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**VERY SUBSTANTIAL ACQUISITION —
PROPOSED ACQUISITION OF BAICHENG COAL MINE IN XINJIANG
AND
RESUMPTION OF TRADING**

Financial Adviser to the Company



VERY SUBSTANTIAL ACQUISITION

The Board announces that on 12 October 2012 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Company entered into a Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire from the Vendor, and the Vendor conditionally agreed to dispose of, the Sale Share and all rights, title, benefit and interest of and in the Shareholder's Loan, at a consideration of HK\$1.58 billion, subject to adjustments as set out in the Sale and Purchase Agreement. The Sale and Purchase Agreement is subject to the fulfillment of the conditions as set out in the paragraph headed "Conditions Precedent" below.

The Consideration (subject to adjustments as set out in paragraph headed "Adjustments" below) shall be paid by the Purchaser to the Vendor upon Completion (i) as to HK\$735 million by way of issue and allotment of 367,500,000 Consideration Shares; and (ii) as to the balance in cash. Upon signing of the Sale and Purchase Agreement, the Purchaser shall remit or cause to be remitted cash in an amount of HK\$10 million, by way of telegraphic transfer in form of immediately available funds, to the Vendor's specified bank account, as the Cash Deposit as security for performance of obligations under the Sale and Purchase Agreement. The Vendor shall hold such Cash Deposit in the specified bank account pending Completion.

The Consideration Shares shall rank pari passu with the Shares in issue. The Consideration Shares represent approximately 23.22 per cent of the issued share capital of the Company as at the date of this announcement and approximately 18.84 per cent of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no further Shares will be allotted and issued and no Shares will be repurchased prior to the issue of the Consideration Shares). The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition will be subject to the Shareholders' approval by way of poll at the SGM. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM in respect of the resolution(s) to approve the Acquisition.

Moreover, as one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) below 25%, the grant of the Put Option constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares and the Top Up Consideration Shares under the Sale and Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the accountants reports and pro forma financial information pursuant to Rule 14.67(6)(a) of the Listing Rules; (iii) the Competent Person's Report and the Valuation Report in relation to the Target Mine pursuant to Chapter 18 of the Listing Rules; and (iv) the notice of the SGM, will be despatched to the Shareholders on or before 21 December 2012, as the Company intends to announce its interim results for the six months ended 30 September 2012 on or before 28 November 2012 and with a view to providing more updated financial information to the Shareholders, additional time is required to finalise the financial information, including but not limited to, the unaudited pro forma financial information of the Enlarged Group after the Acquisition and the accountants' report of the Target Group.

Completion of the Acquisition is subject to fulfillment of conditions precedent including, amongst others, the Purchaser being satisfied in its absolute discretion with the results of due diligence review and the obtaining of the Shareholders' approval for the Acquisition, and therefore, the Acquisition may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 15 October 2012 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 2 November 2012.

Reference is made to the announcements of the Company dated 23 July 2012, 14 September 2012 and 5 October 2012 in relation to the MOU, entered into among the Purchaser, the Vendor and the Target Company concerning the Acquisition.

INTRODUCTION

The Board is pleased to announce that on 12 October 2012, the Company, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, and a summary of the major terms of which is set out below.

THE SALE AND PURCHASE AGREEMENT

Date: 12 October 2012

Parties:

- (i) The Company;
- (ii) Up Energy Mining Limited, a wholly-owned subsidiary of the Company, as the purchaser; and
- (iii) Hao Tian Resources Group Limited (Stock Code: 474), as the vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its controlling shareholder are Independent Third Parties.

There was no prior transaction between the Company and the Vendor and its associates in the past 12 months prior to the date of the Sale and Purchase Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

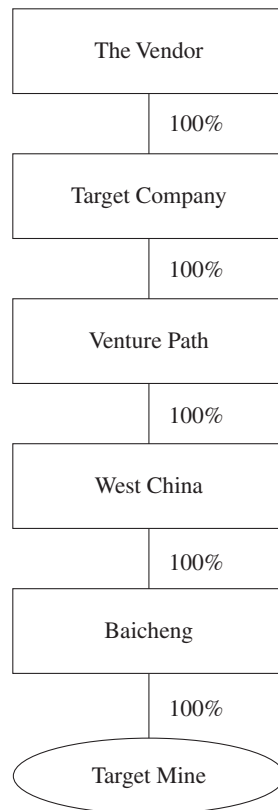
Assets to be acquired

- (1) The Sale Share, representing the entire issued share capital of the Target Company at Completion; and
- (2) The Shareholder's Loan as at the Completion Date, representing all amounts owing by the Target Group to the Vendor Group at Completion.

As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Vendor. The Vendor owns 100% interest in the mining rights over the Target Mine through its direct wholly-owned subsidiary, the Target Company, and its indirect wholly-owned subsidiaries, Venture Path, West China and Baicheng Wenzhou.

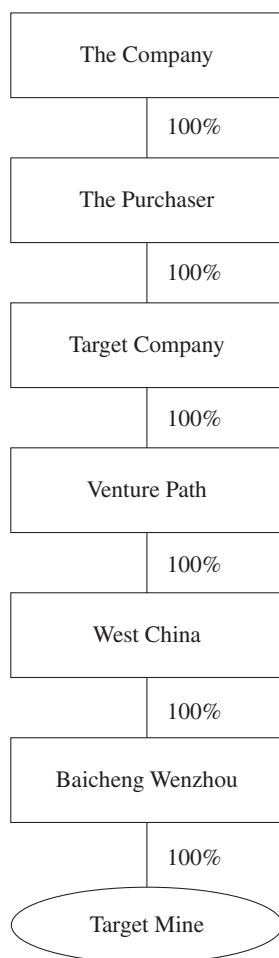
As at 31 March 2012, the Target Company is indebted to the Vendor for the principal amount equal to HK\$1,632,870,743 as interest-free shareholder's loan. At Completion, save and except the aforesaid loan, none of the companies within the Target Group will be indebted to any member of the Vendor Group.

Immediately before Completion, the shareholding structure of the Target Group is as set out below:



Note: Each of these entities and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Further each of these entities does not hold any Share or securities of the Company carrying rights to subscribe for, exchange or convert into Shares.

Upon Completion, the shareholding structure of the Target Group is as set out below:



Further information on the Target Group and the Target Mine are set out in the paragraph headed “Information on the Vendor, the Purchaser and the Target Mine” below.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration for the sale and purchase of the Sale Share and the assignment of all rights, title, benefit and interest of and in the Shareholder’s Loan is HK\$1.58 billion, subject to adjustment as provided in the Sale and Purchase Agreement, and which shall be settled by the Purchaser in the following manner:

1. HK\$735 million by way of issue and allotment to the Vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company at an issue price of HK\$2.00 per share (the “**Consideration Shares**”) free of all Encumbrances and credited as fully paid upon Completion; and
2. the balance of HK\$845 million (the “**Cash Component**”) by way of cash payment to the Vendor, subject to adjustment as set out in the Sale and Purchase Agreement.

The Consideration is determined based primarily on the HK\$1.814 billion professional valuations by RHL Appraisal Ltd. as of 31 March 2012, the 111.3 Mt resource level of the Target Mine reported by Roma Oil and Mining Associates Limited as of 31 March 2012 and

the comparable business experience of the Company in Xinjiang Autonomous Region of the PRC, and after arm's length negotiation between the Vendor and the Purchaser with reference to among other things, the non-current assets of the Target Group and two-thirds of the Required Deposits amount as at Management Account Date, and on the assumption that at Completion, the Target Group shall only have those assets necessary for the continued operation of the Target Group and no liabilities (other than Shareholder's Loan and intra-group loans). The Company considers that assets necessary for the continued operation of the Target Group include only the non-current assets of the Target Group as at Management Account Date and the Required Deposits, although by negotiation between the Company and the Vendor, the Consideration would only take into account two-thirds of the Required Deposits amount, and one-third of the Required Deposits amount will constitute a positive adjustment for calculation of the net difference of the Target Group as at Completion Date, and in such situation, the only adjustment to the Consideration will be a negligible amount, that is the amount equal to one third of the Required Deposit amount.

