charged into profit or loss on the unwinding interest of convertible notes, which were approximately HK$219,303,000 (2014: HK$Nil) and the loss arising on the amendment of terms of convertible notes which were approximately HK$48,053,000 (2014: Nil).

Income Tax

The income tax expenses during the year under review was approximately HK$4,469,000, which comprised with the current income tax expenses of HK$6,591,000 and deferred tax credit of HK$2,122,000, while income tax credit was approximately HK$10,967,000 for the same period of 2014, which comprised with the current income tax expenses of HK$3,625,000 and deferred tax credit of HK$14,592,000,

Loss for the Year

By reasons of the foregoing, the Group recorded a loss of approximately HK$548,409,000, during the year under review, representing an increase of 343.7% as compared with that of approximately HK$123,601,000 for the same period of 2014.

Liquidity and Financial Resources

As at 31 March 2015, the Group's current ratio was 0.30 (2014: 0.32), with current assets of approximately HK$829,594,000 (2014: HK$360,416,000) against current liabilities of approximately HK$2,746,011,000 (2014: HK$1,122,959,000). Cash and cash equivalents were approximately HK$6,046,000 (2014: HK$23,992,000). The Group's gearing ratio was 67% as at 31 March 2015 (2014: 97%). 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$158,916,000 (2014: HK$199,500,000) and HK$582,560,000 (2014: HK$370,614,000) respectively. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 24 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, RMB 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 and Remuneration Policy

During the year under review, the Group optimized its human resources structure according to the market conditions. As at 31 March 2015, the Group had a total of 641 employees (2014: 1,169) 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

ESG Committee
(1 INED & 3 employees)

Major Duties

- to identify the relevant ESG matters that significantly affect the operation of the Group and/ or the interests of other important stakeholders
- to adopt and update ESG policy
- to review and adopt the risks assessment on ESG
- the monitoring of the Group in the areas of health, safety, environmental protection and social responsibility
- to review the Group's annual report or special reports (if any) on ESG

Note:

ED = Executive Director
INED = Independent Non-Executive Director
Employees = Employees of the Group

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL ORGANIZATION STRUCTURE

A. Allocation of tasks within the Board

Director / Board Committee	Audit Committee	Executive Committee	Nomination Committee	Remuneration Committee	ESG Committee
Qin Jun		C	C	M	
Jiang Hongwen		M			
Wang Chuan		M			
Chau Shing Yim, David	M				
Li Bao Guo	M		M	M	C
Lien Jown Jing, Vincent	C			M	
Shen Shiao-Ming	M		M	C	
*Li Qiuyu					M
*Chi Man Hoi					M
*Chu Lai Wan					M

Note:

C = Chairman of the relevant Board Committees
M = Member of the relevant Board Committees
* = Employees of the Group

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2015, except for code provisions A.2.1 and E.1.2 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 (the "**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 E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting (the "**AGM**").

Mr. Qin Jun and Mr. Wang Chuan, each an Executive Director, were unable to attend the AGM held on 22 September 2014 owing to their other commitments. Mr. Qin Jun is the chairman of the Board. In the absence of Mr. Qin, Mr. Jiang Hongwen, an Executive Director, acted as the chairman of the AGM.

SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 page 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 (the "**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 "Reverse Takeover Rules, the Connected Transactions Rules, Corporate Governance and the New Companies Ordinances" conducted by a leading solicitors' firm. Mr. Jiang Hongwen, Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming, attended the seminar. The Company received from all Directors their respective training records for the year ended 31 March 2015.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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	ESG Committee	General Meetings
Number of Meetings	14	2	2	1	0	2
Directors						
Qin Jun	11/14	N/A	2/2	1/1	N/A	0/2
Jiang Hongwen	9/14	N/A	N/A	N/A	N/A	1/2
Wang Chuan	9/14	N/A	N/A	N/A	N/A	0/2
Chau Shing Yim, David	13/14	2/2	N/A	N/A	N/A	2/2
Li Bao Guo	10/14	2/2	2/2	1/1	0	1/2
Lien Jown Jing, Vincent	10/14	2/2	2/2	N/A	N/A	2/2
Shen Shiao-Ming	11/14	2/2	2/2	1/1	N/A	1/2
Li Qiuyu *(Note 2)*	N/A	N/A	N/A	N/A	0	N/A
Chi Man Hoi *(Note 2)*	N/A	N/A	N/A	N/A	0	N/A
Chu Lai Wan *(Note 2)*	N/A	N/A	N/A	N/A	0	N/A

Note:

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

2. Employees of the Group.

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 2015, 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 five Board committees, namely the Executive Committee, Audit Committee, the Nomination Committee, the Remuneration Committee and Environmental, Social and Governance 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 (the "EC")

The EC has been established since June 2011 with specific written terms of reference and currently comprises three Executive Directors as follows:

Mr. Qin Jun *(Chairman)*
Mr. Jiang Hongwen
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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination Committee (the "NC")

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

Mr. Qin Jun *(Chairman)*
Dr. Shen Shiao-Ming
Mr. 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 30 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 AGM in 2014; and
- consideration and recommendation to the Board for approval of the appointment of members of ESG Committee on 30 March 2015.

Remuneration Committee (the "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 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; and
- review of the remuneration of the Executive Directors, with a recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 (the "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 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 twice during the year. The attendance of individual Directors at the committee meetings is set out on page 30 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 2014, 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 2014, 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 2015.

In addition, the members of the AC met with the external auditor without the presence of the management in the beginning of April 2015 to review the report on audit plan and strategy for the year ended 31 March 2015 submitted by the external auditor.

Environmental, Social and Governance Committee (the "ESG Committee")

The ESG Committee had been establish since 30 March 2015 and currently consists of the following four members:

Mr. Li Bao Guo *(Chairman)*
Mr. Li Qiuyu *(Note 1)*
Mr. Chi Man Hoi *(Note 1)*
Ms. Chu Lai Wan *(Note 1)*

CORPORATE GOVERNANCE REPORT (CONTINUED)

The principal responsibilities of the ESG Committee are as follows:

- to identify the relevant matters that significantly affect the operation of the Group and/or the interests of other important stakeholders in the environmental, social and governance aspects;
- to adopt and update as necessary the Group's policies on production safety, environmental protection, social responsibility management and corporate governance;
- to review and adopt the risks assessment in respect of the Group's impact on health, safety, environment and society;
- the monitoring of the Group in the areas of health, safety, environmental protection and social responsibility of monitoring the environment (including the organizational structure, reward policy, staff training, social welfare, etc.);
- to review the Group's annual report or special reports (if any) on environmental protection, social responsibility and corporate governance; and
- other matters authorized by the Board of Directors in relation to health, safety, environment, social responsibility and corporate governance.

Note:

1. Employees of the Group.

ACCOUNTABILITY AND AUDIT

The AC and the Board have reviewed the Company's consolidated financial statements for the year ended 31 March 2015. 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 ("**HKFRs**"). 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 2015, the fee payable to the external auditor in respect of audit and non-audit services is set out below:

	2015 HK$'000
Audit fees	3,685
Audit related fees (including interim review)	1,236
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 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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. She also attends and prepares minutes for the Board and Board committee meetings.

During the year, the Company Secretary, Ms. Chu Lai Wan, 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 (21) 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 "Circulars" of "Investor Relations" 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 3201, 32/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
Fax:	(852) 2527-8522
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 handling media and investor relations, in order to keep them posted of the Group's latest business development.

