UP ENERGY DEVELOPMENT GROUP LIMITED

優 派 能 源 發 展 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 307

Annual Report 2013

The Philosophy of Sustainable Success

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chau Shing Yim, David *(Re-designated as an Independent Non-executive Director on 20 June 2013)*
Li Bao Guo
Lien Jown Jing, Vincent
Shen Shiao-Ming

COMPANY SECRETARY

Chau Kwok Ming

AUDIT COMMITTEE

Lien Jown Jing, Vincent *(Chairman)*
Li Bao Guo
Shen Shiao-Ming

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Corporate Information (continued)

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

http://www.upenergy.com

STOCK CODE

307

Milestone

2005

2 November

Established Up Energy (Xinjiang) Mining Limited

2007

2 March

Completed the exploration of coal mines

2008

September

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

November

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

2010

September

Officially commenced the construction of Up Energy Coal Coking Project

2011

18 January

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

February

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

16 March

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

23 March

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

May

Passed the field examination for ISO9001 Quality Certification

July

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

2012

12 October

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

19 December

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

31 December

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

2013

March

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

8 June

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

Corporate Profile

UP ENERGY IS:

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

EXPLORATION	Mining	Washing	Coking & Chemicals	Pit Water Recycling
	With a planned production capacity of 4.5 Mtpa of different types of coal produced to make pre-blended coking coal	With a planned raw coal washing capacity of 4.5 Mtpa	With a planned coking coal production capacity of 1.3 Mtpa with by-products of tar and crude benzene	With a planned annual pit water processing capacity of 5.2 million m^3

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

Corporate Profile (continued)

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 2013. 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.

Profiles of Coal Mines

Xiaohuangshan Coal Mine – 79.2% owned

Location: 18 km to the southeast of Fukang City
Area: 2.178 sq. km
Type of Mine: underground mine
Expected Commencement Date of Production: the 2nd Quarter in 2013
Planned Annual Production Capacity of Coking Coal at Full Operation: 2.4 Mt
JORC Code Coal Resources*: 107 Mt
JORC Code Coal Reserves*: 26.13 Mt
Coking Coal Type: mainly fat coal and 1/3 coking coal

Shizhuanggou Coal Mine – 70% owned

Location: 40 km to the east of Fukang City
Area: 7.1572 sq. km
Type of Mine: underground mine
Expected Commencement Date of Production: the 3rd Quarter in 2013
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 73.22 Mt
JORC Code Coal Reserves*: 23.52 Mt
JORC Code Potential Coal Reserves*: 24.75 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal and lean coal

Quanshuigou Coal Mine – 70% owned

Location: 40 km to the east of Fukang City
Area: 6.6052 sq. km
Type of Mine: underground mine
Expected Commencement Date of Production: the 3rd Quarter in 2013
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 70.61 Mt
JORC Code Coal Reserves*: 20.58 Mt
JORC Code Potential Coal Reserves*: 27.19 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal and lean coal

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

Profiles of Phase One Projects

Coal Coking Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Commencement Date of Production: the 3rd Quarter in 2013
Daily Processing Capacity: 4,808 tonnes
Annual Processing Capacity: 1,755,000 tonnes
Planned Annual Coke Production Capacity at Full Operation: 1.3 Mt

Raw Coal Washing Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Commencement Date of Production: the 3rd Quarter in 2013
Planned Annual Coal Washing Capacity at Full Operation: 4.5 Mt
Recovery Rate of Clean Coal: 83%
Expected Annual Production of Clean Coal: 3.735 Mt

Water Recycling Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Commencement Date of Production: the 3rd Quarter in 2013
Planned Annual Processing Capacity at Full Operation: 5.2 million m^3
Usage of Processed Pit Water: Water for industrial use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Qin Jun

Mr. Qin Jun, aged 45, is an Executive Director and the Chairman and Chief Executive Officer of the Company. He is one of the founders of Up Energy Investment (China) Ltd. ("UE China") UE China became a subsidiary of the Group on 18 January 2011. He has over 20 years of experience in domestic or international business management and is primarily responsible for the overall strategic planning and management of UE China. Since 2003, Mr. Qin has focused on coking coal exploration and mining opportunities in Xinjiang. Mr. Qin has established a high-quality management team since he founded UE China. He also led the team to identify and acquire gradually UE China's three mines in 2003 and has formulated the overall strategy for the development of UE China. Mr. Qin Jun is the son-in-law of Mr. Wang Mingquan who is the substantial shareholder of the Company.

Mr. Qin graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990. From 1999 to 2001, he served as vice president of BOE Technology Group Co., Ltd., which is engaged in research, manufacturing and sales of thin film transistor liquid crystal display (TFT-LCD) products and related business solution services to customers. From 1993 to 1999, he was the chairman and the chief executive officer of Shenzhen Sinor Solar Industry Co., Ltd., which is engaged in the manufacturing and trading of electronic products. He was also a member of the Economic and Planning Department in the Ministry of Machinery and Electronics of the PRC from 1990 to 1993. Mr. Qin obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009. Mr. Qin has 9 years of relevant experience in coal mining and exploration activities and management of coal mining companies.

Mr. Jiang Hongwen

Mr. Jiang Hongwen, aged 44, is an Executive Director and the Chief Financial Officer of the Company, He also appointed as vice-president, chief financial officer and Director of UE China in August 2008. He is responsible for the overall management of the Group's financial operations. He graduated from Hefei University of Technology with a bachelor's degree in industrial management (industry accounting) in 1990 and the University of Science and Technology of China with a master's degree in business administration in 2005. Mr. Jiang has been a licensed senior accountant awarded by the Senior Accounting Professional Assessment Committee of Anhui Province since 1999 and has extensive experience in financial management. He is an expert on the Senior Accountant Committee and a member of the Institute of Accounting of China, and has been awarded the certificate of "全國會計領軍人才" by the Ministry of Finance of the People's Republic of China. Mr. Jiang has previously held the positions of finance department manager, investment department manager, audit department manager and supervisor of investment holding company and deputy chief accountant in Anhui Garments Import and Export Corporation, a trading company in the PRC. Mr. Jiang also obtained a Safety Certificate issued by the Bureau of Xinjiang Coal Mine Safety Supervision in 2009.

Directors and Senior Management Profile (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David

Mr. Chau Shing Yim, David, aged 49, he has over 20 years' experience in corporate finance. He was formerly a partner of one of the big four accounting firms in Hong Kong, heading the Merger and Acquisition and Corporate Advisory Services. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW") with the Corporate Finance Qualification granted by ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA.

He is an executive director of Zhidao International (Holdings) Limited (stock Code: 1220) and an independent non-executive director of Shandong Molong Petroleum Machinery Company Limited (stock code: 568), Varitronix International Limited (stock Code: 710), Lee & Man Paper Manufacturing Limited (stock Code: 2314), Evergrande Real Estate Group Limited (stock Code: 3333) and Man Wah Holdings Limited (stock code:1999), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He resigned as an independent non-executive director of Duoyuan Global Water Inc., which is listed on the New York Stock Exchange, in April 2012.

Mr. Li Bao Guo

Mr. Li Bao Guo, aged 59, is an Independent Non-Executive Director of the Company. He has over 40 years' experience in the coal-mining industry, specialized in coal mine construction and safety issues. Mr. Li is currently a vice president of the Xinjiang Guanghui Industry Investment Group Co., Ltd. During the period from 1997 to 2010, Mr. Li was the deputy director of Xinjiang Uygur Antonomous Region Coal Geology Bureau. Prior to that, he served as the deputy manager of Xinjiang Coal Construction Engineering Company for 5 years. During the period from 1989 to 1992, Mr. Li was the vice president and vice commander of Beiquan Mine of Xinjiang Hami Coal Bureau. During the period from 1977 to 1989, he was the chief engineer of No. 1 Mine of Xinjiang Hami Coal Bureau. He graduated from Xi'an Mining Institute (renamed to Xi'an University of Science and Technology) with the professional qualification in Coal Geology in 1977. During the period from 1970 to 1974, he worked at the open pit of Xinjiang Hami Coal Bureau. Mr. Li is a professorate senior engineer, an expert in Antonomous Region Safety Production, a registered safety engineer and a registered architect in coal industry.