The non-current assets of the Target Group include but not limited to the mining rights over the Target Mine, fixtures and equipment that are used in the exploration, excavation, mining, transportation and storage of the coal from the Target Mine. As at the Management Accounts Date, the non-current assets of the Target Group comprised of fixed assets, intangible assets and other long-term assets amounted to approximately RMB24,834,556, RMB1,306,987,033 and RMB56,838 respectively. The "net difference of the Target Group as at Completion Date" is the amount calculated by deducting liabilities of the Target Group from current assets of the Target Group (excluding two-thirds of the Required Deposits amount) as shown in the Pro-Forma Completion Accounts. As at the Management Accounts Date, the net difference of the Target Group is estimated to be at least a negative amount of approximately RMB20 million.

The Required Deposits are cash reserves paid by the Target Group to the Department of Land and Resources Office of Xinjiang Uygur Autonomous Region and retained for compliance with environmental regulatory requirements applicable to the Target Mine. The Required Deposits will continue to be maintained before and after Completion to meet the regulatory requirement. By negotiation, the Company agreed that one-third of the Required Deposits amount becomes a positive adjustment to the Consideration by including such one-third amount as current asset of the Target Group for calculation of the net difference of the Target Group as at Completion Date as set out in the Sale and Purchase Agreement.

Prior to and upon Completion, the Vendor is required to ensure that the Target Group completes a series of transactions to minimize the net difference of the Target Group as at Completion Date to zero or a negligible amount. These mainly include selling current assets of the Target Group (other than the Required Deposits and cash) at book costs to the Vendor Group, part or full consideration of which to be set-off against Shareholder's Loan; settling liabilities of the Target Group (other than Shareholder's Loan to be assigned to the Purchaser at nominal consideration, loans amongst companies within the Target Group and certain liabilities owed by the Target Group to other persons which the Purchaser and the Vendor agreed in writing prior to Completion) with cash at bank (other than the Required Deposits), and novating remaining liabilities of the Target Group to the Vendor Group. All taxation, costs and expenses of such assignment, novation and settlement shall be borne by the Vendor.

The Sale and Purchase Agreement provides for relevant Vendor's undertakings prior to Completion which include the steps stated in the above paragraph and allows for downward adjustments to the Consideration if the net difference of the Target Group as at Completion Date is a negative number, together with the rights to claim against the Vendor if it fails to fulfil those undertakings. The Company believes that such adjustments and undertakings offer protection to the Company and the Acquisition is beneficial to the Company and its Shareholders as a whole.

Hong Kong Financial Reporting Standards will be adopted for preparation of the Pro-Forma Completion Accounts of the Target Group (other than Baicheng Wenzhou) and PRC Generally Accepted Accounting Principles will be adopted for preparation of the Pro-Forma Completion Accounts of Baicheng Wenzhou.

If the Company does not agree with any items in the Pro-Forma Completion Accounts of the Target Group, the Company shall notify the Vendor of such disagreement within 10 Business Days after the Vendor delivers the Pro-Forma Completion Accounts of the Target Group to the Company. In case the Company and the Vendor agrees on all items in the Pro-Forma Completion Accounts of the Target Group within 25 Business Days after the Completion Date, the Pro-Forma Completion Accounts of the Target Group will not be reviewed by the Auditors. If the Company and the Vendor fails to reach an agreement over the Pro-Forma Completion Accounts of the Target Group within twenty-five Business Days after the Completion Date, the Vendor and the Company will appoint the Auditors to review the Pro-Forma Completion Accounts and issue the Audited Completion Accounts as the basis of determination.

Having considered the above, the Directors are of the view that the Consideration, which represents approximately 12.9% discount to the HK\$1.814 billion valuation compiled by RHL Appraisal Ltd. ("**RHL Valuation**") adopting income approach with discounted cash flow as fair value measurement, as of 31 March 2012, is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company may, utilize its internal resources, raise bank loans or third party financing or equity issue including but not limited to rights issue, open offer, placing or combination of any of the above to finance the Acquisition. As at 31 March 2012, the Group's current ratio was 6.9, with current assets of approximately HK\$876,221,000 against current liabilities of approximately HK\$127,080,000. Cash and cash equivalents were approximately HK\$801,019,000. The Group's gearing ratio was 108% as at 31 March 2012. The capital commitments for the Property, plant and equipment amounted to HK\$393,714,000 as at 31 March 2012. Other than the equity issues under the Proposed Transaction, the Directors confirm that the Company currently has no plan of additional equity issues.

Adjustments

If the net difference of the Target Group as at the Completion Date is a positive amount, the Cash Component shall be increased by an amount equal to the net difference of the Target Group as at Completion Date. In such case the Purchaser shall, within 5 Business Days after the date on which the Pro-Forma Completion Accounts were agreed between the Vendor and the Purchaser, or the date of issuance of the Audited Completion Accounts (as the case may be) (the "**Relevant Date**"), pay to the Vendor cash equal to the net difference of the Target Group as at Completion Date.

If the net difference of the Target Group as at Completion Date is a negative amount, the Cash Component shall be reduced by an amount equal to the absolute value of the net difference of the Target Group as at Completion Date. In such case the Vendor shall within 5 Business Days after the Relevant Date pay to the Purchaser an amount in cash equal to the absolute value of the net difference of the Target Group as at Completion Date.

According to the Sale and Purchase Agreement, any upward or downward adjustments to the Consideration would be relatively minimal due to the transactions to be completed by the Target Group and the Vendor to minimise the net difference of the Target Group as at Completion Date to zero or a negligible amount. There is no cap or floor limit to the cash amount of the Consideration. If the Vendor does not complete the transactions to minimise the net difference of the Target Group as at Completion Date to zero or a negligible amount, it constitutes a breach of undertaking of the Vendor under the Sale and Purchase Agreement and the Company and the Purchaser are entitled to apply to the court for an order of specific performance of such obligation by the Vendor, and prior to the Vendor's compliance with such undertaking, all the Consideration Shares shall be retained in the Designated Securities Account given the lock up undertaking referred below. The Company would have these Consideration Shares (accounting for approximately 46.5% of the Consideration) as potential leverage for negotiation with the Vendor if there is disagreement in the net difference of the Target Group as at Completion Date being significantly higher than zero.

Deposit

Upon signing of the Sale and Purchase Agreement, the Purchaser shall pay a cash deposit of HK\$10 million through its internal resources to the Vendor and deposited into a bank account specified by the Vendor, as the deposit for security for performance of obligations under the Sale and Purchase Agreement (the "**Cash Deposit**"). The Vendor shall hold such Cash Deposit in the specified bank account pending Completion. At Completion, the Cash Deposit shall become part of the payment of the Cash Component upon Completion.

If all of the conditions are fulfilled in the manner described under the heading "Conditions Precedent" below but the Purchaser fails to proceed to Completion on the Completion Date, the Vendor shall be entitled to terminate the Sale and Purchase Agreement, and the Purchaser shall reimburse the Vendor for all professional fees reasonably incurred by the Vendor in relation to the Proposed Transaction up to HK\$7 million and which the Vendor shall then deduct the same from the Cash Deposit and refund the balance to the Purchaser.

If all of the conditions are fulfilled in the manner described under the heading "Conditions Precedent" below but the Vendor fails to proceed to Completion on the Completion Date, the Purchaser or the Company shall be entitled to terminate the Sale and Purchase Agreement, and the Vendor shall refund the Cash Deposit and reimburse the Purchaser for all professional fees reasonably incurred by the Purchaser and the Company in relation to the Proposed Transaction up to HK\$7 million.

In compliance with the requirements of Chapter 18 of the Listing Rules, and as part of the Company's due diligence review, the Company has engaged RHL Appraisal Limited as the Competent Evaluator to prepare the Valuation Report in relation to the Target Mine. Roma Oil and Mining Associates Limited has been engaged as the Competent Person to prepare the Competent Person's Report in relation to the Target Mine. To the best of the Directors'

knowledge, information and belief, having made all reasonable enquiries, the Competent Evaluator and the Competent Person and their respective ultimate beneficial owners are Independent Third Parties.