CONSTITUTIONAL DOCUMENTS

During the year, there were no significant changes in the Company's Memorandum of Association and Amended and Restated 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

As aforementioned, the Group has focused on the production safety of mining activities and endeavoured to provide a safe working environment, and relevant coal mines have been granted the Safety Certificates issued by the Bureau of Xinjiang Coal Mine Safety Supervision. Coal mines of the Group have adopted advanced mining technologies and facilities and observed state safety regulations in respect of the mining industry. The Group has established a specific department to set up a management system for production safety and also established dedicated safety supervision department to oversee the operational safety of the coal mining activities for the sake of holding its mines harmless from any potential risk. The Group considers the safety of its employees is of the first priority. The Group has been co-operating with a number of third-party professional safety institutes and has entered into various cooperation agreements with reputable universities and research institutions for procuring a safe and efficient environment for shaft construction and production activities in a later stage. In the year under review, the Group continuously increased its investment and promoted production safety so as to make itself a model in the coal mining industry in the region.

CORPORATE RESPONSIBILITY REPORT (CONTINUED)

The Group entered into the SCA with Longmei. Pursuant to the SCA, both parties intended to co-operate in certain areas, including (i) the promotion of resource integration projects regarding special and rare kinds of coal in Xinjiang, the Mainland and overseas; (ii) the enhancement of the financing access to overseas capital markets for funding the business development of both parties; (iii) the appointment of Longmei by the Group for the management of production safety, including the construction of infrastructure for coal mines, the improvement of coal mining technologies, the management of coal mine accidents and etc.; and (iv) Longmei's responsibility for production safety during the construction, production and operational periods of coal mines.

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 is also eager to take up corporate social responsibility. In the year under review, the Group has also actively taken part in afforestation and charity affairs opted for a better environment. During 2015, the Group has afforested 360 mu of land and is planned to afforest 32,000 m^2 of land.

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 2015.

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 page 88.

Results and Appropriation

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss on page 54.

No interim dividend was declared (2014: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 March 2015 (2014: Nil).

Share Capital

Details of movements of the share capital of the Company during the year ended 31 March 2015 are set out in note 32(c) to the financial statements.

Convertible Notes

Details of the convertible notes are set out in note 29 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 2015 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 114. 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 2015 are set out in note 32 to the financial statements and consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS (CONTINUED)

Distributable Reserves

Pursuant to the Company Act 1981 of Bermuda, as at 31 March 2015, 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 2015 are set out in note 32(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 41% and 71% respectively to the total Group's sales and the Group's purchase from the largest and five largest suppliers accounted for approximately 20% and 56% 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

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. Jiang Hongwen, Mr. Chau Shing Yim, David and Mr. Li Bao Guo shall retire from office by rotation at the AGM pursuant to Bye-law 84 of the Bye-laws and Mr. Jiang Hongwen and Mr. Li Bao Guo, being eligible, have offered themselves for re-election.

REPORT OF THE DIRECTORS (CONTINUED)

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 2015, none of the Directors proposed for re-election at the forthcoming AGM 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 2015, 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 AGM, 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 36(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 2015 are set out in notes 8 and 9 to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

Directors' and Chief Executive's Interests and Short Positions in Shares of the Company ("Shares"), Underlying Shares and Debentures

As at 31 March 2015, 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 (the "**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 2015**
Qin Jun	Beneficiary Interest of Trust	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%
	Corporate Interest	25,178,000 (L)	230,655,677 (L)	255,833,677 (L)	6.83%
	Beneficiary Interest of Trust	1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%

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. 25,178,000 Shares and 230,655,677 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 2015, the number of issued Shares of the Company was 3,743,187,775 Shares.

REPORT OF THE DIRECTORS (CONTINUED)

Save as disclosed above, as at 31 March 2015, 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.

REPORT OF THE DIRECTORS (CONTINUED)

(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 373,832,582 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.

REPORT OF THE DIRECTORS (CONTINUED)

(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 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.

REPORT OF THE DIRECTORS (CONTINUED)

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 2015.

Further details of the Share Award Scheme are disclosed in note 31(b) to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 March 2015, 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	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	2
Up Energy Holding Ltd.	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	2
Perfect Harmony Holdings Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	2
Seletar Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	2
Serangoon Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	2
Credit Suisse Trust Limited	Trustee	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	3
Liu Huihua	Beneficiary Interest of Trust	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	4
Wang Mingquan	Founder of Trust	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	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	1,214,326,356 (L) 1,203,620,637 (S)	1,531,092,385 (L) 1,263,531,799 (S)	2,745,418,741 (L) 2,467,152,436 (S)	73.34% 65.91%	5
Up Energy Capital Limited	Corporate Interest	25,178,000 (L)	230,655,677 (L)	255,833,677 (L)	6.83%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
Central Huijin Investment Ltd.	Corporate Interest	1,556,425 (L)	581,544,614 (L)	583,101,039 (L)	15.58%	7 to 10
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	6.54%	8
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	6.54%	8
CCB Financial Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.54%	8
CCB International Group Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.54%	8
China Construction Bank Corporation	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.54%	8
Proper Way Profits Limited	Beneficiary Interest	–	320,028,420 (L)	320,028,420 (L)	8.55%	
Yun Dahui	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	8.01% 8.01%	11
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	8.01% 8.01%	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*
Wong Ben Koon	Corporate Interest	309,100,000 (L)	–	309,100,000 (L)	8.26%	11
Hao Tian Development Group Limited	Beneficiary Interest	369,500,000 (L)	–	369,500,000 (L)	9.87%	
		140,000,000 (S)	–	140,000,000 (S)	3.74%	
	Corporate Interest	2,000,000 (L)	–	2,000,000 (L)	0.05%	

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 wholly owned by Up Energy Holding Ltd. ("UEHL"). UEHL is 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., UEHL, 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 Hujin Investment Ltd. ("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 Ms. Yun Dahui. Accordingly, Ms. Yun Dahui is deemed to be interested in the same parcel of Shares in the Company by virtue of the SFO.

12. As at 31 March 2015, the number of issued Shares of the Company was 3,743,187,775 Shares.

Save as disclosed above, as at 31 March 2015, 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 2015, 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 2015.

REPORT OF THE DIRECTORS (CONTINUED)

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 2015, 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 26,846,000 Shares at a total consideration of HK$16,006,000.

Competing Interests

As at 31 March 2015, 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 2014 Interim Report of the Company are as follows:–

(a) Other directorship

Mr. Lien Jown Jing, Vincent has been appointed as a director of China Ticketing Co. Limited on 6 January 2015; a director of Shanghai Baiqiang Culture Communications Co. Limited on 29 December 2014.

In addition, Mr. Lien have been resigned from Loyz Energy Limited as a director effective on 6 November 2014 and Focus Media Networks Limited on 13 April 2015.

(b) Directors' emoluments

The remuneration of Mr. Qin Jun has been increased from HK$500,000 to HK$600,000 per month with effect from 1 January 2015.

The remuneration of Mr. Jiang Hongwen has been increased from HK$100,000 to HK$115,000 per month with effect from 1 January 2015.

The remuneration of Mr. Wang Chuan has been increased from HK$55,000 to HK$60,500 per month with effect from 1 January 2015.

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$26,620 per month with effect from 1 July 2015.

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.

REPORT OF THE DIRECTORS (CONTINUED)

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 2015, 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 26 of this annual report.

Auditor

The financial statements for the year ended 31 March 2015 have been audited by Messrs. KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution will be proposed at the forthcoming AGM 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 2015

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 54 to 113, which comprise the consolidated and company statements of financial position as at 31 March 2015, 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.