Directors and Senior Management Profile (continued)

Mr. Lien Jown Jing, Vincent

Mr. Lien Jown Jing, Vincent, aged 52, is an Independent Non-Executive Director of the Company. He is currently a director of Wah Hin & Company, a Singapore incorporated private investment holding company, an independent non-executive director of Focus Media Network Limited (Stock Code: 8112) and Viva China Holdings Limited (Stock Code: 8032) (both of which are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited), a director of The Maritime and Port Authority of Singapore and a non-executive director of Primeline Energy Holdings Inc. (a company listed in Canada). He has over 26 years of experience in the banking industry, specialized in corporate finance and capital management. Mr. Lien graduated from the University of New Brunswick with a Bachelor Degree in business administration. Mr. Lien started his career in the financial industry first in Merrill Lynch & Company. In the past years, Mr. Lien had been working in senior positions in prestige financial institutions such as Swiss Bank Corporation and Bankers Trust & Company. In year 2000, he became the Director of Wah Hin & Company, managing the financial assets of the group. He also served as the Managing Director in the Financial Institutions & Public Sector division of ABN AMRO Bank from 2007 to 2008. Prior joining our Group, Mr. Lien was the Non-Executive Chairman of eSUN Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, from 2007 until May 2010.

Dr. Shen Shiao-Ming

Dr. Shen Shiao-Ming, aged 63, is an Independent Non-Executive Director of the Company. Dr. Shen has over 30 years legal and business experience with particular emphasis on business investment and the energy industry. Dr. Shen is currently an international legal consultant with the law firm of Mackenzie & Albritton in San Francisco, California and has previously worked for several other U.S. law firms, including Graham and James in San Francisco, and Kaye, Scholer, Fierman, Hays & Handle in New York. Dr. Shen's work involved multinational corporations in joint venture projects, energy projects and other international business transactions.

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

SENIOR MANAGEMENT

All the Executive Directors of the Company are respectively responsible for the various aspects of the business operations of the Group. They are regarded as the members of the senior management of the Group.

Chairman's Statement

On behalf of the board of directors (the "Board") of Up Energy Development Group Limited (the "Company"), I hereby present the annual report of the Company for the year ended 31 March 2013 and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013.

Last year, the Group put its scheduled plan in action and spared no effort to proceed with the phase one project of the coal and coking coal circulative business in Xinjiang, i.e. the construction of the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine as well as the three downstream auxiliary industrial projects. It is expected that the Xiaohuangshan Mine will commence production in the second quarter of 2013 while the other two will commence production in the third quarter of 2013. Meanwhile, the three auxiliary projects will commence production in the third quarter of 2013 as well.

Moreover, in order to strengthen the Group's position as the leading integrated energy corporation in Xinjiang, we have taken an active role to identify merger and acquisition opportunities of coal mines in Xinjiang and overseas. During the last year, the Group has successfully entered into sale and purchase agreements for the acquisition of the Baicheng coal mine in Xinjiang and the interest over the Kaftar Hona coal deposit in Tajikistan respectively. Coupled with the existing three coal mines in Fukang, the planned annual production capacity of the Group is expected to reach a maximum of 6.4 Mt in 2016, ranking the top in the coking coal industry in the northwestern part of China.

With a view to upgrading the application of technologies and safety management in mining operation to the advanced level of the State, the Group has reached a technology contribution and support agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Ltd., the core research unit of Huainan Mining Group, pursuant to which technologies were contributed as the consideration for the acquired share capital. The finance lease agreements in respect of equipment for coal washing and coking entered into with Cinda Financial Leasing Company Limited will broaden the Company's financing channels, enabling the Group to optimize its debt structure by extending the application of medium-term loans. Further, the Group has just raised about HK$410,000,000 (net of expenses) through a rights issue. The net proceeds will be applied to finance the funds necessary for the continuous construction and the capital expenditure for future operation of the Group's three existing coal mines in Fukang, and will also be used as general working capital.

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

As the construction of coal mines and downstream ancillary projects are coming to an end, the Group is actively preparing for projects in the phase two, including the gas gangue cogeneration project, the gas power generation project, the coking oven gas power generation project and the fly-ash-based building material project. Upon completion of projects in the phase one, the Group will step up the development of projects in the phase two in order to achieve its established goal of accomplishing a complete business model of circulative economy in the near future.

The Board, with a macro perspective, will continue to capitalize on the favourable conditions and grasp the opportunities brought about by the market demand and policies of the State to meet the challenges and minimize the risks which the Group may face in the course of its development, so as to ensure that the Group's development as a whole is in line with the principle of maximizing the interests of the Group and all its shareholders. From time to time, the Board will also consider various alternatives to further strengthen the Group's capital base.

The 2012/2013 financial year has witnessed the Group's most wide-ranging and frequent activities since its entry into the coal and energy business. In such an intense and critical period, the devotion and support of each staff member and shareholder are clearly indispensable, rendering the Group capable of running its business smoothly as planned. Taking this opportunity and on behalf of the Board, I would like to express the most sincere gratitude for all the contributions and support from our staff and shareholders, and promise to try our best to bring in the most fruitful results in the near future.

Qin Jun
Chairman

Hong Kong, 28 June 2013

Management Discussion and Analysis

During the year ended 31 March 2013 ("FY2013" or the "Review Period"), the Group continued to focus on the construction of the three coal mines and the three circulative business chain projects in Xinjiang. It is expected that these projects will commence production successively starting from the third quarter of 2013. On the other hand, the Group embarked upon the acquisitions of coal mines in Xinjiang and regions close to Central and Western Asia, concluding the sale and purchase agreements concerning the Baicheng Coal Mine in Xinjiang and the Kaftar Hona Deposit in Tajikistan. Upon completion of the acquisitions and commencement of production of the 5 coal mines, the planned annual production capacity of the Group in 2016 will reach a range between 6 Mt and 8 Mt, rendering the Group first in the coking industry in northwestern China. The Group is expected to show significant improvement in its revenue and profit and its leading position in the coking industry in northwestern China will also be strengthened.

INDUSTRY REVIEW

Xinjiang is an important market for the sales of coking coal and coke products of the Group. The Group's three coal mines, namely, the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine, as well as the Biacheng Coal Mine which is in the process of acquisition are all located in Fu Kang, Xinjiang and its neighboring areas; while the Kaftar Hona Deposit is near to the Kashgar Prefecture of Xinjiang. Therefore, the operation environment of Xinjiang has a direct impact on the Group's coal business.

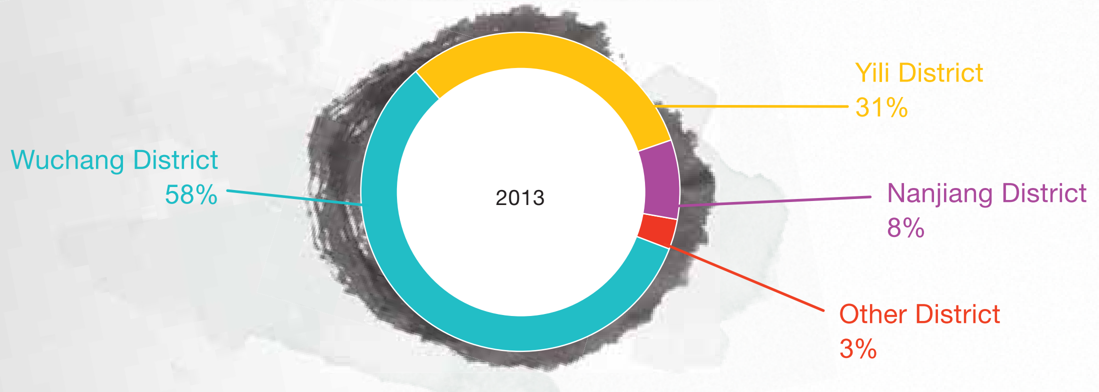
(1) Demand, Supply and Pricing Trend of Coking Coal in the Mainland

Affected by domestic macro-economic control measures and international economic conditions, the production and business operation of the steel industry in the Mainland has deteriorated since the fourth quarter of 2011, with prices of imported iron ores and coking coal decreasing drastically by 30-50%. The steel industry responded by cutting down production and lowering steel prices. Due to the fact that the coking industry is a traditionally energy-dependent industry, having a close relationship with coal and steel industries, the coking coal market in China is in excess supply and is suffered from recession. In the first quarter of 2012, steel factories in the Mainland lowered their purchase prices to the range between RMB1,250 per tonne to RMB1,450 per tonne. In the second quarter of 2012, the steel factories reduced production, resulting in a weak demand for coking coal and a downward trend in prices. The purchase price of coking coal fell further to a range from RMB1,100 to RMB1,300 per tonne accordingly. In the third quarter of 2012, while the domestic demand for steel remained weak relatively, the price of coking coal stabilised since coking coal enterprises in the Mainland decreased the supply of coking coal by scaling down or even limiting their production activities, resulting in a price movement within a certain range.