Conditions Precedent

1. Completion of the Sale and Purchase Agreement is conditional upon, among other things, the fulfillment of all of the following:
 - (a) the Purchaser having received a Competent Person's Report issued from such Competent Person as designated by the Purchaser, relating to the state and condition of the Target Mine and covering such matters as required by the Listing Rules in form and substance satisfactory to the Purchaser;
 - (b) the Vendor having received a Competent Person's Report issued from such Competent Person as designated by the Vendor, relating to the state and condition of the Target Mine and covering such matters as required by the Listing Rules in form and substance satisfactory to the Vendor;
 - (c) the Purchaser having received a Valuation Report issued from such Competent Evaluator as designated by the Purchaser, relating to the valuation of the Target Mine covering such matters as required by the Listing Rules in form and substance satisfactory to the Purchaser;
 - (d) all necessary approvals and consent from the respective shareholders of the Company and Vendor having been obtained in relation to the Proposed Transaction and/or acquisition of the Target Group and the Target Mine (including, without limitation, the passing of requisite shareholders resolutions in accordance with the relevant requirements of the Listing Rules);
 - (e) all requisite approvals, consent and authorisations required under all applicable laws and regulations and relevant authorities (including, without limitation, all applicable Bermuda, Cayman Islands, the PRC and Hong Kong laws and regulations and authorities), the Stock Exchange and the Listing Rules in relation to the Proposed Transaction and/or the acquisition of the Target Group and the Target Mine and implementation thereof and all other matters incidental thereto, and releases over encumbrances created over assets of the Target Group and the Sale Share having been duly obtained;
 - (f) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Top Up Consideration Shares;
 - (g) the Target Group having obtained the approval by 新疆維吾爾自治區煤炭工業管理局 (the Coal Industry Administration Bureau of Xinjiang Uygur Autonomous Region) on the feasibility study of the proposed production increase to 900,000 tpa (the "**Proposed Increase**") of the Target Group and the application for approval of the Proposed Increase in the Target Mine's annual production (the "**Annual Production Approval**") by 阿克蘇發展和改革委員會 (the Reform and

Development Commission of Aksu Region of the PRC) to 新疆維吾爾自治區發展和改革委員會 (the Reform and Development Commission of the Autonomous Region of Xinjiang) (“**Xinjiang NDRC**”) being accepted for consideration;

- (h) the Purchaser having obtained not less than HK\$545,000,000 in credit approval and grant of loan from bank(s);
- (i) completion of legal due diligence review of the Target Group and the Target Mine to the satisfaction of the Purchaser;
- (j) the Purchaser having received a PRC legal opinion in respect of, amongst other things, the Target Group, the Target Mine and all approvals, registrations and filings from the PRC governmental authorities to complete the Proposed Transaction as a whole having been obtained, in form and substance satisfactory to the Purchaser;
- (k) each of the warranties given by the Vendor is and remains true, accurate and not misleading in any material respect at all times up to and including the Completion Date (both days inclusive); and
- (l) each of the warranties given by the Purchaser and Up Energy is and remains true, accurate and not misleading in any material aspect at all times up to and including the Completion Date (both days inclusive).

The same Competent Person’s Report will be prepared to satisfy paragraphs (a) and (b) of the conditions precedent of the Acquisition. The Annual Production Approval represents an additional increase to 900k tpa given that the Target Group currently has a mining permit of 210k tpa. Both the Purchaser and the Vendor recognised that it would take time to obtain such approval. Therefore, it is a condition precedent that the Vendor is required to obtain certain defined official approvals for finalizing the Annual Production Approval. In case such approval cannot be obtained within a defined timeframe, the Company shall be entitled to recover part of the Consideration.

The Company has already performed a preliminary preview on the financial and operation of the Target Group and the Target Mine and more intensive reviews would be performed prior to the Completion. In addition, prior to the Completion, the Company requires a satisfactory Competent Person’s report as a condition precedent for Completion, and has further obtained various Vendor undertakings, warranties and indemnity relating to operating and financial conditions of the Target Group under the terms of the Sale and Purchase Agreement.

At present, the shares of each company within the Target Group and the Sale Share are charged by the Vendor in favour of Cheer Hope Holdings Limited (the “**Relevant Bank**”), a subsidiary of CCBI Investments Limited as security for a US\$40 million loan to the Vendor from the Relevant Bank. For details of the terms of the loan, please refer to the announcement dated 6 September 2012 as supplemented by a supplemental announcement dated 10 September 2012 of the Vendor.

The loan is owed by the Vendor (and not the Target Group), but the Sale Share and the shares of each company within the Target Group are charged in favour of the Relevant Bank. Under the Sale and Purchase Agreement, the Vendor is obligated to fulfill, amongst other things, the condition precedent referred in paragraph (e) above, which includes the release of such encumbrances.

If the loan is not fully repaid prior to the Long Stop Date (defined below), the Company and/or the Purchaser may repay such loan to the Relevant Bank on behalf of the Vendor for purpose of fulfilling such condition precedent on behalf of the Vendor and such part of the Cash Component equal to the loan amount to be repaid shall be paid to the Relevant Bank instead of the Vendor.

Based on the available financial information of the Vendor and the lock-up arrangements over the Consideration Shares under the Designated Securities Account referred below, the Company considers that the Vendor has sufficient financial resources and assets to discharge its obligations under the Sale and Purchase Agreement for cash refund if the net difference of the Target Group as at Completion Date is a negative number.

At any time prior to the Long Stop Date, the Purchaser is entitled to waive (with or without condition) the fulfillment of the conditions precedent in paragraphs (g), (h), (i), (j) and (k) (in part or in whole) by notice in writing to the Vendor. At any time prior to the Long Stop Date, the Vendor is entitled to waive (with or without condition) the fulfillment of the conditions precedent in paragraph (l) (in part or in whole) by notice in writing to the Purchaser. The Company believes that none of the conditions precedent is likely to be waived by any of the parties to the Sale and Purchase Agreement, although the exercise of the waiver of any of the conditions precedent by the non-defaulting party may include conditions attached to the waiver so as to enable potential remedial effort to be taken by the defaulting party to fulfill such condition after Completion without inhibiting Completion taking place when a substantial majority of the conditions precedent have been fulfilled.

The Company may consider granting a waiver of fulfillment of the condition precedent set out in paragraph (g) above if all of the other conditions precedent set out above are substantially completed and 阿克蘇發展和改革委員會 (the Reform and Development Commission of Aksu Region of the PRC) has substantially completed the review of the Company's application for the Annual Production Approval and is in the process of preparing the application of the Annual Production Approval to the Xinjiang NDRC, and that the Company will seek the advice of its PRC legal adviser to opine that there are no material legal impediments in the fulfillment of the above condition. Also the Company may demand and impose compensatory measures on the Vendor in the consideration of granting the waiver.

It is a condition precedent in the Sale and Purchase Agreement that the Vendor shall obtain the approval by 新疆維吾爾自治區煤炭工業管理局 (Coal Industry Administration Bureau of Xinjiang Uygur Autonomous Region) and the application for the Annual Production Approval to be made by 阿克蘇發展和改革委員會 (the Reform and Development Commission of Aksu Region of the PRC) to the Xinjiang NDRC. These are the two key milestone approval documents for finalizing this application for the Annual Production Approval. With these two key documents in place upon Completion, the Company believes that it is a matter of processing time to obtain the Annual Production Approval from

Xinjiang NDRC. In case the Target Group fails to obtain such approval within a prescribed timeframe, the Company shall have the right to recover part of the Consideration through the cash compensation mechanism as described under the heading “Placing of Escrow Shares” below by appointing the Placing Agent (defined below) to place out and underwrite the Escrow Shares (defined below) that belong to the Vendor in the Escrow Account and take the proceeds thereof as cash compensation. More importantly, by that time, the Company receives cash compensation in a solid and substantial manner, and at the same, there remains the possibility that the Target Group may still obtain the Annual Production Approval from Xinjiang NDRC at any time in the future as it may have already reached the final stage of approval.

With the milestone official document and compensatory mechanism in place, the Directors consider the cash compensation arrangement described under the heading “Placing of Escrow Shares” below to be a fair mechanism to compensate the Group for failure in obtaining the Annual Production Approval of Xinjiang NDRC by the Designated Date and the Third Anniversary Date respectively.

If any conditions precedent are not fulfilled in full on or before 30 June 2013 (or such later date as agreed between the Vendor and the Purchaser) (the “**Long Stop Date**”), the Sale and Purchase Agreement shall immediately terminate and cease to have any effect and the parties shall not have any further rights and obligations hereunder (save rights and obligations relating to any antecedent breach of the Sale and Purchase Agreement) and refund of the Cash Deposit by the Vendor to the Purchaser.