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 2015 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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$1,916,417,000 as at 31 March 2015 and that the current portion of outstanding bank borrowings of HK$582,560,000, other financial liabilities of HK$142,273,000 and convertible notes of HK$1,311,727,000 were due for renewals or repayments within the next twelve months. Note 2(b) also 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 the Group's 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 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Revenue	4	**245,314**	152,836
Cost of revenue		**(278,159)**	(164,315)
Gross loss		**(32,845)**	(11,479)
Other revenue	5	**13,430**	4,602
Other net (loss)/income	5	**(20,641)**	16,803
Distribution costs		**(22,971)**	(2,249)
Administrative expenses		**(120,410)**	(88,221)
Loss from operations		**(183,437)**	(80,544)
Net finance costs	6(a)	**(360,503)**	(54,024)
Loss before taxation	6	**(543,940)**	(134,568)
Income tax	7	**(4,469)**	10,967
Loss for the year		**(548,409)**	(123,601)
Attributable to:			
Equity shareholders of the Company		**(495,698)**	(98,617)
Non-controlling interests		**(52,711)**	(24,984)
Loss for the year		**(548,409)**	(123,601)
Loss per share	12		
Basic and diluted		**(15.19) cents**	(3.57) cents

The notes on pages 62 to 113 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 32(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Loss for the year		**(548,409)**	(123,601)
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	**4,392**	22,360
Total comprehensive income for the year		**(544,017)**	(101,241)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(491,488)**	(78,033)
Non-controlling interests		**(52,529)**	(23,208)
Total comprehensive income for the year		**(544,017)**	(101,241)

The notes on pages 62 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment, net	14	**19,018,466**	18,824,714
Prepaid land lease payments	15	**72,443**	74,952
Goodwill	16	**25,623**	25,623
Deferred tax assets	28(b)	**13,474**	13,474
Restricted bank deposits	23	**24,820**	23,923
Other non-current assets	19	**15,194**	119,166
Total non-current assets		**19,170,020**	19,081,852
Current assets			
Trading securities		**–**	4,750
Inventories	20	**67,160**	110,068
Trade and bills receivable	21	**101,785**	71,803
Prepayments, deposits and other receivables	22	**432,334**	107,453
Restricted bank deposits	23	**222,269**	42,350
Cash and cash equivalents	23	**6,046**	23,992
Total current assets		**829,594**	360,416
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	24	**582,560**	370,614
Trade and bills payable	25	**255,796**	196,391
Other financial liabilities	26	**142,273**	164,350
Other payables and accruals	27	**438,977**	383,500
Current taxation	28(a)	**14,678**	8,104
Convertible notes	29	**1,311,727**	–
Total current liabilities		**2,746,011**	1,122,959
Net current liabilities		**(1,916,417)**	(762,543)
Total assets less current liabilities		**17,253,603**	18,319,309
Non-current liabilities			
Long-term borrowings	24	**158,916**	199,500
Convertible notes	29	**2,177,685**	4,213,246
Other financial liabilities	26	**632,530**	673,898
Deferred tax liabilities	28(b)	**3,916,764**	3,918,863
Provisions	30	**7,557**	7,482
Total non-current liabilities		**6,893,452**	9,012,989
NET ASSETS		**10,360,151**	9,306,320

The notes on pages 62 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
CAPITAL AND RESERVES			
Share capital	32(c)	**748,638**	606,059
Equity component of convertible notes	29	**2,092,103**	1,311,693
Reserves		**4,846,773**	4,663,402
Total equity attributable to equity shareholders of the Company		**7,687,514**	6,581,154
Non-controlling interests		**2,672,637**	2,725,166
TOTAL EQUITY		**10,360,151**	9,306,320

Approved and authorised for issue by the board of directors on 23 June 2015.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 62 to 113 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Investments in subsidiaries	17	**7,800,010**	7,800,010
Amounts due from subsidiaries	18	**1,781,759**	1,375,807
Total non-current assets		**9,581,769**	9,175,817
Current assets			
Prepayments, deposits and other receivables	22	**123,736**	1,567
Amounts due from subsidiaries	18	**–**	157,620
Restricted bank deposits	23	**179,315**	–
Cash and cash equivalents	23	**1,750**	4,163
Total current assets		**304,801**	163,350
Current liabilities			
Amounts due to subsidiaries	18	**16,667**	17,867
Other payables and accruals	27	**20,923**	7,306
Convertible notes	29	**1,311,727**	–
Total current liabilities		**1,349,317**	25,173
Net current (liabilities)/assets		**(1,044,516)**	138,177
Total assets less current liabilities		**8,537,253**	9,313,994
Non-current liabilities			
Other financial liabilities	26	**632,530**	568,116
Convertible notes	29	**2,177,685**	4,213,246
Total non-current liabilities		**2,810,215**	4,781,362
NET ASSETS		**5,727,038**	4,532,632
CAPITAL AND RESERVES	32(a)		
Share capital		**748,638**	606,059
Equity component of convertible notes		**2,092,103**	1,311,693
Reserves		**2,886,297**	2,614,880
TOTAL EQUITY		**5,727,038**	4,532,632

Approved and authorised for issue by the board of directors on 23 June 2015.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 62 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000 (note 32(c))	Share premium $'000 (note 32(f)(i))	Other reserve $'000 (note 32(f)(ii))	Contributed surplus $'000 (note 32(f)(iii))	Exchange reserve $'000 (note 32(f)(iv))	Capital reserve $'000 (note 32(f)(v))	Equity component of convertible notes $'000 (note 29)	Share award scheme trusts $'000 (note 32(f)(vi))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
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	32(f)(iii)	–	–	–	300,370	–	–	–	–	–	300,370	95,074	395,444
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	6,332	6,332
Issuance of shares for acquisition of subsidiaries	32(e)	73,500	661,500	(606,665)	–	–	–	–	–	–	128,335	–	128,335
Conversion of convertible notes	29	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
Balance at 1 April 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
Issuance of shares under placing	32(d)	115,020	450,853	–	–	–	–	–	–	–	565,873	–	565,873
Conversion of convertible notes	29	27,559	240,012	–	–	–	–	(62,159)	–	–	205,412	–	205,412
Amendment of terms of convertible notes	29	–	–	–	–	–	–	842,569	–	–	842,569	–	842,569
Contributions to share award scheme trusts		–	–	–	–	–	–	–	(16,006)	–	(16,006)	–	(16,006)
Loss for the year		–	–	–	–	–	–	–	–	(495,698)	(495,698)	(52,711)	(548,409)
Other comprehensive income for the year		–	–	–	–	4,210	–	–	–	–	4,210	182	4,392
Total comprehensive income for the year		–	–	–	–	4,210	–	–	–	(495,698)	(491,488)	(52,529)	(544,017)
Balance at 31 March 2015		748,638	4,934,415	(606,665)	385,168	44,840	3,490	2,092,103	(30,891)	116,416	7,687,514	2,672,637	10,360,151

The notes on pages 62 to 113 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Loss before taxation		**(543,940)**	(134,568)
Adjustments for:			
Net (gain)/loss on trading securities	5	**(2,347)**	13,500
Depreciation of property, plant and equipment	6(c)	**55,657**	43,591
Amortisation of prepaid land lease payments	6(c)	**2,543**	2,393
Interest income	5	**(9,933)**	(4,602)
Gain on sales of property, plant and equipment	5	**(17)**	(296)
Net valuation loss/(gain) on other financial liabilities	5	**22,612**	(30,007)
Net finance costs	6(a)	**360,503**	54,024
		(114,922)	(55,965)
Changes in working capital:			
Decrease/(increase) in inventories		**42,907**	(109,771)
Increase in trade and bills receivable		**(29,982)**	(71,803)
Increase in prepayments, deposits and other receivables		**(3,287)**	(48,253)
Increase in trade and bills payable		**47,109**	181,265
Increase/(decrease) in other payables and accruals		**11,744**	(11,469)
Cash used in operating activities		**(46,431)**	(115,996)
Income tax paid		**(36)**	–
Net cash used in operating activities		**(46,467)**	(115,996)
Investing activities			
Payment for purchase of property, plant and equipment		**(184,533)**	(427,127)
Proceeds from sales of property, plant and equipment		**209**	683
Payment for acquisition of subsidiaries		**–**	(787,365)
Refund of payment for acquisitions		**–**	74,331
Loan to third parties		**(213,271)**	(48,000)
Repayment of loan from third parties		**–**	48,000
Interest received		**9,933**	4,602
Increase in restricted bank deposits		**(180,816)**	(32,406)
Net cash used in investing activities		**(568,478)**	(1,167,282)

