UPENERGY

Up Energy Development Group Limited

優派能源發展集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 307

INTERIM REPORT 2011

Coal - Exploration • Mining • Washing • Coking & Chemicals

Increased Value In Circulation

Contents

Corporate Profile

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

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

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Chau Shing Yim, David

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Foo Man Yee, Carina

AUDITOR

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

Block A, Commercial Street
Minzu Lane
Fukang City
Xinjiang

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

www.irasia.com/listco/hk/upenergy
www.upenergy.com

STOCK CODE

307

FINANCIAL YEAR END

31 March

Profiles of Coal Mines

Xiaohuangshan Coal Mine — 90% owned

Location: 18 km to the southeast of Fukang City
Area: 2.178 sq. km
Type of Mine: underground mine
Expected Date of Trial Run: June 2012
Planned Annual Production Capacity of Coking Coal at Full Operation: 2.4 Mt
JORC Code Coal Resources*: 107 Mt
JORC Code Coal Reserves*: 26.13 Mt
Coking Coal Type: mainly fat coal & 1/3 coking coal

Shizhuanggou Coal Mine — 70% owned

Location: 40 km to the east of Fukang City
Area: 7.1572 sq. km
Type of Mine: underground mine
Expected Date of Trial Run: November 2012
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 73.22 Mt
JORC Code Coal Reserves*: 23.52 Mt
JORC Code Potential Coal Reserves*: 24.75 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal & lean coal

Quanshuigou Coal Mine — 70% owned

Location: 40 km to the east of Fukang City
Area: 6.6052 sq. km
Type of Mine: underground mine
Expected Date of Trial Run: December 2012
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 70.61 Mt
JORC Code Coal Reserves*: 20.58 Mt
JORC Code Potential Coal Reserves*: 27.19 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal & lean coal

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

Profiles of Phase One Project

Coal Coking Project — 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Date of Trial Run: July 2012
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 Date of Trial Run: September 2012
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 Date of Trial Run: June 2012
Planned Annual Processing Capacity at Full Operation: 5.2 million m^3
Usage of Processed Pit Water: Water for industrial Use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

Management Discussion and Analysis

During the review period for the six months ended 30 September 2011 (the "Review Period"), the Company and its subsidiaries (collectively as the "Group") focused on the construction of the three coal mines and the downstream phase one ancillary projects in Fukang of Xinjiang. All the projects have not yet commenced operation as they are still under different construction stages. It is expected that commercial production of these projects will commence successively starting from 2012 and planned annual production capacity of the coal mines will reach a maximum of 4.5 Mt. The Group will then be one of the largest integrated energy groups with circulative economy business model in the coking industry in northwestern China in terms of planned production capacity. When the three coal mines commence production, the Group is expected to show significant improvement in its financial performance. The Group has made every endeavor during the Review Period to ensure successful implementation of the projects.

INDUSTRY REVIEW

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

(1) Industry Overview and Operation Environment of Coking Coal Industry

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

During the first quarter of 2011, the coking coal market in China was affected by the international market, whereby steel manufacturers in China significantly increased their purchase price of coking coal to a range from RMB1,580 to RMB1,780 per tonne. Production of steel manufacturers resumed to full capacity in the second quarter, thus bringing about an inelastic demand for coking coal and maintaining the price of which at a relative high level. Despite the falling demand for steel in China in the third quarter, there was a drop in the growth rate of coking coal supply due to the consolidation of coking coal producers in China. As a result, the price of coking coal fluctuated significantly within a certain range. However, rapid development in Xinjiang simulated the demand for steel products and the steel manufacturers had increased their investment in order to upgrade production capacity. The scarcity and uneven distribution of coking coal resources in Xinjiang, coupled with the problem of over demand, has led to a continuous growth in the price of coking coal.

(2) Demand, Supply and Pricing Trend of Coking Coal in Xinjiang

Since the development of coking coal industry in Xinjiang is still at the preliminary stage, the output decreased slightly because of the consolidation activities of, and regulatory measures imposed on local coal mines. As a result, the supply of coking coal was tight and Xinjiang has to purchase around 8 Mt of coking coal from other areas of China. Coking coal price witnessed significant growth and the coking coal price in Xinjiang remained strong. In September 2011, the Xinjiang price of coking coal ranged from RMB680 to RMB920 per tonne, subject to the category of coking coal. Currently, the price of coke in Xinjiang is RMB1,680 per tonne, which is expected to rise further in the future.

Management Discussion and Analysis

BUSINESS REVIEW

(1) Reserves of Coal Resource and Exploration Activities

During the Review Period, the original exploration report of the Xiaohuangshan Mine has been completed and six more new holes were drilled. A total of 3,382 metres were drilled by the period end. No. 156 Coalfield Geological Exploration Team of Xinjiang Uygur Autonomous Region Coalfield Geology Bureau has been summarising findings from the drilling activities and the preliminary analysis showed that the Group's resource is expected to be increased by more than 10 Mt (China resource code). Upon completion of the first supplementary exploration in the northern part of the Xiaohuangshan Mine, 33.49 Mt of China resource code 333 would be upgraded to China resource code 332 or above. Certain increase in amount of resources is expected.

(2) Construction Progress of Coal Mines and Projects

During the Review Period, construction progress of the three mines and the three downstream ancillary projects basically met the schedule set by the Group. Phase one shaft sinking and drifting project of the Xiaohuangshan Mine, which includes the construction of main vertical shaft, auxiliary vertical shaft and vertical ventilation shaft, was completed. Certain construction of phase two shaft sinking and drifting project has started, which included shaft bottom, underground chamber, haulage crosscuts and main ventilation drift. Construction of ground-level infrastructure, such as 35kv electricity transmitting and transforming facilities, staff quarter, warehouse for explosives, road outside the mine area and water supply of the Xiaohuangshan Mine, has been finished.

Construction of main inclined shaft, auxiliary inclined shaft and cross heading for the phase one shaft sinking and drifting project of the Shizhuanggou Mine was completed. Certain parts in phase two shaft sinking and drifting project, namely shaft bottom, underground chamber were also completed. Ground-level infrastructure such as site grading, 10kv electricity transmitting and transforming facilities for ventilation shafts, warehouse for explosives, medical centre, concrete pouring for main building at shaft entrance, roads outside the mine area and water supply was completed.

For the Quanshuigou Mine, construction of main inclined shaft and auxiliary inclined shaft in phase one shaft sinking and drifting project was basically completed. Ground-level infrastructure including the main body of 35kv electricity transformers, 35kv double circuit wiring system, 10kv electricity transmitting and transforming facilities, staff training centre, warehouse for explosives, road outside the mine area and water supply was completed.