Being relatively independent, the coking coal market in Xinjiang was less influenced by the downward economic trend in China. In the first quarter of 2012, there was no obvious change in the steel and coking coal markets. The average prices of coking coal and coke remained at high levels, namely, RMB900 and RMB1,700 per tonne respectively. Slowdown in the development of infrastructure and investment activities since the second quarter led to a decreased demand for steel in Xinjiang, resulting in a decrease in the price of coking coal. The price has fallen by approximately RMB100 per tonne over the first three quarters in Xinjiang. In 2012, the standards of safety management for the coal industry in Xinjiang were further tightened. During the Twelfth Five-year Plan period, small-scale coal mines were still ordered to close down, suspend production, merge with others or shift to different line of production. The production of coking coal in Xinjiang thus decreased, which helped stabilizing the price of coking coal. In September 2012, the average prices of different types of coal ranged from approximately RMB450 per tonne to RMB800 per tonne; while the average price of coking coal was about RMB1,400 per tonne. It is expected that the prices would start to rebound.

Based on the information contained in the article “China Jan Coal Imports Surge 56.3% YoY” dated 16 February 2013 and the “Weekly China Coking Coal Market Analysis and Forecast” dated 5 February 2013 published by China Coal Resource, the Group anticipates that with the gradual recovery of the domestic steel industry, the demand for and prices of domestic coking coal will pick up steadily.

2013 Regional coke consumption ratio in Xinjiang



Coke price trend

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

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

After reaching the historical high of US$330 per tonne (FOB) in the second quarter of 2011, the contracted coking coal price has dropped for six consecutive quarters. The contracted coking coal price in the second quarter of 2012 has decreased by 37.6% as compared with the corresponding period last year. The coking coal price in the second quarter this year was US$206 per tonne (FOB), representing a decrease of 12.3% compared to that of the first quarter. The surge in the international coal price in the second quarter of 2011 was due to the special background then existed. At that time, the torrential rain in Australia, the largest coking coal producing and exporting country, badly hit the production of coking coal, resulting in a sharp decrease in the export volume of coking coal. After a recovery of one year, the production of coking coal in Australia has gradually restored to normal, and the tense supply of coking coal in the international market has been eased significantly. Coking coal supply has experienced quarter-on-quarter growth. To the contrary, even though steel enterprises worldwide (including China) reduced production significantly, the international steel price has been declining since the fourth quarter of 2011. With declining demand and more abundant supply, the price of quality coking coal in the third quarter of 2012 has dropped below US$200 per tonne (FOB).

Based on the “Worldsteel Short Range Outlook – Hans Jürgen Kerkhoff: Gradual Improvement in 2013” published by the World Steel Association on 11 October 2012, the Group expects that the recovery of the global steel industry will lead to further increases in the demand and price of coking coal in China.

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 31 March 2013, the Group had a total of 251.15 Mt of JORC-compliant measured, indicated and inferred coal resources and a total of 70.24 Mt of JORC-compliant proved and probable marketable coal reserves. In addition, the aggregate potential coal resources and reserves of the Shizhuanggou Mine and the Quanshuigou Mine are 51.94 Mt. (Note: Since the acquisitions of the Baicheng Coal Mine and the Kaftar Hona Deposit have not been completed, their coal resources and reserves are not included.)

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

As of 31 March 2013, the JORC-compliant measured, indicated and inferred coal resources as well as the JORC-compliant proved and probable marketable coal reserves of the Group are categorized as follows:

Unit: Mt

Name	Coal Resources			Marketable Coal Reserves	
Category	Measured	Indicated	Inferred	Proved	Probable
Amount	148.516	61.199	41.437	51.958	18.277
Total	**251.152**			**70.235**	

(2) Supplementary Exploration

During the Review Period, 5 more coal bed gas holes were drilled in the southern part of the Baiyang River mining area for sampling purposes. A total of 4,468.97 metres were drilled.

The original exploration report of the Xiaohuangshan Mine has been completed and the supplementary exploration will continue in the northern region. 6 more holes with a total depth of 4,460 metres are expected to be drilled. No. 156 Coalfield Geological Exploration Team of Xinjiang Uygur Autonomous Region Coalfield Geology Bureau has been summarizing findings from the drilling activities and the preliminary analysis showed that the Group's resource (China-compliant) is expected to increase.

(3) Safety Production

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Ltd. ("Pingan Gas") which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"). Huainan Mining will be responsible for supervising the production safety of the Group's Quanshuigou Mine, Shizhuanggou Mine and Xiaohuangshan Mine. Management teams have been sent by Huainan Mining to the above three mines successively since the end of 2012 to oversee production safety and provide technical services. The participation of Pingan Gas into Up Energy (Fukang) Coal Mining Ltd. in the form of patent using rights and non-patent technology using rights has been approved by the Department of Commerce of Xinjiang Uygur Autonomous Region, and procedures for the registration of change of, including but not limited to, shareholding structure will be completed with the Industry and Commerce Bureau of Xinjiang Uygur Autonomous Region by the end of June.

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

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

Xiaohuangshan Mine

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

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

Equipment installation: Construction works and testing of lifting hoists and shaft equipment of main and auxiliary inclined shafts as well as testing and tuning of underground equipment are in progress.

Shizhuanggou Mine

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

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

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

Quanshuigou Mine

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

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

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

As for the three downstream ancillary projects,

Construction Progress of 130 Coking Project:

The fire oven was ignited in early June 2013, and the coking oven is expected to produce coke in August 2013.

1. Major construction works of coal preparation, quenching and coking coal selection and storage systems have been completed. Aerial conveyors have been connected. Brick works of the cookery have been completed and iron castings have been installed. The five major machinery parts of the cookery have been assembled. Auxiliary systems and facilities are in place. Various systems and equipment are being installed and fine-tuned.

2. With the completion of external pipe bridges, major construction works of the chemical recovery system have been completed. Auxiliary systems and facilities are in place. Various systems and equipment are being installed.

3. Major construction works of utilities and ancillary facilities structures (centrally-controlled laboratory buildings, integrated water supply, electricity supply, boiler rooms, soft water stations, air compression stations, tank yards, foam stations, loading stations, etc.) have been completed. Auxiliary systems and facilities are in place. Various systems and equipment are being installed.

4. Construction works of underground pipeline networks (heating, water supply, drainage, water for fire control, water for circulation, soft water, etc.) have been completed, and the installation works of processing pipelines, power and controlling cables, bridges, etc, are being organized.

5. Fire service systems and automatic instrumentation and DCS systems of the plant, as well as dust removal stations on coking ground and biochemical sewage treatment works are in progress onsite.

6. Construction works of the plant's front area (roads, fences, gates, slopes, green decorations, etc.) are being organized.

In preparation for production:

1. The Group has commenced recruitment, internal and external trainings as well as preparing roster.

2. Raw coal and coal preparation plans have been confirmed.

3. Construction works are in progress as scheduled.

4. Plans for trial production and operation and relevant technical preparation information have been organized, prepared and reviewed.

Raw Coal Washing Project

The project is expected to be ready for production in October 2013.

1. Construction works of major structures such as coal receiving systems and selection and crushing plants have been completed. Professional works such as enclosure brick works and those in relation to water supply, drainage and lighting are under construction.

2. Framework structures of the 2nd floor of the main washing plant have been constructed.

3. Construction works of major structures such as concentrating plants (including surrounding fences and spherical meshes), contingent storage tanks, medicine libraries, coal refuse storages, laboratory buildings and trestle corridors have been completed.

4. Steel structures of 21 sessions of aerial coal transportation corridors have been connected. Maintenance works of the corridors' color plates have been completed and the corridors have been paved.