The notes on pages 62 to 113 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Financing activities			
Proceeds from new bank loans		509,714	637,032
Repayment of bank loans		(340,419)	(75,937)
Proceeds from issuance of corporate bond, net of issuing expenses		15,200	–
Advances from related parties		56,867	–
Contributions to share award scheme trusts		(16,006)	(14,885)
Installments of financial liabilities		(125,242)	(90,078)
Interest paid		(69,044)	(39,562)
Proceeds from issuance of shares under placing, net of issuing expenses		565,873	–
Contributions from non-controlling interests		–	6,332
Net cash generated from financing activities		596,943	422,902
Net decrease in cash and cash equivalents		(18,002)	(860,376)
Cash and cash equivalents at 1 April		23,992	881,932
Effect of foreign exchange rate changes		56	2,436
Cash and cash equivalents at 31 March	23	6,046	23,992

The notes on pages 62 to 113 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 3201, 32/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") and 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, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), continue to be those of the predecessor Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules. 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.

(b) Basis of preparation of the financial statements

As at 31 March 2015, the Group had net current liabilities of $1,916,417,000 (as at 31 March 2014: $762,543,000) and current portion of outstanding bank borrowings of $582,560,000 (see note 24) (as at 31 March 2014: $370,614,000), other financial liabilities of $142,273,000 (as at 31 March 2014: $164,350,000) and convertible notes of $1,311,727,000 which were 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 phase one of Group's 1.3 Mt Coking Project started its operation from October 2013. In relation to the acquired projects in Baicheng, Xinjiang, they resumed production of coal from November 2013. These projects contributed revenue amounting to $245,314,000 to the Group for the year ended 31 March 2015. Due to the impact of major coal mine accidents occurred in adjacent areas and requirements to temporarily suspend production and construction to ensure safety measures are implemented by the safety supervisory department of the local government in the mining area, the projects (other than phase one of the 1.3 Mt Coking Projects) in Fukang, Xinjiang, did not commence commercial production as originally planned. The Group is using its best endeavours in an attempt to bring the projects in Fukang, Xinjiang, into commercial production according to the revised prevailing development plan of the Group's principal projects. The directors of the Company (the "**Directors**") anticipate that certain of the Group's aforementioned projects will commence commercial production from the second half of 2015 which will then enhance the liquidity position of the Group. However, the commencement of the projects is still subject to satisfaction of certain conditions, including obtaining necessary government approval and permits, which continues to represent a material uncertainty to the going concern of the Group.

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 (Continued)

Certain measures have been and are being taken to manage the Group's liquidity needs and to improve its financial position which include, but are not limited to, the following:

1) The Group is actively discussing with the Group's bankers located in the Mainland China and expects to obtain new banking facilities of approximately RMB500,000,000;

2) The major shareholder of the Company has confirmed in writing 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;

3) On 26 May 2015, the Group completed a placing of an aggregate of 303,832,000 new shares with net proceeds of approximately $158,252,000 to enhance its liquidity position;

4) As mentioned in Note 29, the Group is actively discussing with the note-holders of the remaining former Tranche A and Tranche B convertible notes with total principal amount of $1,381,703,000 originally due on 18 January 2016 for the extension of maturity to 31 December 2018; and

5) The Group is also actively considering to raise new capital by carrying out fund raising activities including but not limited to open offer as alternative sources of funding.

Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis. The 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 2015 comprise the Company and its subsidiaries (together referred to as the "**Group**").

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 the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial statements as the Group has not offsetted any financial assets nor financial liabilities.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's financial statements as the guidance is consistent with the Group's existing accounting policies.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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)).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant Accounting Policies (Continued)

(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:

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.

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.

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)

(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.

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 and other equipment	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant Accounting Policies (Continued)

(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.

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).

- 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.

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)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 earnings.

(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.

When the modification of the terms of borrowings is considered to be substantial, the borrowings are considered to be extinguished and the liabilities are derecognised.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant Accounting Policies (Continued)

(s) Employee benefits (Continued)

(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.

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 32(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant Accounting Policies (Continued)

(t) Income tax (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant Accounting Policies (Continued)

(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.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 31 about share-based payment transactions and in note 35 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.

(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 profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(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 profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Accounting Judgements and Estimates (Continued)

(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.

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:

	2015 **$'000**	2014 $'000
Coke	**180,320**	46,914
Coal	**17,894**	99,128
Others	**47,100**	6,794
	245,314	152,836

During the year ended 31 March 2015, the Group had two (2014: three) customers that individually exceeded 10% of the Group's revenue. The revenue from sales to these two (2014: three) customers amounted to approximately $143,657,000 (2014: $100,082,000) for the year ended 31 March 2015.

Details of concentrations of credit risk arising from these customers are set out in note 33(a).

5 Other Revenue and Net Income

	2015 **$'000**	2014 $'000
Other revenue		
Interest income	**9,933**	4,602
Others	**3,497**	–
	13,430	4,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Other Revenue and Net Income (Continued)

	2015 $'000	2014 $'000
Other net (loss)/income		
Realised gain/(net unrealised loss) on trading securities	**2,347**	(13,500)
Net unrealised (loss)/gain on other financial liability with fair value through profit or loss (note 33(e))	**(22,612)**	30,007
Net gain on sales of property, plant and equipment	**17**	296
Others	**(393)**	–
	(20,641)	16,803

6 Loss Before Taxation

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

(a) Net finance costs

	2015 $'000	2014 $'000
Foreign exchange loss, net	**533**	1,901
Interest on borrowings	**58,988**	33,085
Unwinding interest of convertible notes (note 29)	**287,969**	270,545
Unwinding interest of other financial liabilities (note 26)	**43,799**	46,270
Loss arising on the amendment of terms of convertible notes (note 29)	**48,053**	–
Other interest expense	**983**	835
Less: interest expense capitalised into construction in progress and mine properties*	**(79,822)**	(298,612)
Finance costs	**359,970**	52,123
Net finance costs	**360,503**	54,024

* The borrowing costs have been capitalised at a rate of 7.28% per annum for the year ended 31 March 2015 (2014: 6.87% per annum)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Loss Before Taxation (Continued)

(b) Staff costs

	2015 $'000	2014 $'000
Salaries, wages, bonus and other benefits	65,959	17,378
Retirement scheme contributions	2,550	853
	68,509	18,231

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% (2014: 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.

(c) Other items

	2015 $'000	2014 $'000
Amortisation of prepaid land lease payments	2,543	2,393
Depreciation of property, plant and equipment	55,657	43,591
Operating lease charges: minimum lease payments hire of property	4,846	4,165
Auditors' remuneration	4,921	3,636
Cost of inventories	278,159	164,315

Cost of inventories include $54,281,000 (2014: $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.

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

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

	2015 $'000	2014 $'000
Current tax		
Provision for the year (note 28(a))	**6,591**	3,625
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	**(2,122)**	(14,592)
	4,469	(10,967)

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 2015 and 2014.

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

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

	2015 $'000	2014 $'000
Loss before taxation	**(543,940)**	(134,568)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(127,957)**	(28,882)
Tax effect of non-deductible expenses	**96,930**	16,822
Tax effect of non-taxable income	**(3,170)**	(1,111)
Tax effect of unused tax losses not recognised	**38,666**	2,204
Actual tax expense/(credit)	**4,469**	(10,967)

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:

	2015			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Executive directors				
Mr. Qin Jun	–	6,959	17	6,976
Mr. Jiang Hongwen	–	1,331	33	1,364
Mr. Wang Chuan	–	682	–	682
Independent non-executive directors				
Mr. Chau Shing Yim, David	365	–	–	365
Mr. Li Bao Guo	289	–	–	289
Mr. Lien Jown Jing, Vincent	289	–	–	289
Dr. Shen Shiao-Ming	289	–	–	289
Total	1,232	8,972	50	10,254

	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

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 2015 and 2014.