Management Discussion and Analysis

With regard to the three downstream ancillary projects, construction of coal preparation, coking coal selection and quenching system, ancillary facilities as well as procurement of equipment of the coal coking project were all under good progress. Framework construction for the main body of pre-crushing chamber, coal blending plant and coking coal selection building of the coal preparation and selection systems were completed. 90% of cokery brick work for the coking coal quenching system was finished. Building of smoke vents at both sides of the cokery, high-rise chimney, main body of the high-rise coal tower, cokery platform, main body of the segregation platform, track for coking coal vehicles and main body of the pump station for quenching tanks were all completed. As for ancillary facilities, construction of storerooms for endurable materials and general materials were completed. Main body of integrated water supply system and 201 main electricity transforming station, office building for coking activities, centralised chemical laboratory and canteen were built.

For the raw coal washing project, construction of the main plant, the contingent storage tank and the laboratory building were finished. The building of main body of the concentrating plant was basically completed.

During the Review Period, 90% of the construction of the 10km D300 pit water pipeline project of the water recycling project was completed, and the site grading and construction of the administration office building were finished.

BUSINESS PROSPECT OF NEXT YEAR

(1) Supplementary Exploration

The Group will launch a supplementary exploration on the Xiaohuangshan Mine and scheduled to finish eight additional drilling holes in the north of the original exploration M1 report in 2012. A total of 5,360 metres will be drilled by then.

(2) Construction Progress and Scheduled Date for Trial Production

The three Xinjiang coal mines of the Group are scheduled to commence operation successively starting from 2012. Planned annual production capacity of coking coal is expected to reach a maximum of 4.5 Mt upon full operation.

In the following year, construction of remaining second phase and third phase shaft sinking and drifting project of the Xiaohuangshan Mine, together with the remaining ground-level infrastructure will be completed. It is expected that the trial production will kick off in June 2012. For the Shizhuanggou Mine, construction of remaining second and third phases shaft sinking and drifting project and the whole ground-level infrastructure will be finished and the Group expects that the trial production will start in November 2012. As for the Quanshuigou Mine, construction of the remaining first and second phases and a majority of third phase project will be completed and all the ground-level infrastructure will be finished. Trial run is scheduled to commence in December 2012.

Procurement of equipment with extended working cycle for the coal coking project will be completed by February 2012 and remaining equipment and materials procurement will be completed in June 2012. Equipment installation for systems of coal preparation, coking coal selection and quenching will be completed in June 2012 and the cokery will be ready for trial heating and examination. In addition, the installation of chemical recovery equipment will be completed. Equipment installation for ancillary facilities including air compression station, refrigerating station, soft water station, furnace, centralised chemical laboratory, integrated water supply, electricity supply and distribution, integrated tank yard, foam station, unloading station and biochemical sewage treatment facilities will be completed. The Group expects to initiate the trial production in July 2012.

As for the construction progress of the raw coal washing project in the coming year, procurement of equipment with extended working cycle will be completed by February 2012 and procurement of other equipment will be finished by May 2012. The installation of the preparation plant system, comprising a coal yard, an underground transportation network and equipment for selection and crushing, will be completed in the first half of the coming year. The equipment installation of the main processing system, including a coal transportation corridor and coal washing equipment, and the ancillary processing system, including a concentrating plant and a pressing plant, is expected to be completed in the first half of the coming year. Besides, equipment installation of the ancillary facilities, including an air compressing station, a centralised chemistry laboratory, water supply, electricity supply and distribution and a pharmacy storeroom will also be completed in the first half. The Group expects that the trial run of the raw coal washing project will commence in September 2012 as scheduled.

For the water recycling project, procurement of equipment with extended working cycle, purifying system of the purification plant, construction and equipment installation of the filtering system will be completed consecutively in the first half of 2012. For the ancillary processing system, construction and equipment installation of a sludge concentrating plant and water tanks will be completed. The Group expects the water recycling project will begin trial operation in June 2012.

(3) Expected Capital Expenditure

The expected capital expenditure of the Group for the period from October 2011 to March 2012 would be around RMB350 million.

(4) Enhancement of Strategic Co-operation

The Group strives to identify strategic partners along the industry chain as well as from the financial sector in order to enhance its competitiveness in the coal industry. In 2011, the Group entered into a non-binding strategic co-operation memorandum with Baosteel Resources Company Limited. Pursuant to the memorandum, both parties intend to strengthen the co-operation in development of production and processing technologies, logistics and transportation, sales and marketing, supply and distribution of coal products, appraisal and identification of investment opportunities in mining resources, acquisition of upstream resources and processing of downstream products. The Group will continue to seek strategic partners for synergy effects so as to enhance competitiveness.

In addition, continuous support from various financial service groups is of vital importance for the future development of the Group. In 2011, the Group respectively entered into financial co-operation agreements with two of the largest financial service groups in China, namely the group of China Construction Bank and the group of Industrial and Commercial Bank of China. The financial co-operation agreements provided a framework for the Group to obtain various financial services from the CCB Group and ICBC Group, including but not limited to financial advisory services, fund raising, financing for mergers and acquisitions, foreign exchange and other general banking and financial services. The financial co-operation agreements will strengthen the Group's relationships with the CCB Group and the ICBC Group.

BUSINESS STRATEGIES OF THE GROUP

(1) Prospect of Coking Coal Industry in Xinjiang

The central government introduced a series of preference policies in Xinjiang recently and "Developing Xinjiang" has been upgraded as a national strategy. Xinjiang Autonomous Region continues to be the focus of investment of the central government. Fixed asset investment in Xinjiang during the period of "12th Five-Year Plan" would double that of the "11th Five-Year Plan". Driven by these favourable policies, economic and social development of Xinjiang will witness rapid growth and demand for steel products will be stimulated by burgeoning construction activities in local infrastructure and property sector and flourishing industrial production activities. Steel manufacturers will increase their investment to boost production capacity, thereby fueling the demand for coke which serves as a critical ancillary material in steel production.

As a basic material for steel manufacturing, the growing demand for coking coal, coupled with its scarcity nature in Xinjiang, has led to a continuous tight supply. The situation of over-demand would be further worsened and the price of coking coal is expected to surge in the future. This provides a positive and favourable environment for the coking coal business of the Group.

(2) Production Safety

Production safety is considered important to coal mining operation by the Group since its establishment. The Group issued various comprehensive guidelines for safe operation internally and co-operated with third-party professional bodies externally. The Group entered into various agreements in technological co-operation framework, technological co-operation and technological consultation with the Pingan Coal Mine and Gas (Methane) Engineering Research Limited (lead by Mr. Yuan Liang, the Academician of the Chinese Academy of Engineering), the China University of Mining and Technology and other reputable universities and research institutions for providing a safe and efficient environment for shaft construction and future production through researches in safety of mine gas, pit water and advanced mining technologies.

(3) Merger and Acquisition in Xinjiang and Overseas Countries

Merger and acquisition is crucial for the long term development of a company. The Group will adhere to the principle of low-cost expansion and prudently identify merger and acquisition opportunities in Xinjiang which coincide with its business strategy and philosophy. Through gradual expansion of coal reserves and scale of mining activities, the Group will be able to secure its leading position in the coking coal industry in northwestern China. In respect of merger and acquisition in overseas countries, management of the Group regularly arranges overseas site visits and actively identifies investment opportunities in resource consolidation, merger and acquisition of coking coal and energy industries in foreign countries.