5. Construction works of all underground pipeline networks (drainage, water supply, fire control, heating, etc.) have been completed, and the installation of power cables is being organized.

6. All production facilities (including machinery, electrical facilities, instrumentation and automation system) have been procured and ordered. Onsite foundation checking and transition works for pre-installation are being organized.

Water Recycling Project

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

(5) Acquisition of Coal Mine in Xinjiang

In order to control and further develop the coal mines in Xinjiang, China, and to reinforce our position as one of the largest integrated energy group in Northwestern China, the Group has been actively looking for opportunities to merge and acquire mining properties.

On 23 July 2012, Able Goal Group Limited ("Able Goal", now known as "Up Energy Mining Limited") (a wholly-owned subsidiary of the Company) entered into a memorandum of understanding with Hao Tian Resources Group Limited ("Hao Tian Resources") in relation to the proposed acquisition of the entire issued share capital of Champ Universe Limited (冠宇有限公司) ("Champ Universe") (a wholly-owned subsidiary of Hao Tian Resources). Champ Universe, through its direct and indirect wholly-owned subsidiaries, operate and owns 100% interests in the Xinjiang Baicheng County Kueraken Mine Field No. 3 Pit of No. 1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China (the "Target Mine").

On 12 October 2012, the Company, Up Energy Mining Limited ("Up Energy Mining", as purchaser) and Hao Tian Resources (as vendor) entered into a sale and purchase agreement in relation to the acquisition of Champ Universe. According to the sale and purchase agreement, the consideration for the sale and purchase of sale shares and the transfer of all rights, title, benefit and interest of and in the shareholder's loan was HK$1.58 billion, subject to adjustments as set out in the sale and purchase agreement, of which HK$735 million shall be paid by way of an issuance and allotment to the vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company free from all encumbrances and credited as fully paid upon completion at an issue price of HK$2.00 per share; while the balance of HK$845 million shall be paid to the vendor in cash. All conditions precedent under the sale and purchase agreement had been fulfilled or waived, and the completion of the agreement took place on 28 June 2013.

The Target Mine produces predominantly gas coal, along with 1/3 coking coal, 1/2 caking coal, and weakly caking coal. Based on the technical report relating to the Target Mine as at 31 March 2012, the Target Mine has a coal field area of approximately 5.9178 square kilometres, with estimated coal resources and coal reserves of 111.30 Mt and 38.00 Mt respectively. According to the mining licence dated 28 October 2009 granted by the Department of Land and Resources Office of Xinjiang Uygur Autonomous Region, the Target Mine is permitted to produce 210,000 tonnes of coal per annum. Based on the valuation report relating to the Target Mine dated 31 December 2010, the fair market value of the Target Mine was estimated at HK$1.7 billion. The Group believes that in addition to helping us achieving the aforesaid target, the Group will also be benefited from the synergies resulting from the operation of the Target Mine with its existing mines in the region in terms of management, distribution and transportation.

(6) Acquisition of Overseas Coal Mine

Although our Group is based in Xinjiang, China, we have always been looking for opportunities to expand our business overseas. On 5 July 2012, the Company entered into a memorandum of understanding with Kaisun Energy Group Limited and its subsidiary Saddleback Gold Corporation ("SGC"), stipulating the basic terms and conditions for the proposed acquisition by the Company of SGC's 52% equity interest in Kamarob. Kamarob is a company incorporated and registered in the Republic of Tajikistan, and is holding the mining license in respect of the Kaftar Hona Deposit (the "Target Deposit") in Tajikistan.

On 19 December 2012, the Company and Up Energy Resources Company Limited ("Up Energy Resources Company", as purchaser) entered into a sale and purchase agreement with Kaisun Energy Group Limited and its wholly-owned subsidiary Alpha Vision Energy Limited ("Alpha Vision Energy", as vendor) in relation to the acquisition of West Glory Development Limited's ("West Glory", a wholly-owned subsidiary of the vendor) 52% equity interest in Kamarob. The consideration was HK$394,648,800, subject to adjustments according to the adjustment cap. The completion of the sale and purchase agreement is conditional upon the fulfillment of various conditions precedent. For more details, please refer to the Company's announcement dated 8 January 2013.

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

(7) Fund Raising through Rights Issue

On 22 March 2013, the Group raised approximately HK$424 million, before expenses, by issuing rights shares pursuant to a rights issue on the basis of 1 rights share for every 2 existing shares held by shareholders. The Company intends to apply the net proceeds of the rights issue to finance the funds necessary for the continuous construction and capital expenditure for future operation of the Company's three existing coal mines in China, namely the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine, and will also be used as general working capital.

(8) Finance Lease Arrangements

On 19 December 2012, Up Energy (Fukang) Coal Washing Company Limited ("Coal Washing Company"), a subsidiary of the Company, entered into a coal washing finance lease agreement with Cinda Financial Leasing Company Limited ("Cinda Financial Leasing" or the "Lessor"), pursuant to which the Lessor agreed to lease coal washing equipment to Coal Washing Company for a term of three years from 19 December 2012.

On 19 December 2012, Up Energy (Fukang) Coking Company Limited ("Coking Company"), a subsidiary of the Company, entered into a coking finance lease agreement with Cinda Financial Leasing, pursuant to which the Lessor agreed to lease coking equipment to Coking Company for a term of three years from 19 December 2012.

The coal washing equipment and the coking equipment will be used by Coal Washing and Coking Company for their production activities. The Directors are of the view that the finance lease agreements will broaden the Company's financing channels, enabling the Group to optimize its debt structure by extending the application of medium-term loans. For details, please refer to the Company's announcement dated 8 February 2013.

BUSINESS PROSPECT

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

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

(2) Construction Progress and Scheduled Date for Trial Production

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

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

(3) Enhancement of Strategic Co-operation

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

BUSINESS STRATEGIES

(1) Production Safety

Production safety has been considered to be an indispensable factor in coal mining operations by the Group since its establishment. The Group issued various comprehensive guidelines for safe operation internally and co-operated with third-party professional safety bodies externally. The Group entered into various agreements for technological cooperation framework, technological co-operation and technological consultation in connection with the management of mine gas and pit water and advanced mining technologies with Pingan Gas (led by Mr. Yuan Liang, the Academician of the Chinese Academy of Engineering), the China University of Mining and Technology and other reputable universities and research institutions to ensure a safe and efficient environment for shaft construction and production activities in a later stage.

On 31 December of 2012, the Group entered into a comprehensive cooperation agreement with Pingan Gas, which is managed and controlled by Huainan Mining, pursuant to which Huainan Mining will be responsible for supervising the production safety of the Quanshuigou Mine, the Shizhuanggou Mine and the Xiaohuangshan Mine of the Group.

Management Discussion and Analysis (continued)

(2) Merger and Acquisition in Xinjiang and Overseas Countries

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

(3) Challenges

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

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

In respect of policy risks, the Group is of no assurance that the central and local governments will not impose additional or more stringent laws and regulations governing mining operations and exploration activities. If this is the case, the Group's cash flow, operating results and financial position in future may be affected adversely. Failure to comply with the relevant laws and regulations in coal mining or coal production activities may adversely affect the Group.

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

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

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

FINANCIAL REVIEW

Other Revenue

Other revenue for the FY of 2013 was HK$5,020,000 (FY2012: HK$4,305,000), a 16.6% increase compared with last year. Other revenue was mainly derived from bank interest income and sundries income of HK$4,846,000 (FY2012: HK$3,645,000) and HK$174,000 (FY2012: HK$660,000) respectively.

Other Net Income

In FY2013, other net income was HK$4,347,000 (FY2012: Nil), which mainly comprised net unrealized gains on trading securities and net gain on sales of property, plant and equipment of HK$4,300,000 and HK$47,000 respectively.

Administrative Expenses

Administrative expenses decreased from HK$85,168,000 in FY2012 to HK$70,597,000 in FY2013, primarily due to a decrease in consulting fee during the year.

Results for Continuing Operations

For the aforementioned reasons, the Group's loss from continuing operations decreased by 24.5% from HK$81,133,000 in FY2012 to HK$61,230,000 in FY2013.

Finance Income/Costs

Due to an increase in the interest expenses capitalized into construction in progress and mining properties, the finance costs from HK$16,568,000 in FY2012 turned to the finance income of HK$1,938,000 was recorded in FY2013.