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 (2014: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015 **$'000**	2014 $'000
Salaries and other emoluments	**2,371**	2,450
Retirement scheme contributions	**53**	45
	2,424	2,495

During the year ended 31 March 2015, the emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

$	**2015** **Number of** **individuals**	2014 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 2015 and 2014.

10 Loss Attributable to Equity Shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes a loss of $403,442,000 (2014: $277,912,000) 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 2015 and 2014.

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 $495,698,000 (2014: $98,617,000) and the weighted average of 3,262,764,000 ordinary shares (2014: 2,765,566,000) 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 32(f)(vi)); (3) puttable shares arising from the acquisition of Champ Universe Limited ("**Champ Universe**") and (4) issuance of shares under placing.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 March 2015 and 2014 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 26(b)) and Puttable Shares (as defined in note 26(a)) arising from the acquisition of Champ Universe at 28 June 2013 during the years ended 31 March 2015 and 2014 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 and other equipment $'000	Vessel $'000	Mine properties $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 April 2013	51,943	14,405	10,313	32,360	13,785,155	1,682,230	15,576,406
Acquisitions of subsidiaries	42,649	3,679	954	–	1,986,000	9,333	2,042,615
Additions	48,045	10,343	7,578	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	18,994	32,374	16,169,248	2,041,858	18,909,035
At 1 April 2014	618,834	27,727	18,994	32,374	16,169,248	2,041,858	18,909,035
Additions	14,383	2,313	6,020	–	–	223,700	246,416
Transferred from construction in progress	164,472	–	–	–	–	(164,472)	–
Disposals	–	(331)	(656)	–	–	–	(987)
Exchange adjustments	835	30	23	–	1,463	1,342	3,693
At 31 March 2015	798,524	29,739	24,381	32,374	16,170,711	2,102,428	19,158,157
Accumulated depreciation and impairments							
At 1 April 2013	(6,501)	(6,685)	(4,189)	(11,479)	–	–	(28,854)
Acquisitions of subsidiaries	(9,542)	(1,813)	(508)	–	–	–	(11,863)
Charge for the year	(18,387)	(3,867)	(3,323)	(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)	(8,113)	(17,757)	(11,860)	–	(84,321)
At 1 April 2014	(34,700)	(11,891)	(8,113)	(17,757)	(11,860)	–	(84,321)
Charge for the year	(33,096)	(5,033)	(5,405)	(6,280)	(5,843)	–	(55,657)
Written back on disposals	–	283	512	–	–	–	795
Exchange adjustments	(461)	(26)	(21)	–	–	–	(508)
At 31 March 2015	(68,257)	(16,667)	(13,027)	(24,037)	(17,703)	–	(139,691)
Net book value:							
At 31 March 2015	730,267	13,072	11,354	8,337	16,153,008	2,102,428	19,018,466
At 31 March 2014	584,134	15,836	10,881	14,617	16,157,388	2,041,858	18,824,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Property, Plant and Equipment, Net (Continued)

The Group (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 the coal mine at Baicheng located in the Xinjiang Uyghur Autonomous Region, the PRC.

As at 31 March 2015, ownership of equipment and machineries amounting to $214,510,000 (2014: $209,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda (see note 26(a)).

As at 31 March 2015, mine properties of the Group of $8,370,418,000 (2014: $8,370,418,000) and construction in progress of the Group of $67,307,000 (2014: $100,776,000) have been pledged as collateral for the Group's borrowings (see note 24).

Consideration of impairment for mine properties

The Directors have assessed whether there are any indicators of impairment in respect of mine properties. In making this assessment they have considered the Group's preliminary economic assessment which includes reserve estimates, production start date, future mining and processing capacity and the longer term price outlook for coking coal. The Directors do not consider that there are any indicators that mine properties are impaired at the year end.

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	
	2015	2014
	$'000	$'000
Carrying amount at beginning of year	**77,513**	68,461
Acquisition of subsidiaries	**–**	1,903
Additions	**–**	9,066
Amortisation for the year	**(2,543)**	(2,393)
Exchange adjustments	**35**	476
Carrying amount at end of year	**75,005**	77,513
Current portion included in prepayments, deposits and other receivables	**(2,562)**	(2,561)
Non-current portion	**72,443**	74,952

As at 31 March 2015, prepaid land lease payments of the Group of $27,166,000 (2014: $60,387,000) have been pledged to certain banks as securities for the Group's borrowings (see note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Goodwill

	The Group
Cost	
At 1 April 2014 and 31 March 2015	25,623
Carrying amount:	
At 31 March 2015	25,623
At 31 March 2014	25,623

The goodwill arose from the acquisition of Champ Universe. 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 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	
	2015	2014
	$'000	$'000
Coal Mining in the PRC	**25,623**	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% (2014: of 3%) 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% (2014: 12.81%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Investments in Subsidiaries

	The Company	
	2015	2014
	$'000	$'000
Unlisted shares, at cost	**7,800,010**	7,800,010

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 coal and clean coal
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 Mining")	PRC	US$17,050,000	–	79.20%	Mine construction
Up Energy (Fukang) Coking Ltd. ("UE Coking")	PRC	US$22,999,960	–	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%	Coal mining

The Company has entered into a share charge in connection with the issue of the convertible notes (see note 29) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Investments in Subsidiaries (Continued)

In accordance with the Minsheng Bank Hong Kong loan facility (see note 24), the entire issued share capital of UE Mining, Champ Universe, 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 ("Minsheng Bank Hong Kong").

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.

	2015 $'000	2014 $'000
NCI percentage	**30%**	30%
Current assets	**73,705**	35,360
Non-current assets	**8,967,699**	8,899,002
Current liabilities	**(801,602)**	(621,287)
Non-current liabilities	**(1,408,641)**	(1,421,251)
Net assets	**6,831,161**	6,891,824
Carrying amount of NCI	**2,049,348**	2,067,547
Revenue	**–**	–
Loss for the year	**(60,797)**	(42,165)
Other comprehensive income	**135**	2,945
Total comprehensive income	**(60,662)**	(39,220)
Loss allocated to NCI	**(18,239)**	(12,650)
Net cash used in operating activities	**20,240**	23,893
Net cash used in investing activities	**69,487**	130,613
Net cash generated from financing activities	**76,795**	134,902

18 Amount Due From and to Subsidiaries

Amounts due from and to subsidiaries included in the Company's current assets and current liabilities of $nil (2014: $157,620,000) and $16,667,000 (2014: $17,867,000), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Other Non-Current Assets

	The Group	
	2015	2014
	$'000	$'000
Deposits for acquisitions (note (i))	**–**	24,331
Deposits for financial liabilities (note (ii))	**–**	54,248
Prepayments to suppliers for property, plant and equipment	**15,194**	40,587
	15,194	119,166

Notes:

(i) As at 31 March 2014, deposits mainly represented the prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited (the "Acquisition") of $24,331,000. During the year ended 31 March 2015, such deposits have been transferred to current assets after the mutual agreement reached for terminating the Acquisition between the parties (see note 22).

(ii) The deposits represented deposits made by the Group as a security for the funds obtained from Cinda (see note 26). These deposits will be due within one year as at 31 March 2015 and have been transferred to current assets.