(4) Risk Factors

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

Mine exploration, mining operations and production are subject to a number of operational risks and hazards, which included but not limited to rock bursts, slides, fires or natural disasters, political and social instability due to inclement or hazardous weather condition, some of which are beyond our control, which could delay the production and delivery of coal products, or may increase cost of mining or result in accidents in coal mines. Given the prolonged time span needed for the development of mining projects, the Group may encounter different unpredicted difficulties and technical issues in the course of development which may lead to delay in production schedule. Besides, coal business requires substantial and on-going capital investment, actual expenditures for the projects may differ from the planned expenditures in the course of development and may exceed the original budgets.

In respect of policy risks, mining operations and exploration activities are required to comply with a number of laws and regulations and therefore government regulations and policies will have extensive impact on the business. The Group is of no assurance that the government will not change relevant laws and regulations or impose additional or more stringent laws and regulations. Failure to comply with the relevant laws and regulations in coal mining or coal production may adversely affect the Group. Furthermore, changes in regulations and policies and practices could have an adverse impact on the Group's future cash flows, results of operations and financial condition. Any introduction of new tax scheme on resources by the local government such as mining rights fee, resources tax, special adjustment fee for resources, fee for domestic economic development, may have an adverse effect on financial forecast on the Group.

For market risks, as the Group's results of operations are highly dependent on coking coal price which tends to be cyclical and subject to fluctuations, the volatility and cyclicality in coal price is linked to the rapid development of the Chinese economy and the impact of the global financial crisis. Negative trends in coal price would have a substantial and negative impact on the Group's business, prospects, financial condition and results of operations. As China is the world's largest producer and exporter of steel, any future economic downturn that reduces the demand for steel will have a negative impact on the demand for Chinese steel. A reduction in the demand for Chinese steel would directly reduce the demand for the coking coal produced by the Group, which would have a material and adverse impact on the Group's business, prospects, financial condition and results of operations.

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

During the period under review, the Group's turnover decreased by 68%, from approximately HK$15,964,000 for the six months ended 30 September 2010 to approximately HK$5,078,000 for the corresponding period in 2011. This decrease was primarily due to the Group gradually shifted its resources to coal mining business for the period.

Cost of Sales

Cost of sales decreased by 68%, from approximately HK$15,651,000 for the six months ended 30 September 2010 to approximately HK$5,028,000 for the corresponding period in 2011. This decrease was mainly due to the Group's corresponding decrease in sales volume.

Gross Profit

Gross profit decreased by 84%, from approximately HK$313,000 for the six months ended 30 September 2010 to approximately HK$50,000 for the corresponding period in 2011. Gross profit margin decreased from 2% for the six months ended 30 September 2010 to 1% for the corresponding period in 2011. The change is due to different mix of products sold.

Other Income and Gains, Net

Other income and gains, net decreased by 88% from approximately HK$10,567,000 for the six months ended 30 September 2010 to approximately HK$1,320,000 for the corresponding period in 2011. The decrease was primarily attributable to gain on disposal of a subsidiary of approximately HK$10,602,000 was recorded for the six months ended 30 September 2010, comparing to the interest income amounting to approximately HK$1,252,000 generated in the current period.

Distribution Costs

No distribution costs incurred during the six months ended 30 September 2011, comparing to the approximately HK$73,000 recorded in the corresponding period in 2010.

Administrative Expenses

Administrative expenses increased by 19 times from approximately HK$2,684,000 for the six months ended 30 September 2010 to HK$54,053,000 for the corresponding period in 2011, which primarily due to an increase in consulting fee by HK$26,183,000, depreciation by HK$4,242,000, employee benefits by HK$3,402,000, directors' remuneration by HK$2,277,000, legal and professional fee by HK$1,465,000 and other office expenses when the Group commenced its coal mining business.

Result for Continuing Operations

For the aforementioned reasons, the Group's result for continuing operations recorded a profit approximately amounting to HK$8,095,000 for the six months ended 30 September 2010 and turning to a loss approximately HK$52,683,000 for the corresponding period in 2011.

Management Discussion and Analysis

Finance Costs

Finance costs from approximately HK$58,000 for the six months ended 30 September 2010 to approximately HK$9,602,000 for the corresponding period in 2011, the increase was primarily due to amortised interest expense on convertible notes for the six months ended 30 September 2011.

Income Tax Expense

The Group recorded a deferred income tax credit for the six months ended 30 September 2011 approximately HK$168,000.

Result for the Period

The Group's result for the six months ended 30 September 2011 recorded a loss approximately HK$62,117,000 comparing to a profit approximately HK$7,927,000 for the corresponding period in 2010.

Capital Expenditure

During the period under review, the additional property, plant and equipment mainly for mine development and processing facilities construction of the Group approximately amounted to HK$391,643,000, which comprised by construction in process HK$353,506,000 and other capital expenditures HK$38,137,000.

Charges on Assets

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

Save as above, the Group did not have any charges on assets as at 30 September 2011.

Liquidity and Financial Resources

As at 30 September 2011, the Group's current ratio was 14.3 (31 March 2011: 18.7), with current assets of approximately HK$1,061,721,000 (31 March 2011: HK$1,348,561,000) against current liabilities of approximately HK$74,359,000 (31 March 2011: HK$71,987,000). Cash and cash equivalents were approximately HK$1,003,163,000 (31 March 2011: HK$1,257,526,000). The Group's gearing ratio was 110% as at 30 September 2011 (31 March 2011: 140%). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the period, and the Group continues to follow the practice of prudent cash management.

Treasury Policies

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

Foreign Exchange Risk

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

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources and Remuneration Policy

As at 30 September 2011, the Group had a total of 231 employees (31 March 2011: 175) in PRC and Hong Kong. Employees' remuneration packages are reviewed and determined by reference to the market pay and individual performance. The staff benefits include contributions to mandatory provident fund, medical scheme and share option scheme.

The Group adopted a new Share Option Scheme on 29 August, 2011 for the purpose to provide incentive and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interests in attaining the long term business objectives of the Group during the Relevant Period, no share option was granted by the Company.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2011 (2010: Nil).