Income Tax Expense

During the year, the income tax expenses amounted to HK$1,084,000 (FY2012: HK$3,576,000). This included a provision of HK$2,126,000 (FY2012: HK$970,000) for current tax and a tax credit of HK$1,042,000 (FY2012: a provision of HK$2,606,000) for the deferred tax.

Results for the Year

The Group's loss for the FY of 2013 was HK$60,376,000 (FY2012: HK$101,266,000), a decrease of 40.3% from last year.

Liquidity and Financial Resources

As at 31 March 2013, the Group's current ratio was 2.9 (2012: 6.9), with current assets of approximately HK$974,120,000 (2012: HK$876,221,000) against current liabilities of approximately HK$336,802,000 (2012: HK$127,080,000). Cash and cash equivalents were approximately HK$881,932,000 (2012: HK$801,019,000). The Group's gearing ratio was 89% as at 31 March 2013 (2012: 108%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the year, and the Group continues to follow the practice of prudent cash management.

Management Discussion and Analysis (continued)

Treasury Policies

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

Foreign Exchange Risk

Other than bank deposits made in HKD, USD and RMB, the Group is not exposed to significant foreign currency exchange risks as our transactions and balances are mainly 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 asset. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate any major impact on interest-bearing assets resulting from changes in interest rates because the interest rates of its bank deposits are not expected to change significantly.

Human Resources

As at 31 March 2013, the Group had a total of 339 employees (2012: 236) 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.

Board of Directors (the "Board")

Two Executive Directors and four Independent Non-Executive Directors

Executive Committee
(2 EDs)

Major Duties

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

Audit Committee
(4 INEDs)

Major Duties

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

Nomination Committee
(1 ED & 2 INEDs)

Major Duties

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

Remuneration Committee
(1 ED & 3 INEDs)

Major Duties

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

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

INTERNAL ORGANIZATION STRUCTURE

A. Allocation of tasks within the Board

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

Notes:

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

B. Board Members

Executive Directors

Name	Position	Current Function/Experience
Qin Jun	Chairman & Chief Executive Officer	development of strategies and corporate operation
Jiang Hongwen	Executive Director & Chief Financial Officer	finance and internal control, tax and treasury

Independent Non-Executive Directors

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

Note:

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 March 2013, except for the deviation from code provision A.2.1 which is explained in the following relevant paragraphs.

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

BOARD OF DIRECTORS

Composition of the Board

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

The Directors come from diverse backgrounds with expertise in the finance, legal and business fields. Biographical details of the Directors are set out in the section headed "Directors and Senior Management Profile" on pages 9 to 11 of this annual report.

Corporate Governance Report (continued)

Responsibilities and Delegation

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

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

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

Independent Non-executive Directors

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

Access to Information

The Company will update all Directors on the major changes of the Group's business as well as in relevant rules and regulations from time to time. All Directors have access to the advice and services of the company secretary of the Company ("Company Secretary") who is responsible for providing them with Board papers and related materials. In addition, the chairman of the Board holds meetings with the Independent Non-executive Directors without the presence of the other Executive Director annually.

The management will provide the Board with appropriate and sufficient information through financial reports, business and operational reports and budget statements in a timely manner to keep them informed of the latest development of the Company. At present, the management provides the Board with monthly financial updates of the Company through the Company Secretary.

Directors' and Officers' Liabilities Insurance

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

Directors' Continuous Professional Development

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

During the year, the Company organized for the Directors a seminar on "Inside Information under the Securities and Futures (Amendment) Ordinance 2012" conducted by a leading solicitors' firm. Mr. Qin Jun, Mr. Jiang Hongwen, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming attended the seminar while the seminar material was sent to Mr. Li Bao Guo and Mr. Chau Shing Yim, David for their reference. In addition, the Company Secretary also circulated the guidelines, memorandum and consultation paper in relation to this amendment ordinance and the relevant materials of the new Companies Ordinance to all the Directors for their reference. The Company received from all Directors their respective training records for the year ended 31 March 2013.

Attendance Records at Meetings

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

	Meetings Held During the Year				
	Board Meetings	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Number of Meetings	7	3	1	1	3
Directors					
Qin Jun	7/7	–	1/1	1/1	2/3
Jiang Hongwen	7/7	–	–	–	1/3
Chau Shing Yim, David	7/7	–	–	–	3/3
Li Bao Guo	6/7	3/3	1/1	1/1	0
Lien Jown Jing, Vincent	6/7	3/3	1/1	–	1/3
Shen Shiao Ming	6/7	2/3	1/1	0	1/3

Note:

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

BOARD COMMITTEES

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

Executive Committee ("EC")

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

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

Nomination Committee ("NC")

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

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

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

The NC met once during the year. The attendance of individual Directors at the committee meeting is set out on page 33 of this annual report.

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

- review of the structure, size and composition of the Board, with a recommendation to the Board for approval;
- review and assessment of the independence of all the Independent Non-executive Directors; and
- consideration and recommendation to the Board for approval of the list of Directors retiring by rotation at annual general meeting ("AGM") in 2012.

Remuneration Committee ("RC")

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

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

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

The RC met once during the year. The attendance of individual Directors at the committee meeting is set out on page 33 of this annual report.

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

- review of the remuneration of the Executive Directors and Independent Non-executive Directors, with a recommendation to the Board for approval; and

- review of the remuneration policy of the Group, with a recommendation to the Board for approval.

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

Audit Committee ("AC")

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

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

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

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

The AC met three times during the year. The attendance of individual directors at the committee meetings is set out on page 33 of this annual report.

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

- review of the Group's financial statements and results announcements for the year ended 31 March 2012 and for the six months ended 30 September 2012, with a recommendation to the Board for approval;

- review of the Company's annual report for the year ended 31 March 2012 and interim report for the six months ended 30 September 2012;

- review of the "Internal Control Manual";

- review of the indirect foreign currency swap arrangement in subsidiaries of the Group;

- review of the Company's "Policy on Disclosure of Inside Information";

- review and monitoring of the external auditors' independence and objectivity, and the effectiveness of the audit process; and

- recommendation to the Board on the change of auditors.

On behalf of the AC, the chairman of the AC met with the external auditors without the presence of the management on 11 December 2012 to discuss the following issues:

- the adequacy of the Group's internal control system and resources of the accounting team;

- the mine development progress and capital expenditure; and

- the impact of the acquisition of the Baicheng coal mine on the Group's accounting and reporting requirements.

ACCOUNTABILITY AND AUDIT

The AC and the Board have reviewed the Company's consolidated financial statements for the year ended 31 March 2013. The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards. The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the consolidated financial statements. The Board is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as a going concern.

For the year ended 31 March 2013, the fee payable to external auditors in respect of audit and non-audit services is set out below:

	2013 ***HK$'000***
Audit Service	
– Interim report	**470**
– Annual report	**1,845**
Non-Audit Services	**–**

INTERNAL CONTROLS

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

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

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

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

During the year, the Board approved the "Internal Control Manual" as reviewed by the AC, which sets out the detailed procedures in relation to public management controls, financial controls, human resources controls, coordination and command controls, safety technology controls, purchase and supply controls, electricity controls, project management controls, mine management controls, coal coking management controls, external disclosure of information controls and external investment controls. In addition, the Board approved the "Policy on Disclosure of Inside Information", setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

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

- A whistle-blowing policy is in place, which encourages employees to raise concerns, in confidence, with the chairman of the AC or the CEO about possible improprieties in any matter related to the Company. The Company treats all information received confidentially and protects the identity and the interests of all whistle-blowers.

- Risk management policies have been formulated and relevant measures taken to mitigate risks such as technical, operational, market, liquidity, financial and regulatory risks, etc.

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

COMPANY SECRETARY

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

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

The Company Secretary has complied with all the qualifications, experience and training requirements as required by the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of a Special General Meeting

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

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

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

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

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

Procedures by which enquiries may be put to the Board

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

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

Procedures for putting forward proposals at general meetings

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

During the year, the Company arranged site visits for potential investors and appointed an international public relations consultancy company for the publication of press releases and articles written by financial journalists in order to keep the investing public posted of the latest developments of the Group, including the acquisitions made in the second half of 2012, the strategic co-operation with Huainan Mining Group, etc.