Completion

Completion of the Acquisition shall take place within fifth Business Day after all the above conditions precedent have been fulfilled or waived by the Purchaser or the Vendor (or such later date as agreed by the parties to the Sale and Purchase Agreement in writing).

Consideration Shares

The Consideration Shares shall rank pari passu with the Shares in issue.

Upon completion of the Sale and Purchase Agreement, the Company will allot and issue, an aggregate of 367,500,000 Shares at an issue price of HK\$2.00 per Share to the Vendor. The issue price of HK\$2.00 per Consideration Share was arrived at by the Company and the Vendor after arm’s length negotiation taking into account, mainly the enlarged asset value of the Enlarged Group after Completion (which is estimated to be HK\$8,329,858,000) and market comparables at prevailing market conditions, and which represents:

- (a) a premium of approximately 150% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 12 October 2012 (being the last trading day in the Shares prior to the suspension of trading in the Shares pending the issue of this announcement);
- (b) a premium of approximately 153.16% to the closing price of HK\$0.79 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including 12 October 2012;

- (c) a premium of approximately 151.57% over the closing price of HK\$0.795 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 12 October 2012; and
- (d) a discount of approximately 69.2% over the audited consolidated net asset value per Share of approximately HK\$6.50 as at 31 March 2012.

In determining the issue price of HK\$2.00 per share, the Directors have make references to a number of market comparables by the following methodologies, including (a) comparing to about 13 small-to-medium sized coal mining/servicing companies in China (therefore, with coal mining rights accounting for more than 50% of total assets or revenue generated from sale of coal being more than 50% of total revenue) with market capitalization under HK\$5.0 billion (the “**Market Comparables**”) currently listed on the Stock Exchange; (b) as at the date of the Acquisition, the share prices of these Market Comparables were all trading at discounts to the latest audited consolidated net asset values per share (the “**Discount-to-NAV Ratio**”), ranging from 39.0% to 84.6%; and (c) the issue price of Consideration Share represents a Discount-to-NAV Ratio of 69.2%, which falls within the range of those Market Comparables; (d) there are 6 out of 13 companies with their Discount-to-NAV Ratios more than 69.2%. Having considered the above, the Directors believe even though the issue price of HK\$2.00 per Consideration Share represents a substantial discount over the audited consolidated net asset value per Share of the Group as stated above, it is clear that Shares of coal mining and servicing listed companies are mostly trading at deep discounts to their net assets values due to slumping coal prices in recent months in the PRC. Further, the issue price also represents a substantial high premium to recent trading prices of the Shares and thus the Directors believe it is fair and reasonable to the Company and its Shareholders as a whole.

Immediately after Completion, the Vendor will deposit the Consideration Shares and the Top Up Consideration Shares (if any) issued to the Vendor into three separate designated securities account(s) maintained by a securities dealing firm jointly appointed by the Vendor and the Purchaser (“**Designated Broker**”), in the following manner:

- (a) as to 158,000,000 Consideration Shares to be deposited in a standalone securities account (the “**Escrow Account**”), and operated by instructions signed jointly by one representative of the Vendor and one representative of the Purchaser, such joint operation shall continue until the date when the Annual Production Approval of Xinjiang NDRC is obtained or the placing of the Shares in the Escrow Account as described in the section headed “Placing of Escrow Shares” under the heading “Post Completion Undertakings of the Vendor” is completed (whichever is earlier);
- (b) as to 69,500,000 Consideration Shares to be deposited in a standalone securities account (the “**Top Up Account**”); and
- (c) as to 140,000,000 Consideration Shares and all the Top Up Consideration Shares (if any) to be deposited in a standalone securities account (the “**Put Option Account**”).

(the Escrow Account, the Top Up Account and the Put Option Account are collectively the “Designated Securities Account”)

Post Completion Undertakings of the Vendor

The Vendor has given the following undertakings in favour of the Vendor after Completion.

- (i) The Vendor will assist the Company, the Purchaser and the Target Group to obtain the Annual Production Approval from Xinjiang NDRC from the Completion Date until the Third Anniversary Date;
- (ii) If the Annual Production Approval of Xinjiang NDRC is not granted on or before the Designated Date, the Vendor shall transfer to the Purchaser (or to such other person or placing agent as the Purchaser may direct) 50% of such Shares held and deposited in the Escrow Account (defined below) at nominal consideration;
- (iii) If the Annual Production Approval of Xinjiang NDRC is not granted on or before the Third Anniversary Date, then in addition to the Shares transferred to the Purchaser (or to such other person or placing agent as the Purchaser may direct) pursuant to paragraph (ii) above, the Vendor shall transfer to the Purchaser (or to such other person or placing agent as the Purchaser may direct) all of the remaining Shares held and deposited by it in the Escrow Account at nominal consideration. The obligations of the Vendor under paragraph (ii) and (iii) above shall lapse immediately after the Annual Production Approval of the Xinjiang NDRC is obtained and before the time(s) specified above;
- (iv) The transfer of the Shares pursuant to paragraphs (ii) and (iii) above shall take place on or before 30 days after the expiry of the Designated Date or the Third Anniversary Date (as the case may be) (or such later date as may be instructed by the Purchaser), to the Purchaser (or to such other person or placing agent as the Purchaser may direct) in the manner described under the section headed “Placing of Escrow Shares below”; and
- (v) The Vendor has also undertaken to the Company not to dispose of the Consideration Shares for the period from Completion Date to and including the date of the first anniversary of Completion (the “**Lock-up Period**”).

The Lock-up Period applies to all of the Consideration Shares in the Designated Securities Account, irrespective of whether the Annual Production Approval from Xinjiang NDRC has been obtained on or prior to the expiry of the Lock-up Period. The Consideration Shares will be in the name of the Vendor and will rank pari passu with all other issued Shares in respect of voting rights and dividend entitlements as from the Completion Date, regardless of which Designated Securities Account they are deposited into.

Under the Sale and Purchase Agreement, any additional Shares separately or subsequently acquired by the Vendor or its associates shall not be deposited into any of the Designated Securities Accounts, and if any such deposit(s) is/are made into any of the Designated Securities Accounts by the Vendor or its associates, they shall not be counted for the purpose of the calculation of the Top Up Consideration Shares or the number of Shares subject to the Put Option.

Under the Sale and Purchase Agreement, the Vendor shall deliver the original of each statement of each of the Designated Securities Accounts issued by the Designated Broker to confirm the deposit of the Consideration Shares into each of the Designated Securities Accounts and procure and instruct the Designated Broker to deliver to the Purchaser, on a monthly basis, a statement setting out the number of Shares held in each of the Designated Securities Accounts.

Placing of Escrow Shares

The transfer of the Escrow Shares at nominal consideration from the Vendor to the Purchaser in paragraphs (ii) & (iii) under the heading “Post Completion Undertakings of the Vendor” above is only part of the description of the cash compensation mechanism described below. The Sale and Purchase Agreement provides that the implementation of the aforesaid is to be dealt with by way of the Placing of Escrow Shares described below.

The purpose of the Placing of Escrow Shares (defined below) is to provide a cash compensation mechanism for the Company from the Vendor if the Annual Production Approval from Xinjiang NDRC is not granted by the Designated Date and the Third Anniversary Date respectively. The Placing of Escrow Shares involves the sale of the then existing Shares by the Vendor to Independent Third Parties, but where the proceeds is paid over to the Purchaser as cash compensation due to the Vendor’s failure to obtain the Annual Production Approval from Xinjiang NDRC for the Purchaser by the Designated Date and the Third Anniversary Date respectively. The Placing of Escrow Shares does not involve the issue of any additional Shares by the Company.

Upon the occurrence of any of the events described in paragraphs (ii) & (iii) under the heading “Post Completion Undertakings of the Vendor”, the Vendor shall transfer such number of Shares in the Escrow Account as respectively referred in the aforesaid paragraphs (“**Escrow Shares**”) to the Purchaser (or to such other person or placing agent as the Purchaser may direct) on or before 30 days after the expiry of the Designated Date or the Third Anniversary Date (as the case may be) (or such later date as may be instructed by the Purchaser) for nominal consideration. The Sale and Purchase Agreement did not specify an exact monetary amount. Referring to the English-Chinese Glossary of Legal Terms of the Department of Justice of the Government of Hong Kong, the translation of “nominal consideration” is “象徵式代價”, and hence the Company considers such nominal consideration to be HK\$1.00.