Report on Review of Unaudited Interim Condensed Consolidated Financial Statements

ERNST & YOUNG
安 永

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of Up Energy Development Group Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 17 to 43, which comprises the interim condensed consolidated statement of financial position of Up Energy Development Group Limited (the "Company") and its subsidiaries (collectively as the "Group") as at 30 September 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

25 November 2011

Interim Condensed Consolidated Income Statement

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**5,078**	15,964
Cost of sales		**(5,028)**	(15,651)
Gross profit		**50**	313
Other income and gains		**1,320**	10,567
Selling and distribution expenses		**–**	(73)
Administrative expenses		**(54,053)**	(2,684)
Share of loss of a jointly-controlled entity		**–**	(28)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATING ACTIVITIES		**(52,683)**	8,095
Finance costs	6	**(9,602)**	(58)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(62,285)**	8,037
Income tax expense	7	**168**	–
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(62,117)**	8,037
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	**–**	(110)
(LOSS)/PROFIT FOR THE PERIOD		**(62,117)**	7,927
Attributable to:			
Owners of the Company		**(58,131)**	7,927
Non-controlling interests		**(3,986)**	–
		(62,117)	7,927
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For (loss)/profit for the period		**(7.48 cents)**	15.84 cents
– For (loss)/profit from continuing operations		**(7.48 cents)**	16.06 cents
Diluted			
– For (loss)/profit for the period		**(7.48 cents)**	15.84 cents
– For (loss)/profit from continuing operations		**(7.48 cents)**	16.06 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
(LOSS)/PROFIT FOR THE PERIOD	**(62,117)**	7,927
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**18,171**	651
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**18,171**	651
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(43,946)**	8,578
Attributable to:		
Owners of the Company	**(44,202)**	8,578
Non-controlling interests	**256**	–
	(43,946)	8,578

Interim Condensed Consolidated Statement of Financial Position

30 September 2011

	Notes	**30 September 2011 (Unaudited) HK$'000**	31 March 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**14,508,275**	14,108,835
Prepaid land lease payments	11	**68,926**	68,411
Total non-current assets		**14,577,201**	14,177,246
CURRENT ASSETS			
Inventories	12	**6,239**	14,272
Prepayments, deposits and other receivables	13	**37,744**	40,970
Restricted bank deposits	14	**14,575**	35,793
Cash and cash equivalents	14	**1,003,163**	1,257,526
Total current assets		**1,061,721**	1,348,561
CURRENT LIABILITIES			
Trade and bills payables	15	**4,341**	22,052
Other payables and accruals	16	**70,018**	49,935
Total current liabilities		**74,359**	71,987
NET CURRENT ASSETS		**987,362**	1,276,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,564,563**	15,453,820
NON-CURRENT LIABILITIES			
Convertible notes	17	**4,689,895**	5,566,664
Deferred tax liabilities		**3,428,025**	3,428,193
Total non-current liabilities		**8,117,920**	8,994,857
NET ASSETS		**7,446,643**	6,458,963

Interim Condensed Consolidated Statement of Financial Position

30 September 2011

	Notes	**30 September 2011 (Unaudited) HK$'000**	31 March 2011 (Audited) HK$'000
EQUITY			
Equity attributable to owner of the Company			
Issued capital	18	**217,908**	61,184
Treasury shares	18	**(11,624)**	–
Equity component of convertible notes	17	**1,723,236**	2,299,100
Reserves		**2,858,057**	1,439,869
		4,787,577	3,800,153
Non-controlling interests		**2,659,066**	2,658,810
TOTAL EQUITY		**7,446,643**	6,458,963

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

(Unaudited and restated)	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible notes HK$'000	Accumulated losses HK$'000	Sub-Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
	Attributable to equity holders of the Company										
At 1 April 2010	10,009	37,161	84,798	(651)	3,490	38	–	(94,782)	40,063	–	40,063
Profit for the period	–	–	–	–	–	–	–	7,927	7,927	–	7,927
Other comprehensive income for the period											
Exchange differences on translation of foreign operations	–	–	–	651	–	–	–	–	651	–	651
Total comprehensive income for the period	–	–	–	651	–	–	–	7,927	8,578	–	8,578
Issue of share upon exercise of share options	6	133	–	–	–	(38)	–	–	101	–	101
At 30 September 2010	10,015	37,294	84,798	–	3,490	–	–	(86,855)	48,742	–	48,742

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Net cash flows used in operating activities		**(33,213)**	(2,652)
Net cash flows used in investing activities		**(213,545)**	(9,847)
Net cash flows (used in)/from financing activities		**(11,624)**	101
Net decrease in cash and cash equivalents		**(258,382)**	(12,398)
Cash and cash equivalents at beginning of period	14	**1,257,526**	22,420
Effect of foreign exchange rate changes, net		**4,019**	159
Cash and cash equivalents at end of period	14	**1,003,163**	10,181

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2011

1. CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (the "Group") were involved the following principal activities:

- Trading of multi-media products
- Development and construction of coal mining and coke processing facilities

As at 30 September 2011, the Company had direct or indirect interests in the following principal subsidiaries:

Subsidiaries	Place and date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Up Energy Investment (China) Ltd. ("UE China")	BVI 31 October 2003	US$50,000	100.00	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. ("UE Xinjiang", 優派能源(新疆)礦業有限公司)	PRC 2 November 2005	US$30,000,000	70.00	Coal mining, manufacture and sale of coke and clean coke
Up Energy (Hong Kong) Limited ("UE HK")	Hong Kong 29 December 2009	HK$10,000	100.00	Investment holding
Up Energy International Ltd. ("UE International")	BVI 22 January 2010	US$50,000	100.00	Investment holding
Up Energy (Fukang) Coal Mining Ltd. ("UE Coal Ming")	PRC 4 February 2010	US$15,000,000	90.00	Mine construction
Up Energy (Fukang) Coking Ltd. ("UE Coking")	PRC 4 February 2010	US$11,500,000	70.00	Manufacture and sale of coke and clean coke
Up Energy (Fukang) Coal Washing Ltd. ("UE Coal Washing")	PRC 4 February 2010	US$5,000,000	70.00	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd. ("UE Water")	PRC 4 February 2010	US$3,200,000	70.00	Water recycling

1. CORPORATE INFORMATION *(continued)*

Subsidiaries	Place and date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Up Energy Development (HK) Limited	Hong Kong 4 November 2010	HK$1	100.00	Investment holding
Up Energy Management Limited (formerly known as Sun Arts Ltd.)	Hong Kong 2 November 1993	HK$2	100.00	Provision of corporate services to related companies
Goldmax Trading Limited	Hong Kong 19 February 2009	HK$1	100.00	Multi-media product and component trading
Up Energy Development Group (BVI) Co., Ltd.	BVI 12 July 2011	US$1	100.00	Investment holding

The Company has entered into a share charge in connection with the issue of the convertible notes of the Company. Pursuant to the share charge, the charge is created over (i) entire issued share capital of Up Energy Investment (China) Ltd., (ii) the entire issued share capital of Up Energy International Ltd., and (iii) the entire issued share capital of Up Energy (Hong Kong) Limited. All of the companies are wholly owned subsidiaries of the Company. Save as above, the Group did not have any charges on assets as at 30 September 2011.

2. BASIS OF PREPARATION AND CHANGE TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2011.

2. BASIS OF PREPARATION AND CHANGE TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 September 2011. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated units until the date that such control ceases.