20 Inventories

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

	The Group	
	2015	2014
	$'000	$'000
Raw materials	**17,740**	79,922
Work in progress	**2,166**	3,658
Goods in transit	**11,766**	3,549
Finished goods	**32,448**	27,309
Materials and supplies	**15,284**	5,335
	79,404	119,773
Less: provision for diminution in value of inventories	**12,244**	9,705
	67,160	110,068

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

	The Group	
	2015	2014
	$'000	$'000
Carrying amount of inventories sold	**265,915**	154,610
Write down of inventories	**12,244**	9,705
	278,159	164,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Trade and Bills Receivable

	The Group 2015 $'000	2014 $'000
Trade receivables	**100,396**	67,762
Bills receivable	**1,389**	4,041
	101,785	71,803

Trade and bills receivable are invoiced amounts due from the Group's customers which are due within 60 days 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, is as follows:

	The Group 2015 $'000	2014 $'000
Within 3 months	**78,062**	61,533
3 to 6 months	**22,378**	10,270
6 to 12 months	**1,345**	–
	101,785	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 2015 $'000	2014 $'000
Current	**60,241**	39,823
Within 1 month	**32,503**	4,984
1 to 3 months overdue	**7,629**	17,504
3 to 6 months overdue	**1,412**	9,492
	101,785	71,803

Bills receivable are generally due within 180 days from the date of billing. As at 31 March 2015, the Group has no impairment losses on trade and bills receivable (31 March 2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Prepayments, Deposits and Other Receivables

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deposits and prepayments (note (i))	**114,760**	33,516	**5,815**	206
VAT and other tax receivables (note (ii))	**63,544**	58,090	**–**	–
Amount due from related parties	**129**	3,039	**–**	–
Loan to a third party (note (iii))	**213,271**	–	**108,588**	–
Other receivables (note (iv))	**40,630**	12,808	**9,333**	1,361
	432,334	107,453	**123,736**	1,567

Notes:

(i) Prepayment and deposits mainly represent advance to suppliers, deposits (including deposits related to financial liabilities) 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.

(iii) As part of the contemplated acquisition of GCC and GCC LP (collectively the "Target"), third-party companies, the Group signed a loan agreement with GCC LP on 6 September 2014 which was amended and restated on 17 December 2014. Pursuant to the amended and restated agreement, the Group has agreed to grant advances totalling US$50 million to GCC LP. As at 31 March 2015, the Group has made advances of US$27.5 million (approximately $213.27 million) to GCC LP. This loan will be due on the earlier of the date when the contemplated acquisition of GCC LP is completed or the date the contemplated acquisition of GCC LP is terminated. The Directors are of the opinion that the Group can fully recover the loan receivable from GCC LP. For details of the contemplated acquisition of GCC LP, please refer to note 37(a).

(iv) As at 31 March 2015, other receivables mainly represent the refundable deposit of $24,331,000 in relation to the Acquisition (see note 19).

All other receivables except the loan receivable from GCC LP were expected to be recovered or expensed off within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Cash and Cash Equivalents

Cash and cash equivalents comprise:

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**253,135**	90,265	**181,065**	4,163
Less: restricted bank deposits	**(247,089)**	(66,273)	**(179,315)**	–
Cash and cash equivalents	**6,046**	23,992	**1,750**	4,163

As at 31 March 2015, the Group's bank balances of approximately $24,820,000 (2014: $23,923,000) 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 2015, the Group's bank balances of approximately US$23 million (approximately $179,315,000) were deposited at banks as secured deposit for the advance payment guarantee issued by Minsheng Bank Hong Kong to Marubeni Corporation, one of the sellers in the proposed acquisition of the Target, to guarantee GCC LP's settlement of prepayment received from Marubeni Corporation.

As at 31 March 2015, the Group's bank balances of approximately $12,625,000 (2014: $12,877,000) were deposited at banks as a bank acceptance notes margin with a term of six months.

As at 31 March 2015, the Group's bank balances of approximately $29,473,000 (2014: $29,473,000) were deposited at banks as secured deposit for borrowings (see note 24).

As at 31 March 2015, the Group's bank balances of approximately $655,000 (31 March 2014: $nil) were deposited at banks as rural migrant worker salary protection guarantee fund pursuant to the relevant local government regulations.

As at 31 March 2015, the Group's bank balances of approximately $201,000 (31 March 2014: $nil) were deposited at banks as secured deposit for guarantee issued.

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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
RMB	**2,220**	14,180	**18**	–
US$	**434**	356	**6**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 Borrowings

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

	The Group	
	At 31 March 2015 $'000	At 31 March 2014 $'000
Bank loans		
– secured	**492,341**	444,505
– guaranteed	**166,441**	–
Less: current portion	**499,866**	245,005
	158,916	199,500

As at 31 March 2015, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong and ICBC Fukang (as defined below), were repayable as follows:

	The Group	
	At 31 March 2015 $'000	At 31 March 2014 $'000
Within 1 year or on demand	**499,866**	245,005
After 1 year but within 2 years	**95,206**	199,500
After 2 year but within 3 years	**63,710**	–
	658,782	444,505

On 28 June 2013, UE Mining, a wholly owned subsidiary of the Group, obtained a loan facility, amounting to $480,000,000, from Minsheng Bank Hong Kong.

In accordance with the Minsheng Bank Hong Kong loan facility, the entire issued share capital of UE Mining, Champ Universe, 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 29 December 2014, UE Resources as borrower constructed in the form of a long-term facility loan agreement of $232 million with Minsheng Bank Hong Kong. As at 31 March 2015, $169,100,000 has been drawn down under this loan facility. This loan is repayable in 8 instalments from 29 February 2016 to 24 March 2018, and the interest rate is 5.5% per annum. The Company and 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 Minsheng Bank Hong Kong for, including but not limited to, all amounts payable by the Group under the loan facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 Borrowings (Continued)

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

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 2015, RMB193,591,000 (equivalent to $244,409,000) 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 facilities.

(b) The short-term borrowings comprise:

	At 31 March 2015 $'000	At 31 March 2014 $'000
Unsecured loans	**25,250**	63,050
Secured bank loans (note (i))	**46,081**	46,909
Guaranteed bank loans (note (ii))	**11,363**	15,650
Current portion of long-term borrowings		
– Bank loan	**499,866**	245,005
	582,560	370,614

Note:

(i) As at 31 March 2015, bank loans amounting to $27,143,000 (2014: $27,994,000) were secured by bank deposits with an aggregate carrying value of $29,473,000 (2014: $29,473,000) (see note 23).

As at 31 March 2015, banks loans amounting to $18,938,000 (2014: $12,610,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $27,166,000 (2014: $27,870,000) and $67,307,000 (2014: $100,776,000) respectively.

As at 31 March 2015, bank loans amounting to $nil (2014: $6,305,000) were secured by prepaid land lease with aggregate carrying value of $nil (2014: $32,517,000).

(ii) As at 31 March 2015, bank loans amounting to $11,363,000 (2014: $nil) were guaranteed by a related party of the Group.

As at 31 March 2015, bank loans amounting to $nil (2014: $15,650,000) were guaranteed by a third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

25 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 within six months.