CONSTITUTIONAL DOCUMENTS

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

Corporate Responsibility Report

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

ENVIRONMENTAL PROTECTION

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

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

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

CIRCULATIVE BUSINESS

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

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

SAFETY MANAGEMENT

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

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

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Ltd. which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"). Huainan Mining will be responsible for supervising the production safety of the Group's Quanshuigou Mine, Shizhuanggou Mine and Xiaohuangshan Mine.

OCCUPATIONAL PROTECTION

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

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

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

CHARITY

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

The Group subsidizes several university students from impoverished families in its operating regions until they graduate from the universities, while offering help and assistance to the poverty population, improving employment of the farmers in rural areas, perfecting construction of the local infrastructure, giving donation and support to foster economic development of the rural poverty in its operating regions. Furthermore, the Group has actively engaged in forest plantation, charity campaigns with regard to environmental improvement and completed forest plantation covering an area of 390 mu and 240 mu in 2012 and 2013 respectively.

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in the financial statements on page 98.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2013 are set out in the consolidated income statement on page 58.

No interim dividend was declared (2012: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 March 2013 (2012: Nil).

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 March 2013 are set out in note 30 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 28 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 March 2013 are set out in note 15 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 120. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 March 2013 are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, as at 31 March 2013, the Company cannot distribute any of its reserves to the shareholders of the Company. Movements in the distributable reserves of the Company during the year ended 31 March 2013 are set out in note 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIES

The percentage of purchase and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

The Group's only operating segment, coal mining business, was under trial production during the financial year, therefore, there were no major purchases during the year.

Sales

The Group's only operating segment, coal mining business, was under trial production during the financial year, there were no sales during the year.

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

DIRECTORS

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

Executive Directors

Mr. Qin Jun
Mr. Jiang Hongwen

Independent Non-Executive Directors

Mr. Chau Shing Yim, David (re-designated from a Non-executive Director to an Independent Non-executive Director on 20 June 2013)
Mr. Li Bao Guo
Mr. Lien Jown Jing, Vincent
Dr. Shen Shiao-Ming

Pursuant to By-law 84 of the Company's Bye-laws, Mr. Qin Jun and Mr. Jiang Hongwen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2013, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2013, the Group had no continuing connected transactions.

For the year ended 31 March 2013, the connected transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set out under the heading "Share Option Scheme." Below.

Details of the Directors' and senior management's remuneration of the Group are set out in note 8 to the financial statements of the Company.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group during the year ended 31 March 2013 are set out in notes 8 and 9 to the financial statements.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Interests and short positions in Shares and underlying Shares in the Company

		Number of Shares/underlying Shares held in the Company			
Name of Director	**Capacity**	**Number of Shares**	**Number of underlying Shares**	**Total number of Shares and underlying Shares**	**Approximate percentage of issued share capital of the Company as at 31 March 2013**
Qin Jun	Beneficiary Interest of Trust	994,797,456 (L)	1,939,601,175 (L)	2,934,398,631[1] (L)	115.22%
	Corporate Interest	–	166,828,439 (L)	166,828,439[2] (L)	6.55%
	Beneficiary Interest of Trust	710,350,423 (S)	1,616,870,905 (S)	2,327,221,328[1] (S)	91.38%

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

Notes:

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

2. 166,828,439 derivatives interests are beneficially owned by Up Energy Capital Limited. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun. Mr. Qin Jun is therefore taken to be interested in the relevant Shares by virtue of the SFO.

3. As 31 March 2013, the total issued share capital of the Company amounted to 2,546,686,882 Shares.

Save as disclosed above, as at 31 March 2013, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

A new share option scheme was approved by the shareholders of the Company on 29 August 2011 (the "Scheme") and had a life of 10 years from its adoption for the purpose of recognising the contribution of certain Executive Directors and employees of the Group and retaining them for the continual operation and development of the Group.

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

(a) Purpose of the Scheme

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

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

(b) Participants of the Scheme

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

(c) Total number of Shares available for issue under the Scheme

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

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

(d) Maximum entitlement of each participant

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

(e) Time of exercise of options

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

(f) The subscription price per Share

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

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

(g) Payment on acceptance of option

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

(h) Remaining life of the Scheme

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

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

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

Long and short positions in the Shares and underlying Shares

As at 31 March 2013, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, had 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 provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital as at 31 March 2013	*Notes*
Up Energy Group Ltd.	Beneficiary Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	2
Up Energy Holding Ltd.	Corporate Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	2
Perfect Harmony Holdings Limited	Corporate Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	2
Seletar Limited	Corporate Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	2
Serangoon Limited	Corporate Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	2
Credit Suisse Trust Limited	Trustee	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	3
Liu Huihua	Spouse Interest	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	4
Wang Mingquan	Founder of Trust	994,797,456 (L) 710,350,423 (S)	1,939,601,175 (L) 1,616,870,905 (S)	2,934,398,631 (L) 2,327,221,328 (S)	115.22% 91.38%	4

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital as at 31 March 2013	*Notes*
Wang Jue	Beneficiary Interest of Trust/Spouse Interest	994,797,456 (L)	2,106,429,614 (L)	3,101,227,070 (L)	121.77%	5
		710,350,423 (S)	1,616,870,905 (S)	2,327,221,328 (S)	91.38%	
Up Energy Capital Limited	Corporate Interest	–	166,828,439 (L)	166,828,439 (L)	6.55%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	13.28%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	13.28%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	13.28%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	336,561,427 (L)	338,117,852 (L)	13.28%	7
Central Huijin Investment Ltd.	Corporate Interest	15,188,425 (L)	588,360,614 (L)	603,549,039 (L)	23.70%	7 to 10
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	13,632,000 (L)	244,953,187 (L)	258,585,187 (L)	10.15%	8
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	13,632,000 (L)	244,953,187 (L)	258,585,187 (L)	10.15%	8
CCB Financial Holdings Limited	Corporate Interest	13,632,000 (L)	244,953,187 (L)	258,585,187 (L)	10.15%	8
CCB International Group Holdings Limited	Corporate Interest	13,632,000 (L)	244,953,187 (L)	258,585,187 (L)	10.15%	8
China Construction Bank Corporation	Corporate Interest	13,632,000 (L)	244,953,187 (L)	258,585,187 (L)	10.15%	8
Anderson Dwight, Walter	Corporate Interest	127,765,322 (L)	–	–	5.02%	11
Ospraie Holding I, L.P.	Corporate Interest	127,765,322 (L)	–	–	5.02%	11

Name	Capacity	Number of Ordinary Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of total interests in issued capital as at 31 March 2013	*Notes*
Ospraie Management, Inc.	Corporate Interest	127,765,322 (L)	–	–	5.02%	11
Ospraie Management, LLC	Investment Manager	127,765,322 (L)	–	–	5.02%	11
Proper Way Profits Limited	Beneficiary Interest	–	320,028,420 (L)	320,028,420 (L)	12.57%	
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L)	–	300,000,000 (L)	11.78%	12
Wu Tao	Corporate Interest	300,000,000 (L)	–	300,000,000 (L)	11.78%	12

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

Notes:

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

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

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

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

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

6. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun, a Director of the Company. Accordingly, Mr. Qin Jun is deemed to be interested in the Shares and security interests in the Company by virtue of the SFO.

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

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

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

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

11. Ospraie Management, Inc. ("Ospraie Management") is wholly owned by Mr. Dwight Walter Anderson. Ospraie Holding I, L.P. ("Ospraie Holding") is owned by Ospraie Management. Ospraie Management, LLC ("Ospraie LLC") is owned by Ospraie Holding. By virtue of the SFO, Mr. Dwight Walter Anderson, Ospraie Management, Ospraie Holding and Ospraie LLC are deemed to be interested in the same relevant Shares.

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

13. As at 31 March 2013, the issued share capital of the Company was 2,546,686,882 Shares.

Save as disclosed above, as at 31 March 2013, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

No contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 March 2013, nor had there been any contract of significance entered into between the Group, and a controlling shareholder of the Company or any of its subsidiaries or for the provision of services to the Group by a controlling shareholder or any of its subsidiaries during the year ended 31 March 2013.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2013.