The Group's interest in its jointly-controlled entity is accounted for by proportionate consolidation from the date on which joint control over the jointly-controlled entity is established, which involves recognising in the consolidated financial statements a proportionate share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items on a line-by-line basis.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.3 New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except for the adoption of new standards and interpretations as of 1 April 2011, noted below:

- HKFRS 7 *Financial Instruments-Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

The adoption of the new and revised HKFRSs has had no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has reportable operating segments as follows:

(a) Trading of multi-media products; and

(b) Development and construction of coal mines and coke processing facilities ("Coal Mining").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible notes, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

Operating segments

The following tables present revenue and results information regarding the Group's operating segments for the six months ended 30 September 2011 and 2010, respectively.

	Multi-media Product Trading		Coal Mining		Discontinued Operations		Total	
For the six months ended 30 September	**2011** **(Unaudited)** **HK$'000**	2010 (Unaudited and restated) HK$'000	**2011** **(Unaudited)** **HK$'000**	2010 (Unaudited and restated) HK$'000	**2011** **(Unaudited)** **HK$'000**	2010 (Unaudited and restated) HK$'000	**2011** **(Unaudited)** **HK$'000**	2010 (Unaudited and restated) HK$'000
Segment revenue								
Sales to external customers	**5,078**	15,964	**–**	–	**–**	44	**5,078**	16,008
Segment results	**31**	(1,917)	**(16,787)**	–	**–**	(110)	**(16,756)**	(2,027)
Interest income							**1,252**	1
Other gains, net							**33**	10,602
Other operating expenses							**–**	(208)
Unallocated corporate operating income							**35**	5
Share of loss of a jointly-controlled entity							**–**	(28)
Finance costs							**(9,602)**	(58)
Unallocated corporate operating expenses							**(37,247)**	(360)
(Loss)/profit before tax							**(62,285)**	7,927

3. OPERATING SEGMENT INFORMATION *(continued)*

Operating segments *(continued)*

The following table presents segment assets of the Group's operating segments as at 30 September 2011 and 31 March 2011:

	Multi-media Product Trading		Coal Mining		Total	
	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000	**30 September 2011 (Unaudited) HK$'000**	31 March 2011 (Audited) HK$'000	**30 September 2011 (Unaudited) HK$'000**	31 March 2011 (Audited) HK$'000
Segment assets	**10,649**	12,617	**14,940,121**	14,998,893	**14,950,770**	15,011,510
Elimination of intersegment receivables					**–**	(25,707)
Unallocated corporate assets					**688,152**	540,004
Total assets					**15,638,922**	15,525,807
Segment liabilities	**10,627**	12,627	**3,294,007**	3,489,893	**3,304,634**	3,502,520
Elimination of intersegment payables					**–**	(25,707)
Unallocated corporate liabilities					**4,887,645**	5,590,031
Total liabilities					**8,192,279**	9,066,844

For the six months ended 30 September	Multi-media Product Trading		Coal Mining		Corporate		Total	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000
Other segment information								
Depreciation and amortisation for the period	**–**	–	**2,840**	–	**2,453**	1	**5,293**	1
Capital expenditure	**–**	–	**353,506**	–	**38,137**	–	**391,643**	–

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Hong Kong	**5,078**	15,964

The revenue from continuing operations of the Group above is based on the location of the customers.

(b) Non-current assets

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Hong Kong	**33,527**	817
Mainland China	**14,543,674**	14,176,429
	14,577,201	14,177,246

The non-current assets information from continuing operations of the Group above is based on the location of non-current assets.

4. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced values of goods sold, net of value added tax ("VAT"), after allowances for returns and discounts; and the value of services rendered during the period.

4. REVENUE *(continued)*

An analysis of revenue is as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Revenue		
Sale of goods	**5,078**	15,964

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Cost of inventories sold	**5,028**	15,651
Depreciation of property, plant and equipment	**4,243**	1
Amortisation of prepaid land lease payments	**1,050**	–
Total depreciation and amortisation	**5,293**	1
Gain on disposal of subsidiaries	**–**	(10,602)
Employee benefits expenses (excluding directors' remuneration):		
Wages, salaries and other employees' benefits	**3,968**	566
Pension scheme contributions – defined contribution scheme	**141**	35
	4,109	601
Auditors' remuneration	**603**	100
Professional service for proposed placement	**23,367**	–
Operating lease charges:		
Minimum lease payments in respect of property rentals	**1,092**	274
Bank interest income	**(1,252)**	(1)

Notes to the Interim Condensed Consolidated Financial Statements

30 September 2011

6. FINANCE COSTS

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

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Foreign exchange (gain)/loss	**(369)**	58
Amortised interest of convertible notes (note 17)	**166,481**	–
Less: Interest capitalised	**(156,510)**	–
	9,971	–
	9,602	58

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Income tax:		
Current tax – Hong Kong	**–**	–
Current tax – Mainland China	**–**	–
Deferred tax	**(168)**	–
Total income tax credit for the period	**(168)**	–

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 776,728,213 (2010: 50,043,247) in issue during the period, as adjusted to reflect (1) the conversion of the Tranche A, B and C convertible notes; (2) the share repurchased as treasury shares; and (3) share consolidation of 20 to 1 on 12 May 2011.

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

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**(58,131)**	8,037
From a discontinued operation	**–**	(110)
	(58,131)	7,927
Interest on convertible notes	**9,135***	–
(Loss)/profit attributable to ordinary equity holders of the Company before interest on convertible notes	**(48,996)**	7,927
Attributable to:		
Continuing operations	**(48,996)**	8,037
Discontinued operation	**–**	(110)
	(48,996)	7,927

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

	Six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**776,728,213**	50,043,247
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	**3,110,534,654**	–
	3,887,262,867*	50,043,247
(Loss)/earnings per share		
Basic		
– For (loss)/profit for the period	**(7.48 cents)**	15.84 cents
– For (loss)/profit from continuing operations	**(7.48 cents)**	16.06 cents
Diluted		
– For (loss)/profit for the period	**(7.48 cents)***	15.84 cents
– For (loss)/profit from continuing operations	**(7.48 cents)***	16.06 cents

* Because the diluted loss per share amount is decreased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the period of HK$58,131,000, and the weighted average number of ordinary shares of 776,728,213 in issue during the period.

9. DISCONTINUED OPERATION

The Group disposed of its entire 80% interest in a subsidiary, STR Media Limited ("STR"), on 16 July 2010. The principal asset of STR is 60% equity interest in a subsidiary, Shanghai New Culture TV and Radio Making Company Limited which is engaged in the business of broadcasting and content production and VCD trading. The total consideration for the disposal of STR together with the shareholder's loan due to Group by STR assigned to the acquirer amounted to HK$300,000. Upon completion of the disposal, the Group discontinued the business of broadcasting and content production and related services in the People's Republic of China. For the six months ended 30 September 2010, STR Media Limited was classified as a discontinued operation.