Pursuant to the Sale and Purchase Agreement, each of the above transfers is achieved by transferring the legal and beneficial title of the Escrow Shares to such Independent Third Party (independent of the Vendor and the Purchaser) licensed to deal in securities under the Securities and Futures Ordinance as appointed by the Purchaser (the “**Placing Agent**”) for the purpose of arranging for the placing and underwriting of the Escrow Shares to places who will be Independent Third Parties, and if any such Escrow Shares are not taken by such places, they will be purchased by the Placing Agent, all at the agreed placing price (together the “**Placing of Escrow Shares**”).

It is anticipated that if Placing of Escrow Shares takes place, the placing and underwriting agreement will be entered into by the Vendor and the Placing Agent with the price determination to be subject to a separate price determination letter to be signed by the Purchaser and such Placing Agent. Since the sale proceeds from the Placing of Escrow

Shares is cash compensation to the Purchaser as a result of the Target Mine failing to obtain the Annual Production Approval of Xinjiang NDRC, the placing price and period for the Placing of Escrow Shares are to be agreed between the Purchaser and such Placing Agent, subject to the prevailing market conditions. The Vendor shall engage the Placing Agent nominated by the Purchaser to arrange for the Placing of the Escrow Shares to Independent Third Parties.

As soon as the Designated Date or Third Anniversary Date passes but the Annual Production Approval is not obtained from the Xinjiang NDRC, the Vendor shall first transfer the legal title of the Escrow Shares to the Placing Agent at nominal consideration for the purposes of the Placing of Escrow Shares and its completion, and also as a safeguard against any dealing in the Escrow Shares other than through the Placing of Escrow Shares.

Over the course of the agreed placing period of thirty days (or such longer period as required by the Purchaser (the exact period of which will be negotiated and agreed between the Purchaser and the Placing Agent)) after the Designated Date and the Third Anniversary Date respectively (“**Transition Period**”), being the period of time under the Sale and Purchase Agreement for such transfer of legal and beneficial title of the Escrow Shares by the Vendor to the Placing Agent to take place, the Placing Agent will conduct the Placing of Escrow Shares on behalf of the Vendor. If the prevailing market conditions at the relevant time are unsatisfactory and the Placing Agent is unable to source placees who are Independent Third Parties to take up the Escrow Shares, the Purchaser may either extend the Transition Period to allow the Placing Agent more time to source such placees or the Placing Agent will take up the Escrow Shares that are not taken up by the placees at the agreed placing price.

During the Transition Period prior to completion of the Placing of Escrow Shares, the Vendor remains the owner of the beneficial title over the Escrow Shares and hence are entitled to the voting rights and dividend entitlement of those Escrow Shares, but technically speaking, the Placing Agent is the owner of the legal title over the Escrow Shares, and hence the Vendor would only exercise the voting rights of the Escrow Shares and enjoy their dividend entitlements through instructions to be given to the Placing Agent. It is anticipated that the Transition Period will be very short and the Placing Agent will complete the Placing of Escrow Shares shortly after the legal title of the Escrow Shares are transferred to the Placing Agent.

Before completion of the Placing of Escrow Shares by the Placing Agent, whether or not the Escrow Shares should be treated as part of the Shares held by the public under the requirements of the Listing Rules (“**public float**”) will depend on the percentage shareholding of the Vendor in the Company at the time. If the Vendor’s percentage shareholding in the Company is 10% or more at that time (including the Escrow Shares that are the subject of the Placing of Escrow Shares), then the Escrow Shares will not be treated as part of the public float and vice versa.

At completion of the Placing of Escrow Shares, the beneficial title of the Escrow Shares not taken up by placees who are Independent Third Parties would then be underwritten by the Placing Agent and the beneficial title to those Escrow Shares will be transferred to the

Placing Agent, whilst the beneficial title of the successfully placed out Escrow Shares will pass onto the placees. At all times during the Transition Period, the Escrow Shares do not become treasury shares of the Company.

Under the Sale and Purchase Agreement, the Vendor is required to sign all documents and take all action as required by the Company to effect the aforesaid transfers in a timely manner. The net cash proceeds from the Placing of Escrow Shares shall be paid to the Purchaser. All costs and expenses related to the aforesaid transfer, including all transaction levies, brokerage and stamp duty, the Placing Agent's commissions (if any) and other related professional fees relating to the Placing of Escrow Shares, shall be borne by the Vendor.

All relevant terms, arrangements and disclosure requirements for such placing shall be made by the Company, the Vendor and the Placing Agent in accordance with the relevant Listing Rules and placing guidelines.

The Company is aware of the requirements under the Listing Rules and Code on Takeovers and Mergers (“**Takeovers Code**”) regarding the repurchase of Shares and it is not the intention of the Vendor, the Purchaser and the Company for the cash compensation mechanism described above by way of Placing of Escrow Shares to be conducted through a repurchase of the Escrow Shares.

The cash compensation mechanism is different to, and should be distinguished from, a repurchase of Shares, since a repurchase of Shares involve a reduction of the Company's cash resources by repurchasing existing Shares and where such repurchased Shares are cancelled. A repurchase of Shares would not result in the Company and the Purchaser receiving any reasonable cash compensation for their losses due to failure in obtaining Annual Production Approval of the Xinjiang NDRC by the aforesaid dates.

On the other hand, the cash compensation mechanism involves the sale of existing Shares by the Vendor, through the Placing Agent, and the proceeds of which are paid over to the Purchaser as cash compensation. It does not involve any reduction in the Company's cash resources or reduction of its share capital. It is the agreed compensation paid by the Vendor to the Purchaser for failure in obtaining Annual Production Approval of the Xinjiang NDRC by the aforesaid dates. The Vendor satisfies its payment by sale of the Escrow Shares that it received from the Acquisition through the Placing of Escrow Shares.

Top Up and Put Option

The Top Up arrangement aims to compensate the Vendor by way of an additional issue of Shares for any potential shortfall when the market value of the Consideration Shares in the Escrow Account and the Top Up Account (based on the Shortfall Market Determinant Price (defined below) on the Reference Date (defined below) fails to meet the Reference Price for each Share.

On the other hand, the Put Option is an agreed payment term as a result of commercial negotiation with the Vendor in case the market value of the pre-agreed portion of the Consideration Shares then in the Put Option Account fails to meet the Ceiling Price for each Consideration Share, the Vendor shall have the option to require the Company to liquidate such Consideration Shares by the mechanism described under the section headed “Placing of Put Option Shares” below and to receive from the Company cash compensation equal to the Shortfall, being the shortfall between (1) the product of the Ceiling Price and the Put Option Shares; and (2) the proceeds from the Placing of Put Option Shares (defined below).

Both the Top Up and Put Option arrangements are terms of payments agreed between the Vendor and the Company as a result of commercial negotiation, and for the Vendor to accept part of the Consideration in the form of Consideration Shares instead of cash up front at Completion. They are customary terms in normal commercial negotiation, allowing the Company to preserve cash resources for future acquisition and development opportunities.

Placing of Put Option Shares

If as at the Third Anniversary Date (or the Top Up Completion Date), there are Shares standing in the Put Option Account, the Vendor shall have the right (the “**Put Option**”) to request the Company to, and the Company shall be obliged to, arrange for the sale or disposal of up to: (a) the Maximum Put Option Shares; and (b) the number of Shares standing in the Put Option Account as at the Third Anniversary Date, whichever is the lower (the “**Put Option Shares**”) by way of placing through the Placing Agent (“**Placing of Put Option Shares**”).

The Put Option can be exercised by the Vendor within the period of 20 Business Days after the Reference Date (defined below). Upon exercise of the Put Option, the Company shall use all reasonable endeavours to procure the Placing Agent to enter into a placing agreement with the Vendor for the sale of the Put Option Shares within 60 days from the date of expiry of the Put Option Period.