COMPETING INTERESTS

As at 31 March 2013, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors of the Company since the date of the publication of the 2012 Interim Report of the Company are as follows:–

(a) Other directorships

Mr. Lien Jown Jing, Vincent was appointed as a non-executive director of Primeline Energy Holdings Inc. (a company listed in Canada) with effective from 16 April 2013. In addition, he was appointed as an independent non-executive director of Viva China Holdings Limited (Stock Code: 8032) (the shares of which are listed on the Stock Exchange) with effect from 6 June 2013.

(b) Directors' emoluments

With effect from 1 February 2013, the monthly salary of Mr. Qin Jun and Mr. Jiang Hongwen had been increased to HK$500,000 and HK$100,000 respectively. In addition, the Director's fee of each of Mr. Lien Jown Jing, Vincent, Mr. Li Bao Guo and Dr. Shen Shiao-Ming would be increased to HK$22,000 per month with effect from 1 July 2013.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual reports and half-yearly reports and to provide advices and comments thereon to the Board.

The audit committee has reviewed the Group's annual results for the year ended 31 March 2013, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company is committed to adopting good corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 29 to 40 of this annual report.

AUDITORS

Messrs. Ernst & Young, who had acted as the auditor of the Company in the preceding years, were removed as auditor of the Company with effect from 28 March 2013 and Messrs. KPMG were appointed as auditor of the Company, following the removal of Ernst & Young as auditor of the Company.

The financial statements for the year ended 31 March 2013 have been audited by Messrs. KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company for the re-appointment of Messrs. KPMG as auditor of the Company.

On behalf of the Board

Qin Jun
Chairman
Hong Kong

28 June 2013

Independent Auditor's Report

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

We have audited the consolidated financial statements of Up Energy Development Group Limited (the "Company") and its subsidiaries (together as the "Group") set out on pages 58 to 119, which comprise the consolidated and company statements of financial position as at 31 March 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 June 2013

Consolidated Income Statement

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	2013 $'000	2012 $'000
Continuing operation			
Revenue	4	–	–
Cost of revenue		–	–
Gross profit		–	–
Other revenue	5	5,020	4,305
Other net income	5	4,347	–
Administrative expenses		(70,597)	(85,168)
Other net expenses		–	(270)
Loss from continuing operation		(61,230)	(81,133)
Finance income/(costs)	6(a)	1,938	(16,568)
Loss before taxation from continuing operation	6	(59,292)	(97,701)
Income tax	7	(1,084)	(3,576)
Loss for the year from continuing operation		(60,376)	(101,277)
Discontinued operations			
Profit for the year from discontinued operations	11	–	11
Loss for the year		(60,376)	(101,266)
Attributable to:			
Equity shareholders of the Company		(47,786)	(91,357)
Non-controlling interests		(12,590)	(9,909)
Loss for the year		(60,376)	(101,266)
			(Restated)
Loss per share (Basic and diluted)	13		
– For the year		(2.97) cents	(9.77) cents
– From continuing operation		(2.97) cents	(9.77) cents

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

	Note	**2013** **$'000**	2012 $'000
Loss for the year		(60,376)	(101,266)
Other comprehensive income for the year (after tax adjustments):	12		
Exchange differences arising on translation of subsidiaries outside of Hong Kong		2,026	18,922
Total comprehensive income for the year		(58,350)	(82,344)
Attributable to:			
Equity shareholders of the Company		(46,133)	(76,852)
Non-controlling interests		(12,217)	(5,492)
Total comprehensive income for the year		(58,350)	(82,344)

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	2013 $'000	2012 $'000
Non-current assets			
Property, plant and equipment, net	15	15,547,552	14,803,369
Prepaid land lease payments	16	66,201	68,579
Restricted bank deposits	23	16,864	10,954
Other non-current assets	19	226,455	–
Total non-current assets		15,857,072	14,882,902
Current assets			
Trading securities	20	18,250	–
Inventories	21	297	5,680
Prepayments, deposits and other receivables	22	56,638	61,545
Restricted bank deposits	23	17,003	7,977
Cash and cash equivalents	23	881,932	801,019
Total current assets		974,120	876,221
Current liabilities			
Financial liabilities	24	114,792	–
Trade and bills payable	25	16,803	7,977
Other payables and accruals	26	202,097	118,114
Current taxation	27(a)	3,110	989
Total current liabilities		336,802	127,080
Net current assets		637,318	749,141
Total assets less current liabilities		16,494,390	15,632,043
Non-current liabilities			
Financial liabilities	24	229,597	–
Convertible notes	28	4,108,282	4,698,926
Deferred tax liabilities	27(b)	3,429,757	3,430,799
Total non-current liabilities		7,767,636	8,129,725
NET ASSETS		8,726,754	7,502,318

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	2013 $'000	2012 $'000
CAPITAL AND RESERVES			
Share capital	30(a)	509,337	230,972
Equity component of convertible notes		1,364,709	1,665,493
Reserves		4,205,740	2,952,535
Total equity attributable to equity shareholders of the Company		6,079,786	4,849,000
Non-controlling interests		2,646,968	2,653,318
TOTAL EQUITY		8,726,754	7,502,318

Approved and authorised for issue by the board of directors on 28 June 2013.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 66 to 119 form part of these financial statements.

Statement of Financial Position

At 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	2013 $'000	2012 $'000
Non-current assets			
Investments in subsidiaries	17	7,800,000	7,800,000
Total non-current assets		7,800,000	7,800,000
Current assets			
Prepayments, deposits and other receivables	22	632	759
Amounts due from subsidiaries	18	188,220	52,979
Cash and cash equivalents	23	666,713	607,232
Total current assets		855,565	660,970
Current liabilities			
Amounts due to subsidiaries	18	8,260	209,898
Other payables and accruals	26	7,510	7,947
Total current liabilities		15,770	217,845
Net current assets		839,795	443,125
Total assets less current liabilities		8,639,795	8,243,125
Non-current liabilities			
Convertible notes	28	4,108,282	4,698,926
Total non-current liabilities		4,108,282	4,698,926
NET ASSETS		4,531,513	3,544,199
CAPITAL AND RESERVES	30(a)		
Share capital		509,337	230,972
Equity component of convertible notes		1,364,709	1,665,493
Reserves		2,657,467	1,647,734
Total equity		4,531,513	3,544,199
TOTAL EQUITY		4,531,513	3,544,199

Approved and authorised for issue by the board of directors on 28 June 2013.

Qin Jun
Director

Jiang Hongwen
Director

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Notes	Share capital $'000 (note 30(c))	Share premium $'000 (note 30(f)(i))	Contributed surplus $'000 (note 30(f)(ii))	Exchange reserve $'000 (note 30(f)(iii))	Capital reserve $'000 (note 30(f)(iv))	Equity component of convertible notes $'000 (note 28)	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance 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
Repurchase of own shares		(7,781)	(54,364)	–	–	–	–	–	(62,145)	–	(62,145)
Conversion of convertible notes		177,569	1,643,882	–	–	–	(633,607)	–	1,187,844	–	1,187,844
Loss for the year		–	–	–	–	–	–	(91,357)	(91,357)	(9,909)	(101,266)
Other comprehensive income for the year		–	–	–	14,505	–	–	–	14,505	4,417	18,922
Total comprehensive income for the year		–	–	–	14,505	–	–	(91,357)	(76,852)	(5,492)	(82,344)
Balance at 31 March 2012		230,972	2,087,337	84,798	18,393	3,490	1,665,493	758,517	4,849,000	2,653,318	7,502,318
Balance at 1 April 2012		230,972	2,087,337	84,798	18,393	3,490	1,665,493	758,517	4,849,000	2,653,318	7,502,318
Contribution from non-controlling interests	17	–	–	–	–	–	–	–	–	5,867	5,867
Issuance of shares under rights issue	30(e)	169,779	246,179	–	–	–	–	–	415,958	–	415,958
Conversion of convertible notes	28	108,586	1,053,159	–	–	–	(300,784)	–	860,961	–	860,961
Loss for the year		–	–	–	–	–	–	(47,786)	(47,786)	(12,590)	(60,376)
Other comprehensive income for the year		–	–	–	1,653	–	–	–	1,653	373	2,026
Total comprehensive income for the year		–	–	–	1,653	–	–	(47,786)	(46,133)	(12,217)	(58,350)
Balance at 31 March 2013		509,337	3,386,675	84,798	20,046	3,490	1,364,709	710,731	6,079,786	2,646,968	8,726,754