The results of STR Media Limited for the comparative period are presented below:

	Six months ended 30 September 2010 (Unaudited and restated) HK$'000
Revenue	44
Other income	12
Expenses	(166)
Loss before tax from a discontinued operation	(110)
Income tax	–
Loss for the period from a discontinued operation	(110)

10. PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 September 2011, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately HK$391,643,000 (six months ended 30 September 2010: Nil), including construction for mining properties and a yacht of HK$353,506,000 and HK$32,238,000, respectively (six months ended 30 September 2010: Nil). No property, plant and equipment (six months ended 30 September 2010: Nil) was disposed of during the six months period ended 30 September 2011.

11. PREPAID LAND LEASE PAYMENTS

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Carrying amount at beginning of period	**70,529**	–
Addition for the period	**1,398**	70,769
Amortisation for the period	**(1,057)**	(455)
Exchange realignment	**700**	215
Carrying amount at end of period	**71,570**	70,529
Current portion included in prepayments, deposits and other receivables	**(2,644)**	(2,118)
Non-current portion	**68,926**	68,411

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

12. INVENTORIES

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Raw materials and spare parts	**6,239**	14,272

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Prepayments	**34,366**	38,378
Deposits	**551**	913
Staff advances	**620**	148
Other receivables	**2,207**	1,531
	37,744	40,970

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

14. CASH AND CASH EQUIVALENTS

	Notes	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Cash and bank balances		**1,017,738**	1,293,319
Less: Restricted bank deposits	(a)	**(14,575)**	(35,793)
Cash and cash equivalents		**1,003,163**	1,257,526
Denominated in RMB	(b)	**80,077**	210,805
Denominated in USD		**256,520**	284,667
Denominated in HK$		**666,486**	761,974
Denominated in CAD		**80**	80
		1,003,163	1,257,526

14.CASH AND CASH EQUIVALENTS *(continued)*

Notes

(a) As at 30 September 2011, the Group's bank balances of approximately HK$10.2 million (31 March 2011: HK$9.9 million) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the related government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 30 September 2011, the Group's bank balances of approximately HK$4.4 million (31 March 2011: HK$25.9 million) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six months.

(b) As at 30 September 2011, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$80,077,000 (31 March 2011: HK$210,805,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

15.TRADE AND BILLS PAYABLES

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Trade and bills payables	**4,341**	22,052

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

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Within 1 month	**4,341**	6,884
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	15,168
	4,341	22,052

The trade and bills payables are non-interest-bearing and are normally settled within 180-day terms.

16. OTHER PAYABLES AND ACCRUALS

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Accrued salaries, wages and benefits	**1,041**	567
Other taxes payables	**(7,962)**	(5,721)
Other payables	**74,845**	51,970
Accruals	**2,094**	3,119
	70,018	49,935

Other payables mainly include payables to suppliers or contractors in relation to the construction of the Group's property, plant and equipment, land lease and exploration assets, which are non-interest-bearing and have an average term of three months.

17. CONVERTIBLE NOTES

The convertible notes issued on 18 January 2011 have been split as to the liability and equity components as follows:

	Convertible notes		
	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
Nominal value of convertible notes issued during the period	6,000,900	2,299,100	8,300,000
Amortised interest expense on convertible notes	77,459	–	77,459
Conversion of convertible notes	(511,695)	–	(511,695)
Carrying amount at 31 March 2011	5,566,664	2,299,100	7,865,764
Amortised interest expense on convertible notes (note 6)	166,481	–	166,481
Conversion of convertible notes	(1,043,250)	(575,864)	(1,619,114)
Carrying amount at 30 September 2011	4,689,895	1,723,236	6,413,131

18. ISSUED CAPITAL

Shares

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Authorised:		
6,000,000,000 ordinary shares of HK$0.2 each (31 March 2011: 100,000,000,000, ordinary shares of HK$0.01 each)	**1,200,000**	1,000,000
2,000,000,000 (31 March 2011: 2,000,000,000) convertible non-voting preference shares of HK$0.02 each	**40,000**	40,000
Total authorised share capital	**1,240,000**	1,040,000
Issued and fully paid		
1,089,538,229 ordinary shares of HK$0.2 each (31 March 2011: 6,118,410,913 ordinary shares of HK$0.01 each)	**217,908**	61,184

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

(a) HK$587,453,651 Tranche A convertible notes, HK$459,781,729 Tranche B convertible notes and HK$520,000,000 Tranche C convertible notes were converted by noteholders into ordinary shares on the basis of: (i) ten ordinary shares for every HK$1 convertible note held from 1 April 2011 to 12 May 2011, and (ii) one ordinary shares for every HK$2 convertible note held from 13 May 2011 to 30 September 2011. Till 30 September 2011, an approximate amount of HK$156,724,000 was transferred from the convertible notes to the share capital account.

(b) On 12 May 2011, the Company has a share consolidation for ordinary shares and the authorised share capital and issued share capital of the Company decreased to 6,000,000,000 shares with par value of HK$0.2 each.

18. ISSUED CAPITAL *(continued)*

All ordinary shares and per share amounts presented in the accompanying consolidated financial statements have been retrospectively adjusted for all periods to give effect to the share consolidation. The par value of each ordinary share has been retrospectively adjusted as if it had been in proportion to the 20 to 1 share consolidation.

A summary of the transactions during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue (Restated)	**Issued capital**	**Treasury shares**	**Share premium**	**Total**
	'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011	305,920	61,184	–	497,819	559,003
Conversion of convertible notes	783,618	156,724	–	1,462,390	1,619,114
Share repurchased as treasury shares	–	–	(11,624)	–	(11,624)
At 30 September 2011	1,089,538	217,908	(11,624)	1,960,209	2,166,493

19. CONTINGENT LIABILITIES

On 10 July 2006, a legal action for damages of approximately HK$76,862,000 for breach of agreements was brought up by four plaintiffs ("Plaintiffs"), who were the previous non-controlling interests holders of a former subsidiary of the Company. The Company is the first defendant and Investsource Limited (formerly known as "Sun Television Cybernetworks Company Limited") ("Investsource"), a former wholly-owned subsidiary of the Company that was disposed of by the Company in June 2004, is the second defendant.

It is alleged that in view of the failure by the Company and Investsource to acquire from the Plaintiffs the 60% equity interest in TV Viagens (Macau), S.A.R.L. ("TV Viagens") and to finance TV Viagens, TV Viagens is not financially able to continue its business due to short of working capital and therefore the shareholding of the Plaintiffs in TV Viagens becomes valueless.

The Plaintiffs claimed against the Company for damages of approximately HK$76,862,000 or such an amount as the court may determine, interest thereon, costs and/or other relief due to the Company's alleged breach of agreements to provide finance to TV Viagens for its operational costs and for the service fees payable by TV Viagens.