It is anticipated that if Placing of Put Option Shares takes place, the placing agreement will be entered into by the Vendor and the Placing Agent with the price determination to be subject to a separate price determination letter to be signed by the Company and such Placing Agent, since the sale proceeds from the Placing of Put Option Shares is cash compensation to the Vendor, and the Purchaser is required to make up the Shortfall to the Vendor (if any), the placing price and period for the Placing of Put Option Shares are to be agreed between the Company and such Placing Agent, subject to the prevailing market conditions. The Vendor shall engage the Placing Agent nominated by the Purchaser to arrange for the Placing of the Put Option Shares to Independent Third Parties.

Prior to completion of the Placing of Put Option Shares, the Vendor will remain the owner of the beneficial title over the Put Option Shares and hence will be entitled to the voting rights and dividend entitlement of those Put Option Shares.

The Purchaser shall be responsible for all costs and expenses for such Placing of Put Option Shares. The net cash proceeds from the Placing of Put Option Shares shall be paid to the Vendor. If the amount received by the Vendor from such Placing of Put Option Shares is less than the product of the Put Option Shares and the Ceiling Price, the Vendor shall be entitled to receive a cash compensation from the Company for the Shortfall.

The placing price and period are subject to prevailing market conditions. Although the Placing of Put Option Shares may become necessary after three years from the Completion under the terms of the Sale and Purchase Agreement, the Company anticipates that its financial position is likely to be significantly enlarged by that time such that the Placing of Put Option Shares would not have any significant adverse financial impact on the Group.

Top Up Consideration Shares

Pursuant to the Sale and Purchase Agreement, if the average closing price of the Shares (the “**Shortfall Determinant Market Price**”) for the 5 trading days immediately preceding and including the Third Anniversary Date (the “**Reference Date**”) is less than the Reference Price, the Company shall, at no further amount payable by the Vendor, allot and issue such number of additional new Shares to the Vendor (or its designated nominee) (the “**Top Up Consideration Shares**”) calculated as follows:

Number of Top Up Consideration Shares = ((Reference Price – Shortfall Determinant Market Price) × the aggregate number of Shares standing in the Top Up Account and the Escrow Account as at the Third Anniversary Date) ÷ Shortfall Determinant Market Price

If the number of the Top Up Consideration Shares to be issued pursuant to the above formula (“**Original Number**”), together with the then Shares held by the Vendor, shall exceed 19.99% of the enlarged issued share capital of the Company on the Reference Date, the number of the Top Up Consideration Shares to be issued shall be reduced to such number (“**Adjusted Number**”) which, together with the then Shares held by the Vendor, shall equal to 19.99% of the enlarged issued share capital of the Company, and the Purchaser shall pay compensation in cash to the Vendor in an amount equivalent to:

Amount of cash compensation = (Original Number – Adjusted Number) × Shortfall Determinant Market Price

The allotment and issue of the Top Up Consideration Shares and/or payment of cash compensation (if application) shall be made within thirty days after the Reference Date (the “**Top Up Completion Date**”). Based on the above terms and the 19.9% shareholding limit for the Vendor and assuming there is no conversion of convertible notes and changes in capital structure of the Company, the maximum number of the Top Up Consideration Shares to be issued and allotted by the Company will be 203,000,000. In the event of full conversion of outstanding Convertible Notes, the maximum number of the Top Up Consideration Shares to be issued and allotted by the Company will be 847,000,000. Further, based on the above formula and mechanism, it is designed to cap the maximum liabilities of the Group in respect of the cash compensation for the shortfall amount under the Top Up and Put Option arrangement, which will not amount to more than HK\$763,000,000, being the maximum liabilities under the Put Option arrangement (HK\$308 million) and the Top Up Consideration arrangement (HK\$455 million). The Top Up arrangement and the 19.99% limit are a result of commercial negotiation in the Proposed Transaction, reflecting the maximum extent the Vendor has agreed to accept payment by way of issue of Consideration Shares and Top Up Consideration Shares instead of cash consideration at Completion. It is a customary term in normal commercial negotiation, allowing the Company to preserve cash resources for future acquisition and development opportunities. The Directors considers such arrangement fair and reasonable to the Company

and its Shareholders as a whole as acquisitions by full cash consideration would consume significant internal financial resources, which would otherwise be available for alternative business expansion.

During the period from the date of the Sale and Purchase Agreement to the Reference Date, if and whenever there shall be any alteration to the nominal value of the Shares by reason of any consolidation or sub-division, each of the Reference Price, the Maximum Put Option Shares and the Ceiling Price shall be adjusted by multiplying a fraction, the denominator of which is the number of issued Shares immediately after such event and the numerator of which is the number of issued Shares immediately before such event. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately after the date on which the consolidation or sub-division becomes effective.

In addition, if any capital restructuring of the Company as a whole which the Vendor or the Purchaser reasonably determines that an adjustment to the calculations to the Top Up Consideration Shares is required to achieve its intended result, that party shall, at its own expense, inform the other party in writing of its determination with reasons and calculations and consult a financial adviser of repute (acting as an expert) selected by such party and approved by the other party (the “**Independent Financial Adviser**”) to determine as soon as practicable what adjustment (if any) to the calculation of Top Up Consideration Shares is fair and reasonable in its opinion to give the intended result, and the date on which such adjustment should take effect. The Vendor and the Purchaser shall take due consideration of the determination by the Independent Financial Adviser when negotiating any adjustment that should be made to the Top Up Consideration Shares (if any) as a result of any such capital restructuring of the Company. If the parties fail to agree on such adjustment within 20 Business Days after the date when such capital restructuring of the Company is effected, either party may refer the matter to the courts of Hong Kong to resolve the dispute.

The Directors determined the Reference Price and Ceiling Price based primarily on the expected development of the Company’s business and financial position, market comparables, and the RHL Valuation.

The Consideration Shares and the Top Up Consideration Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Shareholders at the SGM.

APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Top Up Consideration Shares.

The allotment and issue of the Consideration Shares and the Top Up Consideration Shares (if any) will be granted by way of Specific Mandate.

EFFECT ON THE SHAREHOLDING AND BOARD STRUCTURES

The following two tables sets out the shareholding structure of the Company as at the date of this announcement, (i) immediately after Completion and assuming no conversion of the convertible notes, and (ii) immediately after Completion and assuming full conversion of the convertible notes:

(i)

	Before completion of VSA		Immediately after completion of VSA		Enlarged issued share capital immediately after Top Up and Put Option	
	<i>No. of Ordinary Shares held</i>	<i>%</i>	<i>No. of Ordinary Shares held</i>	<i>%</i>	<i>No. of Ordinary Shares held</i>	<i>%</i>
Up Energy Group Ltd	473,566,949	29.92	473,566,949	24.28	473,566,949	21.99
Up Energy Capital Ltd	—	—	—	—	—	—
Exploratory Capital Limited	300,000,000	18.95	300,000,000	15.38	300,000,000 ¹	13.93
Hao Tin Resources Group Limited	—	—	367,500,000	18.84	430,500,000	19.99
Other Shareholders	<u>809,292,839</u>	<u>51.13</u>	<u>809,292,839</u>	<u>41.50</u>	<u>949,292,839</u>	<u>44.09</u>
	<u>1,582,859,788</u>	<u>100.00</u>	<u>1,950,359,788</u>	<u>100.00</u>	<u>2,153,359,788</u>	<u>100.00</u>

(ii)

	Before completion of VSA		Immediately after completion of VSA		Enlarged issued share capital immediately after Top Up and Put Option	
	<i>No. of Ordinary Shares held</i>	<i>%</i>	<i>No. of Ordinary Shares held</i>	<i>%</i>	<i>No. of Ordinary Shares held</i>	<i>%</i>
Up Energy Group Ltd	2,072,186,238	49.80	2,072,186,238	45.76	2,072,186,238	38.55
Up Energy Capital Ltd	137,500,000	3.30	137,500,000	3.04	137,500,000	2.56
Exploratory Capital Limited	300,000,000	7.21	300,000,000	6.62	300,000,000 ²	5.58
Hao Tin Resources Group Limited	—	—	367,500,000	8.11	1,074,500,000	19.99
Other Shareholders	<u>1,651,478,644</u>	<u>39.69</u>	<u>1,651,478,644</u>	<u>36.47</u>	<u>1,791,478,644</u>	<u>33.32</u>
	<u>4,161,164,882</u>	<u>100.00</u>	<u>4,528,664,882</u>	<u>100.00</u>	<u>5,375,664,882</u>	<u>100.00</u>

Notes:

- 430,500,000 Shares represented by 367,500,000 Shares less 140,000,000 Put Option Shares plus maximum top up shares 203,000,000 limited to 19.99%.