As at 31 March 2015, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	The Group	
	2015	2014
	$'000	$'000
Within 2 months	**28,593**	125,850
Over 2 months but within 3 months	**88,866**	49,104
Over 3 months but within 6 months	**37,803**	21,437
Over 6 months but within 1 year	**97,261**	–
Over 1 year but within 2 years	**3,273**	–
	255,796	196,391

26 Other Financial Liabilities

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Other financial liabilities:				
– At amortised cost (note (a))	**428,185**	514,242	**285,912**	244,110
– At fair value (note (b))	**346,618**	324,006	**346,618**	324,006
	774,803	838,248	**632,530**	568,116
Among which:				
– Current portion	**142,273**	164,350	**–**	–
– Non-current portion	**632,530**	673,898	**632,530**	568,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Other Financial Liabilities (Continued)

(a) Other financial liabilities at amortised cost

	The Group				The Company		
	For finance lease (note (i)) $'000	For puttable shares (note (ii)) $'000	Corporate bond (note (iii)) $'000	Total $'000	For puttable shares (note (ii)) $'000	Corporate bond (note (iii)) $'000	Total $'000
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
At 1 April 2014	270,132	244,110	–	514,242	244,110	–	244,110
Addition	–	–	15,200	15,200	–	15,200	15,200
Unwinding interests (note 6(a))	17,197	26,573	29	43,799	26,573	29	26,602
Repayment	(145,306)	–	–	(145,306)	–	–	–
Exchange adjustments	250	–	–	250	–	–	–
At 31 March 2015	142,273	270,683	15,229	428,185	270,683	15,229	285,912
Among which:							
– Current portion	142,273	–	–	142,273	–	–	–
– Non-current portion	–	270,683	15,229	285,912	270,683	15,229	285,912

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 $45,261,000 and $9,052,000 (see note 22) 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 2015, ownership of equipment and machineries amounting to $214,510,000 (31 March 2014: $209,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

(ii) 140,000,000 ordinary shares (the "Puttable Shares") of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of Champ Universe. Pursuant to the put option, Hao Tian Resources Group Limited ("Hao Tian") has the right to request the Group to repurchase the Puttable Shares at $2.2 per share with 20 business days after 28 June 2016. The financial liabilities was amortised at a rate of 10.47% per annum.

(iii) On 13 February 2015, Up Energy Development Group issued unlisted corporate bonds with principal amount of $20 million. The corporate bonds bear a coupon of 7.5% per annum and have a term of 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Other Financial Liabilities (Continued)

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of top up option (the "Top Up Option") in relation to the 227,500,000 shares (the "Issued Shares") issued to Hao Tian for the acquisition of Champ Universe. Pursuant to the Top Up Option, the Group will allot and issue additionally new shares or pay cash to Hao Tian if the average closing price of ordinary shares of the Company for the trading days immediately preceding and including 28 June 2016 is less than $2. The fair value of derivative financial liabilities as at 31 March 2015 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

27 Other Payables and Accruals

	The Group		The Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Payables for construction work and equipment purchases	**263,034**	299,196	**–**	–
Security deposits on construction work	**28,079**	29,778	**–**	–
Amounts due to related parties	**64,757**	7,764	**–**	–
Other taxes payable	**9,486**	7,847	**–**	–
Others	**73,621**	38,915	**20,923**	7,306
	438,977	383,500	**20,923**	7,306

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.

28 Income Tax in the Consolidated Statement of Financial Position

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

	The Group	
	2015 $'000	2014 $'000
At 1 April	**8,104**	3,110
Acquisition of subsidiaries	**–**	1,431
Provision for the year (note 7)	**6,591**	3,625
Income tax paid	**(36)**	–
Exchange adjustments	**19**	(62)
At 31 March	**14,678**	8,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Income Tax in the Consolidated Statement of Financial Position (Continued)

(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** '000	**Depreciation allowance in excess of related depreciation** $'000	**Tax losses** '000	**Total** $'000
At 1 April 2013	3,427,521	2,236	–	3,429,757
Acquisition of subsidiaries	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
At 1 April 2014	3,917,489	1,374	(13,474)	3,905,389
Credited to profit or loss (note 7)	(1,318)	(804)	–	(2,122)
Exchange adjustments	23	–	–	23
At 31 March 2015	3,916,194	570	(13,474)	3,903,290

Reconciliation to the consolidated statement of financial position

	The Group	
	2015 **$'000**	2014 $'000
Deferred tax assets recognised in the consolidated statement of financial position	**(13,474)**	(13,474)
Deferred tax liabilities recognised in the consolidated statement of financial position	**3,916,764**	3,918,863
	3,903,290	3,905,389

(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 $354,611,000 and $85,880,000, respectively (2014: $186,852,000 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 jurisdictions and entities. The tax losses are available indefinitely or not more than five years (depending on the jurisdictions in which tax losses were incurred).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Convertible Notes

	The Group and the Company		
	Liability component	**Equity component**	**Total**
	$'000	$'000	$'000
At 1 April 2014	4,213,246	1,311,693	5,524,939
Amendment of terms of certain convertible notes	(794,516)	842,569	48,053
Interest charged during the year (note 6(a))	287,969	–	287,969
Interests payable	(11,875)	–	(11,875)
Conversion of convertible notes	(205,412)	(62,159)	(267,571)
At 31 March 2015	3,489,412	2,092,103	5,581,515
Among which:			
– Current portion	1,311,727	–	1,311,727
– Non-current portion	2,177,685	2,092,103	4,269,788

As at 31 March 2015, two tranches of convertible notes of the Company are outstanding, namely Tranche A and Tranche B convertible notes.

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.

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 $229,862,000 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 note-holders 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Convertible Notes (Continued)

Tranche A and tranche B (Continued)

$10,000,000 Tranche A convertible notes and $17,600,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 1 April 2014 to 31 August 2014 on the basis of one ordinary share for every $1.6484 convertible note held.

$189,000,000 Tranche A convertible notes and $7,800,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 1 September 2014 to 31 March 2015 on the basis of one ordinary share for every $1.6258 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.

On 13 February 2015, the shareholders of the Company approved the amendment of certain terms and conditions of Tranche A and Tranche B convertible notes at a special general meeting. After the deed of amendment signed by the note-holders and the Company, the convertible notes bear interest rate of 5% per annum and have a maturity date of 31 December 2018 and a conversion price of $0.75 per share, subject to adjustments. As at 31 March 2015, Tranche A convertible notes with principal amount of $1,503,000,000 and Tranche B convertible notes with principal amount of $1,626,250,000 have been amended to the above terms. This amendment was accounted for as extinguishment of the relevant former Tranche A and Tranche B convertible notes with new convertible notes issued. Loss of $48,053,000 was charged into the profit or loss for the difference between carrying amounts of the liability component of relevant former convertible notes and the fair values (after deducting the fair values of the equity component of relevant former convertible notes at the amendment date) of the new convertible notes issued at the amendment date. The Company has been discussing with relevant note-holders for the same amendment of terms of the remaining former Tranche A and Tranche B convertible notes with principal amounts of $467,851,000 and $913,852,000, respectively which is pending on the signing of relevant deeds of amendment between the Company and the note-holders.

30 Provisions

	The Group	
	2015	2014
	$'000	$'000
At 1 April	**7,482**	–
Acquisition of subsidiaries	**–**	6,889
Accretion expense	**67**	537
Exchange adjustments	**8**	56
At 31 March	**7,557**	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 2015 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

31 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 2015, 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 Share Option Scheme.

(b) Share award scheme

Pursuant to a written resolution of the board of Directors 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 2015, no award has been made under the Share Award Scheme.

32 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

	Note	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 2013		509,337	3,386,675	–	84,798	1,364,709	–	(814,006)	4,531,513
Changes in equity for 2013/2014:									
Total comprehensive income for the year	10	–	–	–	–	–	–	(277,912)	(277,912)
Issuance of shares for acquisition of subsidiaries	32(e)	73,500	661,500	(606,665)	–	–	–	–	128,335
Conversion of convertible notes	29	23,222	195,375	–	–	(53,016)	–	–	165,581
Contributions to share award sheme 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
Balance at 1 April 2014		606,059	4,243,550	(606,665)	84,798	1,311,693	(14,885)	(1,091,918)	4,532,632
Changes in equity for 2014/2015:									
Total comprehensive income for the year	10	–	–	–	–	–	–	(403,442)	(403,442)
Issuance of shares under placing		115,020	450,853	–	–	–	–	–	565,873
Conversion of convertible notes	29	27,559	240,012	–	–	(62,159)	–	–	205,412
Amendment of terms of convertible notes	29	–	–	–	–	842,569	–	–	842,569
Contributions to share award sheme trusts		–	–	–	–	–	(16,006)	–	(16,006)
Balance at 31 March 2015		748,638	4,934,415	(606,665)	84,798	2,092,103	(30,891)	(1,495,360)	5,727,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Capital, Reserves and Dividends (Continued)

(b) Dividends

The Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2015.