19. CONTINGENT LIABILITIES *(continued)*

The case was supposed to be set down for trial by the Plaintiffs on or before 18 January 2008 but the Plaintiffs have failed to do so, and the application by the Company to strike out the Plaintiffs' claim was successful.

The Plaintiffs had appealed the decision to the High Court and on 23 March 2011 the Company received a judgement awarded by the Hong Kong High Court, in which the appeal lodged by the Plaintiffs was dismissed with costs awarded to the Company.

On 29 April 2011, the Company received a Notice of Appeal, whereas the Plaintiffs wish to appeal to the High Court's decision again. Hearing was held on 23 September 2011, the Plaintiffs' appeal was dismissed with cost by the Court of Appeal and no further appeal has been made by the Plaintiffs. Thus no provisions have been made for any losses or expenses which might arise from the legal action.

20. OPERATING LEASE ARRANGEMENTS

As lessee

The Group make the payment of office rental under operating lease arrangements. Payment for office rental is negotiated for terms of two years.

At 30 September 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
With one year	**1,448**	1,554
In the second to fifth years, inclusive	**354**	915
After five years	**–**	–
	1,802	2,469

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**310,621**	232,451

22. SUBSEQUENT EVENTS

Subsequent to 30 September 2011 and up to the date of this report, the Company had repurchased a total of 15,502,000 shares of HK$0.20 each of the Company on the Stock Exchange of Hong Kong Limited at an aggregate cash consideration of HK$25,714,157.14, none of the shares repurchased had been cancelled during the period.

23. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 November 2011.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 September 2011, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long positions in Shares and underlying Shares in the Company

			Number of shares/underlying shares held in the Company			
Name of Director	**Capacity**	**Nature of Interests**	**Interests in Ordinary Shares**	**Derivative Interests**	**Total Interests**	**Approximate percentage of total interests as to the issued share capital of the Company as at 30.9.2011**
Qin Jun	Beneficiary Interests	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%
		Short Position		1,241,875,000	1,241,875,000	113.98%

Notes:

Mr. Qin Jun and his wife, Ms. Wang Jue, are the beneficiaries of the J&J Trust. J&J Trust is a discretionary trust found by Mr. Wang Mingquan, the father in-law of Mr. Qin. Accordingly, Ms. Wang Jue, is therefore taken to be interested in the relevant shares and short position by virtue of SFO.

Save as disclosed above, as at 30 September 2011, none of the Directors and the Chief Executive of the Company nor their respective associates had any interest or short position in the shares, underlying shares and 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity	Nature of Interests	Number of shares/underlying shares held in the Company: Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests as to the issued share capital of the Company as at 30.9.2011	Notes
Cai Cheng	Corporate Interest	Long Position	402,424,349	3,279,381,789	3,681,806,138	337.92%	2
Golden Energy Holdings Limited	Corporate Interest	Long Position	402,424,349	3,279,381,789	3,681,806,138	337.92%	2
Synergy Investment International Company Limited	Corporate Interest	Long Position	402,424,349	3,279,381,789	3,681,806,138	337.92%	2
Bank of America Corporation	Corporate Interest	Long Position	46,267,800	2,819,094,341	2,865,362,141	262.99%	3
Credit Suisse Trust Limited	Corporate Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%	5
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Perfect Harmony Holdings Limited	Corporate Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%	4&5
	Beneficiary Interest	Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Seletar Limited	Corporate Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%	4&5
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Serangoon Limited	Corporate Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81	4&5
		Short Position	—	1,241,875,000	1,241,875,000	113.98	
Liu Huihua	Spouse Interest	Long Position	320,645,800	2,293,619,289	2,614,265,089	239.94%	6
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Wang Mingquan	Founder of Trust/ Beneficiary Interest	Long Position	319,163,968 1,481,832	2,293,619,289	2,614,265,089	239.94%	6
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Wang Jue	Beneficiary Interest of Trust/Spouse Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%	7
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Up Energy Holding Ltd.	Corporate Interest	Long Position	319,163,968	2,293,619,289	2,612,783,257	239.81%	4&5
	Beneficiary Interest		597,019		597,019	0.05%	
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Up Energy Group Limited	Beneficiary Interest	Long Position	318,566,949	2,293,619,289	2,612,186,238	239.75%	4&5
		Short Position	—	1,241,875,000	1,241,875,000	113.98%	
Baosteel Group Corporation	Corporate Interest	Long Position	12,073,800	370,000,000	382,073,800	35.07%	8
		Short Position	—	97,500,000	97,500,000	8.95%	

Name	Capacity	Nature of Interests	Number of shares/underlying shares held in the Company: Interest in Ordinary Shares	Derivative Interests	Total Interests	Approximate percentage of total interests as to the issued share capital of the Company as at 30.9.2011	Notes
Baosteel Resources International Company Limited	Beneficiary Interest	Long Position	12,073,800	—	12,073,800	1.11%	8
	Security Interests		—	370,000,000	370,000,000	33.96%	
		Short Position	—	97,500,000	97,500,000	8.95%	
Capital Sunlight Limited	Beneficiary Interest	Long Position	1,842,825	277,393,929	279,236,754	25.63%	9
ICBC International Holdings Limited	Corporate Interest	Long Position	1,842,825	277,393,929	279,236,754	25.63%	9
ICBC International Investment Management Limited	Corporate Interest	Long Position	1,842,825	277,393,929	279,236,754	25.63%	9
Industrial and Commercial Bank of China Limited	Corporate Interest	Long Position	1,842,825	277,393,929	279,236,754	25.63%	9
Central Huijin Investment Ltd.	Corporate Interest	Long Position	21,056,425	479,309,072	500,365,497	45.92%	13
CCB Financial Holdings Limited	Corporate Interest	Long Position	19,500,000	201,915,143	221,415,143	20.32%	11
CCB International (Holdings) Limited	Beneficiary Interest	Long Position	19,500,000	201,915,143	221,415,143	20.32%	11
CCB International Asset Management Limited	Investment Manager	Long Position	19,500,000	201,915,143	221,415,143	20.32%	10
CCB International Assets Management (Cayman) Limited	Corporate Interest	Long Position	19,500,000	201,915,143	221,415,143	20.32%	10
CCB International Group Holdings Limited	Corporate Interest	Long Position	19,500,000	201,915,143	221,415,143	20.32%	11
China Construction Bank Corporation	Corporate Interest	Long Position	19,500,000	201,915,143	221,415,143	20.32%	12&13
Anderson Dwight, Walter	Corporate Interest	Long Position	48,312,897	114,931,468	163,244,365	14.98%	14
Ospraie Holding I, L.P.	Corporate Interest	Long Position	48,388,897	114,931,468	163,320,365	14.99%	14
Ospraie Management, Inc.	Corporate Interest	Long Position	48,388,897	114,931,468	163,320,365	14.99%	14
Ospraie Management, LLC	Investment Manager	Long Position	29,459,499	70,049,759	99,509,258	9.13%	14
Ospraie Advisors L.P.	Investment Manager	Long Position	29,459,499	70,049,759	99,509,258	9.13%	15
Ospraie Advisors LLC	Corporate Interest	Long Position	29,459,499	70,049,759	99,509,258	9.13%	15
The Ospraie Portfolio Ltd.	Beneficiary Interest	Long Position	18,853,398	44,881,709	63,735,107	5.85%	
Credit Suisse Group AG	Corporate Interest	Long Position	75,000,000	—	75,000,000	6.88%	
		Short Position	—	75,000,000	75,000,000	6.88%	
Ospraie Special Opportunities Master Holdings Ltd.	Beneficiary Interest	Long Position	29,459,499	70,049,759	99,509,258	9.13%	
Powerplant Limited	Beneficiary Interest	Long Position	—	71,928,179	71,928,179	6.60%	
Proper Way Profits Limited	Beneficiary Interest	Long Position	—	320,028,420	320,028,420	29.37%	