2. In case of full dilution of convertible notes, 1,074,500,000 shares represented by 367,500,000 Shares less 140,000,000 Put Option Shares plus maximum Top Up Consideration Shares 847,000,000 limited to 19.99%.
3. As at the date of the announcement, the Company's outstanding convertible notes amounted to HK\$5,156,610,000 at a conversion price of HK\$2, maturity date on 18 January 2016 and 2,578,305,000 conversion shares to be issued.
4. These shares were the same parcel of shares held by a J&J Trust of which Mr. Wang Mingquan ("Mr. Wang") was the founder. Mr. Wang is the father-in-law of Mr. Qin Jun, an executive Director. Under Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, Mr. Wang is deemed to be interested in the Shares held by the J&J Trust and Up Energy Group Limited.
5. Up Energy Capital Ltd. is a company wholly-owned by Mr. Qin Jun.
6. The scenario (ii) above is for illustration purpose only and the actual maximum conversion scenario will be subject to the conversion restriction under the terms of the convertible notes as disclosed in the Company's circular dated 20 December 2010.

The Directors confirm that save for the convertible notes, there are no warrants and options in issue. The Directors confirm that there will be no change in the board composition as a result of the Proposed Transaction,

REASONS FOR THE ACQUISITION

The Group is principally engaged in the mining, washing and marketing of coking coal in the PRC.

The primary objective of the Acquisition is that the Company would substantially enlarge its coal resources by 44.25% to approximately 362 Mt according to JORC Code. As both the Target Mine and the existing mines of the Company are located in Xinjiang, the Company considers that the Acquisition will enable the Enlarged Group to consolidate its regional industry position and gain a stronger bargaining power in the sales of coking coals in Northwestern China. This also provides an opportunity for the Enlarged Group to increase turnover and reinforce its position as one of the largest integrated energy group in the region. The Enlarged Group will benefit from operational, monitoring and distribution synergies as both the Target Mine and the existing mines of the Company are located in the same region. These benefits include economies of scale in transporting coal after pooling from existing mine of the Group and Target Mines, processing and washing.

The Directors believes that the Company and its Shareholders may benefit from the technical and safety improvements initiated by the Target Group before the Completion (which resulted in loss in recent years), together with its progress effort for obtaining the Annual Production Approval from Xinjiang NDRC. In addition, the Vendor undertakes to indemnify the Purchaser for the costs and losses of production suspension arising from reasons attributable to the Vendor during its period of operation. The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition (including the Consideration and the payment methods thereof) are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

FINANCIAL INFORMATION OF THE TARGET GROUP

The original purchase cost of the Target Group by the Vendor was HK\$1.55 billion as at 28 January 2011. The subsequent capital expenditure incurred by the Vendor in respect of the Target Mine by way of shareholder's loan amounted to RMB89,340,000.

Set out below is a summary of the consolidated results of the Target Group for the period ended 31 March 2011 and for the year ended 31 March 2012, prepared in accordance with the relevant accounting principles and financial regulations applicable to the Hong Kong Financial Reporting Standards.

	As at	
	31 March 2011 (unaudited) (Note 1) (HK\$)	31 March 2012 (unaudited) (Note 2) (HK\$)
Total assets	8	1,685,078,000
Total liabilities	—	(1,645,723,000)
Net assets	8	39,355,000
	For the year/period ended	
	31 March 2011 (unaudited) (HK\$)	31 March 2012 (unaudited) (HK\$)
Turnover	—	2,861,000
Net loss before taxation	—	(10,288,000)
Net loss after taxation	—	(10,288,000)

Notes:

- (1) As at 31 March 2011, the Target Company has not yet acquired Venture Path. Hence, the reporting period of the Target Company is from 6 August 2010 (date of incorporation) to 31 March 2011.
- (2) As the Target Company acquired Venture Path on 15 June 2011, the results of the Target Company included the results of Venture Path and its subsidiaries for the period from 15 June 2011 to 31 March 2012.

In addition, set out below is a summary of the audited results of Baicheng Wenzhou, an indirect wholly-owned subsidiary of the Vendor established in the PRC which operates the Target Mine, for the years ended 31 December 2010 and 31 December 2011 respectively, prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC Financial Reporting Standards. The remaining companies of the Target Group are all investment holding companies during the financial years.

	As at	
	31 December 2010 (audited) (RMB)	31 December 2011 (audited) (RMB)
Total assets	34,922,275	135,893,372
Total liabilities	(30,602,470)	(140,945,993)
Net assets/(liabilities)	4,319,805	(5,052,621)
	For the year ended	
	31 December 2010 (audited) (RMB)	31 December 2011 (audited) (RMB)
Turnover	17,199,573	816,160
Net loss before taxation and extraordinary items	(1,363,289)	(9,435,844)
Net loss after taxation and extraordinary items	(1,363,289)	(9,435,844)

There is no material generally accepted accounting principles difference on the auditor report of the Target Group and Baicheng Wenzhou which are prepared in accordance with Hong Kong Financial Reporting Standards and PRC Financial Reporting Standards, respectively.

As shown from the above audited results of Baicheng Wenzhou, there is a significant drop in revenue of the Target Group in the year ended 31 December 2011 which is mainly due to the fact that: (i) disruption of normal operations of the Target Mine was resulted during the period from 28 January 2011 to 15 June 2011, being the period pending for completion of change of ownership from the previous owner of Baicheng Wenzhou (the “**Baicheng Wenzhou Owners**”) to the former vendor of the Target Mine, namely Tai Rong Xin Ye International Power Generation Inc. (the “**Former Vendor**”); and (ii) production of the Target Mine has been suspended from July 2011 to early December 2011 until rectification of certain safety issues in response to the requests of the relevant PRC governmental authorities and completion of measures to improve the ventilation system. The Directors are of the view that the Acquisition is in the interest of the Company and its shareholders as a whole having considered the above significant decrease in turnover of the Target Group as the Vendor represented that the production of the Target Mine for the six-month period between April 2012 and September 2012 has increased by approximately 589% as compared to the preceding period from the date of the Vendor’s acquisition of the Target Mine on

15 June 2011 to the fiscal year end of the Target Group on 31 March 2012. The Vendor further indicated that the Target Group plans to maintain its production level for the remaining six months of the financial year from October 2012 to March 2013.

INFORMATION ON THE VENDOR, PURCHASER AND THE TARGET MINE

The Vendor is principally engaged in the mining and marketing of coking coal in the PRC and manufacturing and sales of quality plastic and paper boxes for luxury consumer goods.

The Purchaser is a company incorporated under the laws of the British Virgin Islands and whose registered office is situated at whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its principal business is investment holding.

The Target Mine is an underground coal mine located at 39 km from Baicheng County and 209 km from Arkesu City in the Xinjiang Autonomous Region, the PRC. The Target Mine produces predominantly Gas Coal, along with 1/3 Coking Coal, 1/2 Caking Coal, and Weakly Caking Coal. The Target Mine, originally known as the No. 3 Pit of No. 1 Coal Mine Baicheng Wenzhou Mining Development Co. Ltd, was constructed in 1984 and produced 208 kt of gas coal in 2009. The Target Mine has resumed production in late December 2011 after rectification of certain safety issues in response to the requests of the relevant PRC governmental authorities and completion of measures to improve the ventilation system. The new mining shafts of the Target Mine, which would increase annual production capacity to 900,000 tonnes, are pending approval from the governmental authorities of the Xinjiang Uygur Autonomous Region of the PRC. The Vendor represents (and the Company has observed in recent site visits) that the Target Mine is currently in production. The Directors confirm that even if the Annual Production Approval could not be obtained, there will not have any material adverse impact on the operation and financial position.