(c) Share capital

	2015		2014	
	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	**3,030,296**	**606,059**	2,546,687	509,337
Conversion of convertible notes	**137,792**	**27,559**	116,109	23,222
Issuance of shares under placing (note 32(d))	**575,100**	**115,020**	–	–
Issuance of shares for acquisition of subsidiaries (note 32(e))	**–**	**–**	367,500	73,500
At 31 March	**3,743,188**	**748,638**	3,030,296	606,059

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the company residual asset.

(d) Issuance of shares under placing

On 1 September 2014, 575,100,000 ordinary shares were issued under placing to several new investors at $1.00 per share. Total consideration amounting to $575,100,000 of which $115,020,000 was credited to share capital and the remaining proceeds of $450,853,000 (net of the share issuance costs of $9,227,000) were credited to the share premium account.

(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 Champ Universe. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 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 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 Champ Universe on 28 June 2013.

(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.

(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 31(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Capital, Reserves and Dividends (Continued)

(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 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.

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 29.

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.

33 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'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's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to these credit risks on an ongoing basis.

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group has certain concentration credit risk as five customers accounted for 29.1% (2014: 80.4%) of the total trade receivables as at 31 March 2015.

(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)

33 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

	2015 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	255,796	–	–	–	255,796	255,796
Other payables and accruals	438,977	–	–	–	438,977	438,977
Convertible notes	1,499,586	156,891	3,442,175	–	5,098,652	3,489,412
Borrowings	622,668	98,216	86,665	–	807,549	741,476
Other financial liabilities	147,697	656,119	4,500	24,389	832,705	774,803
	2,964,724	911,226	3,533,340	24,389	7,433,679	5,700,464

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk (continued)

The Company

	2015 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	20,923	–	–	–	20,923	20,923
Other financial liabilities	1,500	656,119	4,500	24,389	686,508	632,530
Convertible notes	1,499,586	156,891	3,442,175	–	5,098,652	3,489,412
	1,522,009	813,010	3,446,675	24,389	5,806,083	4,142,865

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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			
	2015		2014		2015		2014	
	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:								
Other financial liabilities	9.2%~12.4%	774,803	9.2%~10.5%	838,248	10.5%~12.4%	632,530	N/A	–
Convertible notes	6.7%~16.92%	3,489,412	6.7%	4,213,246	6.7%~16.92%	3,489,412	6.7%	4,213,246
		4,264,215		5,051,494		4,121,942		4,213,246
Variable rate borrowings:								
Borrowings	4%~12%	741,476	4%~12%	570,114	N/A	-	N/A	–
Total borrowings		5,005,691		5,621,608		4,121,942		4,213,246

(ii) Sensitivity analysis

At 31 March 2015, 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 $5,561,000 (2014: $4,276,000).

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.

(d) Currency risk

Other than the exposure of bank deposits made in foreign currencies (see note 23), the Group are not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(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 2015 using			
	Fair value at 31 March 2015 $'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 liabilities:				
Derivative liability for Top Up Option	346,618	–	–	346,618

	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

During the year ended 31 March 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: a transfer from level 1 to level 2). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(e) Fair value measurement (Continued)

(ii) Information about Level 2 fair value measurements

The fair value of trading securities at 31 March 2014 in level 2 was determined by using financial model that incorporate observable input of comparable listed companies, as the trading securities, amounting to $4,750,000, was suspended in trading in an active market.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Value
Top Up Option	Black-Scholes model	Expected volatility	67.456%

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 2014	324,006
Changes in fair value recognised in profit or loss during the year (note 5)	22,612
At 31 March 2015	346,618

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 of the convertible notes, the carrying amounts are not materially different from their fair values as at 31 March 2015. 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 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Commitments

(a) Capital commitments

	The Group	
	2015 $'000	2014 $'000
Contracted for		
– property, plant and equipment	357,991	401,435
– stripping activity assets	–	–
– exploration and evaluation asset	–	–
	357,991	401,435

(b) Operating lease commitments

(i) At 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Within 1 year	4,889	127	1,116	20
After 1 year but within 5 year	4,377	–	1,116	–
	9,266	127	2,232	20

(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.

35 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 mine at Baicheng. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

	2015 $'000	2014 $'000
Salaries and other emoluments	**10,204**	9,333
Retirement scheme contributions	**50**	30

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.

	2015 $'000	2014 $'000
Payments on behalf of the Group by related parties	**39,466**	35,601
Cash advances from related parties (note (i))	**258,038**	43,292

Note:

(i) Short-term borrowing is interest free and with no specific repayment terms. The maximum balance outstanding during the year ended 31 March 2015 was $71,199,000.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

(c) Related party balances

	2015 $'000	2014 $'000
Other receivables (note 22)	**129**	3,039
Other payables and accruals (note 27)	**64,757**	7,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 Non Adjusting Events After the Reporting Period

(a) Proposed acquisition of GCC

On 14 November 2014, Up Energy Resources Company Limited (as purchaser), the Company (as purchaser guarantor) and 0925165 B.C. Ltd. and Marubeni Coal Canada Ltd. (the "Vendors") entered into sale and purchase agreements in relation to the acquisition of 82.74% interests in GCC and GCC LP (the "Sales Interests"). The completion of the sale and purchase agreements is conditional upon the fulfillment of various conditions precedent.

38 Immediate and Ultimate Controlling Party

As at 31 March 2015, 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.

39 Major Non-Cash Transaction

As disclosed in note 29, $199,000,000 Tranche A convertible notes, $25,400,000 Tranche B convertible notes were converted by note-holders into ordinary shares from 1 April 2014 to 31 March 2015 on the basis of one ordinary share for every $1.6258 to $1.6484 convertible note held.

40 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2015

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 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
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
Amendments to HKFRS 11, *Joint arrangements*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

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), as permitted by the Listing Rules, come into operation from the Company's first financial year ending after 31 December 2015 (i.e. the Company's financial year which ends on 31 March 2016). 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				
	2011 HK$'000 (Restated)	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
TURNOVER					
Continuing operations	–	–	–	152,836	**245,314**
Discontinued operation	26,121	5,078	–	–	**–**
	26,121	5,078	–	152,836	**245,314**
OPERATING PROFIT/(LOSS)					
Continuing operations	943,740	(97,701)	(59,292)	(134,568)	**(543,940)**
Discontinued operation	(170)	11	–	–	**–**
PROFIT/(LOSS) BEFORE TAX	943,570	(97,690)	(59,292)	(134,568)	**(543,940)**
Income tax expense	84	(3,576)	(1,084)	10,967	**(4,469)**
PROFIT/(LOSS) FOR THE YEAR	943,654	(101,266)	(60,376)	(123,601)	**(548,409)**
Attributable to:					
Owners of the Company	944,656	(91,357)	(47,786)	(98,617)	**(495,698)**
Non-controlling interests	(1,002)	(9,909)	(12,590)	(24,984)	**(52,711)**
	943,654	(101,266)	(60,376)	(123,601)	**(548,409)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2011 HK$'000 (Restated)	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
TOTAL ASSETS	15,531,530	15,759,123	16,831,192	19,442,268	**19,999,614**
TOTAL LIABILITIES	(9,072,567)	(8,256,805)	(8,104,438)	(10,135,948)	**(9,639,463)**
	6,458,963	7,502,318	8,726,754	9,306,320	**10,360,151**
TOTAL EQUITY					
Attributable to:					
Owners of the Company	3,800,153	4,849,000	6,079,786	6,581,154	**7,687,514**
Non-controlling interests	2,658,810	2,653,318	2,646,968	2,725,166	**2,672,637**
	6,458,963	7,502,318	8,726,754	9,306,320	**10,360,151**