Other Information

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the D1 Forms. Therefore, some substantial shareholders' interests in shares or short position may not have breakdown in their relevant interests.

2. Golden Energy Holdings Limited (the "Golden Energy") was wholly owned by Synergy Investment International Company Limited ("Synergy"). Synergy was 100% held by Mr. Cai Cheng. Accordingly, Mr. Cai Cheng, Golden Energy and Synergy are deemed to be interested in the shares and security interests in the Company by virtue of SFO.

3. Bank of America Corporation holds shares and security interests of the Company through companies controlled or indirectly controlled by it.

4. These shares were the same parcel of shares held by a J&J Trust of which Mr. Wang Mingquan was the founder. Up Energy Group Limited is 100% wholly owned by Up Energy Holdings Limited. Up Energy Holdings Limited is 100% wholly owned by Perfect Harmony Holdings Limited. Perfect Harmony Holdings Limited ("Perfect Harmony") is a company incorporated in Bahamas and owned by Seletar Limited and Serangoon Limited as nominees in trust of Credit Suisse Trust Limited, the trustee of J&J Trust. Accordingly, Up Energy Group Limited., Up Energy Holdings Ltd., Seletar Limited, Serangoon Limited and Perfect Harmony are also deemed to be interested in the relevant shares and short position by virtue of SFO.

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

6. Mr. Wang Mingquan is the founder of the J&J Trust and Ms. Liu Huihua is the spouse of Mr. Wang Mingquan. Mr. Wang Mingquan and Ms. Lui Huihua are therefore taken to be interested in the relevant shares and short position by virtue of SFO.

7. Ms. Wang Jue is the beneficiary of the J&J Trust, the daughter of Mr. Wang Mingquan and the wife of Mr. Qin Jun, the director of the Company. Ms. Wang Jue is therefore taken to be interested in the relevant shares and short position by virtue of SFO.

8. Baosteel Resources International Company Limited is 99% owned by Baosteel Group Corporation. Accordingly, Baosteel Group Corporation is deemed to be interested in the shares, security interest and short position in the Company held by Baosteel Resources International Company Limited.

9. ICBC International Holdings Limited ("ICBC Holdings") was wholly owned by Industrial and Commercial Bank of China Limited ("ICBC"). ICBC International Investment Management Limited ("ICBC Investment") was wholly owned by ICBC Holdings. Capital Sunlight Limited ("Capital Sunlight") was wholly owned by ICBC International Investment Management Limited ("ICBC Management"). By virtue of the SFO, Capital Sunlight, ICBC Holdings, ICBC, ICBC Investment and ICBC Management are deemed to be interested in the relevant shares and short position.

10. CCB International Asset Management Limited (CCB-IAM) is wholly and beneficially owned by CCB International Asset Management (Cayman) Limited ("CCB-IAMC"). By virtue of the SFO, CCB-IAMC was deemed to be interested in the shares which CCB-IAM was interested.

11. CCB-IAMCis in turn wholly and beneficially owned by CCB International (Holdings) Limited ("CCB-IH"). By virtue of the SFO, CCB-IH was deemed to be interested in the shares which CCB-IAMC was interested. CCB-IH is in turn wholly and beneficially owned by CCB Financial Holdings Limited ("CCB-FH"). By virtue of the SFO, CCB-FH was deemed to be interested in the shares which CCB-IH was interested.

12. CCB-FH is in turn wholly and beneficially owned by CCB International Group Holdings Limited ("CCB-IGH"). By virtue of the SFO, CCB-IGH was deemed to be interested in the shares which CCB-FH was interested. CCB-IGH is in turn wholly and beneficially owned by China Construction Bank Corporation ("CC Bank"). By virtue of the SFO, CC Bank was deemed to be interested in the shares which CCB-IGH was interested.

13. CC Bank is in turn beneficially 57.10%-owned by Central Huijin Investment Ltd.("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in the shares which CC Bank was interested.

14. Ospraie Management, Inc. ("Ospraie Management") was owned by Mr. Dwight Walter Anderson. Ospraie Holding I.L.P ("Ospraie Holding") was owned by Ospraie Management. Ospraie Management, LLC ("Ospraie LLC") was owned by Ospraie Holding I. L.P. ("Ospraie I. L.P."). By virtue of the SFO, Mr. Dwight Walter Anderson, Ospraie Management, Ospraie Holding, Ospraie LLC and Ospraie I.L.P. are deemed to be interested in the same relevant shares and short position.

15. Ospraie Advisors LLC ("Ospraie Advisors") was wholly owned by Ospraie Management. Ospraie Advisors L.P. was owned by Ospraie Advisors. Ospraie Special Opportunities Master Holdings Ltd. ("Ospraie Special") was owned by Ospraie Advisors LP. By virtue of the SFO, Ospraie Advisors, Ospraie Management and Ospraie Special are deemed to be interested in the same relevant shares and short position.

16. As at 30 September 2011, the issued share capital of the Company is 1,089,538,229 shares.

Save as disclosed above, as at 30 September 2011, 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 directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September, 2011 (the "Period"), the Company had repurchased a total of 6,776,000 shares of HK$0.20 each of the Company on the Stock Exchange at an aggregate purchase of HK$11,623,581.71, none of the shares repurchased had been cancelled during the Period. Details of the repurchases are set out below:

Month of repurchase	Number of shares repurchases	Purchase price per share Highest (HK$)	Purchase price per share Lowest (HK$)	Aggregate purchase price (HK$)
September	6,776,000	1.75	1.63	11,623,581.71

The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

CORPORATE GOVERNANCE

During the six months ended 30 September 2011, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviation:

Code Provision 2.1

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

Other Information

CHANGE OF DIRECTORS' INFORMATION

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

Mr. Lien Jown Jing, Vincent has been appointed as an independent non-executive director of Focus Media Network Limited on 9 June 2011, which is a company listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed and approved the Group's interim results for the six months period ended 30 September 2011.

By Order of the Board

Qin Jun
Chairman

Hong Kong 25 November 2011