Based on the technical report prepared by Roma Oil and Mining Associates Limited, an independent technical adviser relating to the Target Mine as of 31 March 2012, the Target Mine has a coal field area of approximately 5.9178 sq km which extends approximately 5.52 km from east to west and approximately 1.06 km from north to south, with estimated coal resources and coal reserves of 111.3 Mt (including approximately 69 Mt of Indicated Resources and 42 Mt of Inferred Resources) and 38 Mt (Probable Reserves) respectively. Such reserve and resource estimates are prepared in accordance with the JORC Code. According to Mining Licence dated 28 October 2009 granted by Department of Land and Resources Office of Xinjiang Uygur Autonomous Region, the Target Mine is permitted to produce 210,000 tonnes per annum. Based on the Valuation Report relating to the Target Mine dated 25 May 2011, the fair market value of the Target Mine is estimated at HK\$1.7 billion.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition will be subject to the Shareholders' approval by way of poll at the SGM. As no Shareholder has

material interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM in respect of the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Moreover, as one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the grant of the Put Option exceeds 5% but is below 25%, the grant of the Put Option constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares and the Top Up Consideration Shares under the Sale and Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the accountants reports and pro forma financial information pursuant to Rule 14.67(6)(a) of the Listing Rules; (iii) the Competent Person's Report and the Valuation Report in relation to the Target Mine pursuant to Chapter 18 of the Listing Rules; and (iv) the notice of the SGM, will be despatched to the Shareholders on or before 21 December 2012, as the Company intends to announce its interim results for the six months ended 30 September 2012 on or before 28 November 2012 and with a view to providing more updated financial information to the Shareholders, additional time is required to finalise the financial information, including but not limited to, the unaudited pro forma financial information of the Enlarged Group after the Acquisition and the accountants' report of the Target Group.

Completion of the Acquisition is subject to fulfilment of conditions precedent including, amongst others, the Purchaser being satisfied in its absolute discretion with the results of due diligence review and the obtaining of the Shareholders' approval for the Acquisition, and therefore, the Acquisition may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 15 October 2012 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 2 November 2012.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise states:

“Acquisition” or “Proposed Transaction” the proposed acquisition by the Company of the Target Company pursuant to the Sale and Purchase Agreement

“associate(s)” has the meaning ascribed to it under the Listing Rules

“Audited Completion Accounts”	The audited accounts (including balance sheet, profit and loss statement, cash flow statement and statement of movement of equity) of the Target Group to be issued by the Auditors
“Auditors”	Grant Thornton Jingdu Tianhua or a firm of independent certified public accountants in Hong Kong agreed by the Vendor and the Purchaser
“Baicheng Wenzhou”	拜城溫州礦業開發有限公司 (Baicheng Wenzhou Mining Development Co., Ltd.)**, an indirect wholly-owned subsidiary of the Vendor established in the PRC which operates the Target Mine
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays and Sundays)
“BVI”	the British Virgin Islands
“Ceiling Price	HK\$2.20 per Share, subject to adjustment as provided in the Sale and Purchase Agreement
“Company”	Up Energy Development Group Limited (stock code: 307), a company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“Competent Evaluator”	a Competent Person undertaking valuations and satisfying Rule 18.23 of the Listing Rules
“Competent Person”	a person satisfying the requirements of Rules 18.21 and 18.22 of the Listing Rules
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the fifth Business Day after fulfillment of the conditions precedent (other than those have been waived) or such other date as the parties to the Sale and Purchase Agreement may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration to be paid by the Purchaser to the Vendor for the Sale Shares and the assignment of the Shareholder’s Loan, subject to adjustment as provided in the Sale and Purchase Agreement

“controlling shareholder”	Has the meaning ascribed to it in the Listing Rules
“Designated Date”	the date falling 547 days after the Completion Date
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group (which then includes the Target Group) immediately after the Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	such person(s) who is/are third party(ies) not connected person(s) of the Company and its subsidiaries, their respective directors, substantial shareholders, chief executive and associates of any of them
“Indicated Resources”	has the meaning ascribed thereto under Chapter 18 of the Listing Rules
“Inferred Resources”	has the meaning ascribed thereto under Chapter 18 of the Listing Rules
“J & J Trust”	J & J Trust Credit Suisse Trustee Limited
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
“Management Accounts”	the unaudited management accounts (including balance sheet, profit and loss statement, cash flow statement and statement of movement of equity) of (i) each of the Target Company, Venture Path Limited and West China for the five months period ended on the Management Accounts Date prepared in accordance with Hong Kong Financial Reporting Standards; and (ii) Baicheng Wenzhou for the eight months period ended on the Management Accounts Date prepared in accordance with PRC Generally Accepted Accounting Principles, all delivered to the Purchaser on or prior to the date of this Agreement and jointly signed by the Vendor and Purchaser for the purpose of identification and acknowledgment
“Management Accounts Date”	31 August 2012

“Maximum Put Option Shares”	140 million Shares, subject to adjustment
“MOU”	means the non-legally binding (save for provisions on the Validity Period, confidentiality, nature of the MOU, fees and expenses, exclusivity and governing law) memorandum of understanding dated 23 July 2012 entered into between the Vendor, the Purchaser and the Target Company in relation to the Proposed Transaction as amended and supplemented by the first and second supplemental memorandum of understanding dated 14 September 2012 and 5 October 2012 respectively between the same parties
“Parties”	the parties to the Sale and Purchase Agreement and “Party”
“PRC”	means The People’s Republic of China (which for the purpose of this Announcement excludes Hong Kong, Taiwan and Macau)
“Probable Reserves”	has the meaning ascribed thereto under Chapter 18 of the Listing Rules
“Pro-Forma Completion Accounts”	means the unaudited pro-forma management accounts (including balance sheet, profit and loss statement, cash flow statement, statement of movement of equity and asset registers) of each of the companies within the Target Group and the Target Group, on a consolidated and individual company basis, for the period commencing from the day immediately following the Management Accounts Date and ending on the Completion Date prepared on similar basis and standards as adopted for preparation of the Management Accounts, to be delivered by the Vendor to the Purchaser on the Completion Date and subject to endorsement by the Purchaser
“Purchaser”	means Up Energy Mining Limited, a company incorporated in British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Reference Price”	HK\$2.00 per Share, subject to adjustment
“Required Deposits”	an amount not less than RMB4,662,823.71 as at the date of the Sale and Purchase Agreement, being cash reserves paid by the Target Group to the Land and Resource Bureau of the PRC and retained specifically for compliance with environmental laws and requirements applicable to the Target Mine and to permit the continued operation of the Target Mine

“Sale and Purchase Agreement”	the sale and purchase agreement dated 12 October 2012 and entered into among the Purchaser, the Company and the Vendor in respect of, among other things, the Acquisition
“Sale Share”	1 ordinary share of US\$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and on Completion
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Consideration Shares
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholder’s Loan”	all amounts owing by the Target Company to the Vendor as at Completion Date
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the SGM to authorise the Directors to issue the Consideration Shares and the Top Up Consideration Shares under the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	means Champ Universe Limited (冠宇有限公司)*, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Vendor
“Target Group”	means the Target Company and its subsidiaries
“Target Mine”	拜城溫州礦業開發有限公司一礦3號井 (No. 3 Pit of No. 1 Mine of Baicheng Wenzhou Mining Development Co., Ltd)** and is located at Baicheng County, Arkesu Prefecture, Xinjiang Uygur Autonomous Region, the PRC
“Third Anniversary Date”	the date of the third anniversary of the Completion Date
“Validity Period”	means the validity period of the MOU commencing from 23 July 2012 up to (and including) 12 October 2012

“Valuation Report”	the public valuation report prepared by the Competent Evaluator on the Target Mine in compliance with the requirements of Chapter 18 of the Listing Rules and the VALMIN Code
“Vendor”	means Hao Tian Resources Group Limited (stock code: 474), a company incorporated in Cayman Islands with registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands whose shares are listed on the Main Board of Stock Exchange
“Vendor Group”	means the Vendor and its subsidiaries (excluding the Target Group)
“Venture Path”	Venture Path Limited, a direct wholly-owned subsidiary of the Target Company, incorporated in the British Virgin Islands with limited liability
“West China”	West China Coal Mining Holdings Limited (西部煤業控股有限公司), an indirect wholly-owned subsidiary of the Vendor incorporated in Hong Kong
“%”	per cent.

By order of the Board of
Up Energy Development Group Limited
Qin Jun
Chairman

Hong Kong, 1 November 2012

As at the date of this announcement, two executive Directors of the Company are Mr. Qin Jun, and Mr. Jiang Hongwen, one non-executive director is Mr. Chau Shing Yim, David and three independent non-executive Directors of the Company are Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming.

* *Chinese name for identification purpose only*

** *English name is translated for identification purpose only*