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	**2013** **$'000**	2012 $'000
Operating activities			
Loss before taxation			
From continuing operation		(59,292)	(97,701)
From discontinued operations		–	11
Adjustments for:			
Net valuation gain on trading securities	5	(4,300)	–
Depreciation of property, plant and equipment	6(c)	9,674	9,348
Amortisation of prepaid land lease payments	6(c)	2,258	2,111
Interest income	5	(4,846)	(3,646)
Gain on sales of property, plant and equipment	6(c)	(47)	–
Finance (income)/costs	6(a)	(1,938)	16,568
		(58,491)	(73,309)
Changes in working capital:			
Decrease in inventories		5,383	8,592
(Increase)/decrease in prepayments, deposits and other receivables		(18,357)	16
Increase in other payables and accruals		1,809	10,160
Net cash used in operating activities		(69,656)	(54,541)
Investing activities			
Payment for purchase of property, plant and equipment		(422,048)	(362,332)
Proceeds from sales of property, plant and equipment		62	–
Payment for purchase of trading securities		(13,950)	–
Payment for acquisitions		(108,662)	–
Additions of prepaid land lease payments		–	(1,406)
Interest received		4,846	3,646
(Increase)/decrease in restricted bank deposits		(14,936)	16,862
Net cash used in investing activities		(554,688)	(343,230)

The notes on pages 66 to 119 form part of these financial statements.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

	Notes	2013 $'000	2012 $'000
Financing activities			
Payment for repurchase of shares		–	(62,145)
Proceeds from acquisition of financial liabilities		344,462	–
Installment of financial liabilities		(7,999)	–
Payment for security of financial liabilities		(53,267)	–
Proceeds from issuance of shares under rights issue	30(e)	415,958	–
Contributions from non-controlling interest		5,867	–
Net cash generated from/(used in) financing activities		705,021	(62,145)
Net increase/(decrease) in cash and cash equivalents		80,677	(459,916)
Cash and cash equivalents at 1 April		801,019	1,257,526
Effect of foreign exchange rate changes		236	3,409
Cash and cash equivalents at 31 March	23	881,932	801,019

The notes on pages 66 to 119 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. CORPORATE INFORMATION

Up Energy Development Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company in Hong Kong is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Group (as defined below) are principally engaged in development and construction of coal mining and coke processing facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2013 comprise the company and its subsidiaries (together referred to as the "Group").

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

– share-based payments (see note 2(r)(ii));
– derivative financial instruments (see note 2(f)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*, is relevant to the Group's financial statements.

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(f) Derivative financial instruments

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

(g) Property, plant and equipment

(i) Mine properties

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

(i) Mine properties (continued)

When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mineral properties. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised into property, plant and equipment as mineral properties. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

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

(ii) Other property, plant and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

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

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

Plant and machinery	3 to 20 years
Motor vehicles	5 years
Office furniture and other fixtures	3 to 5 years
Equipment and others	3 to 5 years
Vessel	5 years

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

(h) Exploration and evaluation expenditure

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Exploration and evaluation expenditure (continued)

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

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (continued)

(iii) Operating lease charges

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

(iv) Prepaid land lease payments

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

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and other receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(i) Impairment of investments in subsidiaries and other receivables (continued)

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

- For investment in subsidiaries (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- prepaid land lease payments; and
- other non-current assets.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(k) Inventories

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

(l) Trade and other receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Convertible notes

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

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

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

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

(n) Interest-bearing borrowings

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

(o) Preference share capital

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

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

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

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

(ii) Share-based payments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(ii) Share-based payments (continued)

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities (continued)

(ii) Obligations for rehabilitation

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

(u) Revenue recognition

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

(i) Sales of goods

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

(ii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

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

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

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

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

(w) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

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

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

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

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

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

(z) Segment reporting

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

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

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies. In addition to those disclosed in note 29 about share-based payment transactions and in note 33 about the environmental contingencies, other significant accounting estimates and judgements were summarised as follows:

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(a) Reserves

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

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

(b) Useful lives of property, plant and equipment

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

(c) Impairment of assets

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

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

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

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Production start date

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

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

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

(e) Mine rehabilitation provision

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

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(f) Recognition of deferred tax assets

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

(g) Derivative financial instruments

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

(h) Exploration and evaluation expenditure

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

(i) Contingencies

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

4. REVENUE

The Group has no revenue or turnover from continuing operation during the years end 31 March 2013 and 2012 as it is still in a development stage.

5. OTHER REVENUE AND NET INCOME

	2013 $'000	2012 $'000
Other revenue		
Interest income	4,846	3,645
Others	174	660
	5,020	4,305

	2013 $'000	2012 $'000
Other net income		
Net unrealised gains on trading securities	4,300	–
Net gain on sales of property, plant and equipment	47	–
	4,347	–

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATION

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

(a) Net finance (income)/costs

	2013 $'000	2012 $'000
Foreign exchange gain, net	(1,938)	(2,691)
Unwinding interest of convertible notes (note 28)	270,317	320,106
Unwinding interest of financial liabilities (note 24)	7,912	–
Less: interest expense capitalised into construction in progress and mining properties*	(278,229)	(300,847)
Finance costs	–	19,259
Net finance (income)/costs	(1,938)	16,568

* The borrowing costs have been capitalised at a rate of 6.75% per annum for the year ended 31 March 2013 (2012: 6.70%)

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATION (CONTINUED)

(b) Staff costs

	2013 $'000	2012 $'000
Salaries, wages, bonus and other benefits	9,186	7,488
Retirement scheme contributions	635	492
	9,821	7,980

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

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

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

(c) Other items

	2013 $'000	2012 $'000
Amortisation of prepaid land lease payments	2,258	2,111
Depreciation of property, plant and equipment	9,674	9,348
Operating lease charges: minimum lease payments		
hire of property	5,118	2,290
Gain on sales of property, plant and equipment	47	–
Auditors' remuneration		
– audit services	2,315	2,743
– other services	–	447
	2,315	3,190

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2013 $'000	2012 $'000
Current tax		
Provision for the year (note 27(a))	2,126	970
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	(1,042)	2,606
	1,084	3,576

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 March 2013 and 2012.

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

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

	2013 $'000	2012 $'000
Loss before taxation from continuing operation	(59,292)	(97,701)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	(12,326)	(24,957)
Tax effect of non-deductible expenses	15,626	19,111
Tax effect of non-taxable income	(8,031)	(867)
Tax effect of unused tax losses not recognised	5,815	10,289
Actual tax expenses	1,084	3,576

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance is as follows:

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

8. DIRECTORS' REMUNERATION (CONTINUED)

	2012			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Executive directors				
Mr. Qin Jun	–	5,403	14	5,417
Mr. Jiang Hongwen	–	441	27	468
Non-executive director				
Mr. Chau Shing Yim, David (re-designated to non-executive director on 20 June 2011)	–	363	12	375
Independent non-executive directors				
Mr. Lau Kwok Kuen (resigned on 20 June 2011)	26	–	–	26
Mr. Wong Siu Kang (resigned on 20 May 2011)	16	–	–	16
Mr. Li Bao Guo	147	–	–	147
Mr. Lien Jown Jing, Vincent (appointed on 1 April 2011)	135	–	–	135
Dr. Shen Shiao-Ming (appointed on 20 May 2011)	128	–	–	128
Total	452	6,207	53	6,712

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

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: three) are directors whose emoluments are disclosed in note 8. During the year ended 31 March 2013, the aggregate of the emoluments in respect of the other three (2012: two) individuals were as follow:

	2013	2012
	$'000	$'000
Salaries and other emoluments	1,611	1,095
Retirement scheme contributions	39	21
	1,650	1,116

During the year ended 31 March 2013, the emoluments of the three (2012: two) individuals with the highest emoluments were within the following bands:

	2013	2012
	Number of individuals	Number of individuals
Nil to $1,000,000	3	2

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

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $289,605,000 (2012: $334,266,000) which has been dealt with in the financial statements of the Company.

11. DISCONTINUED OPERATIONS

On 31 March 2012, the sole director of Goldmax Trading Limited (now known as "Up Energy Trading Limited"), a subsidiary of the Company, resolved that the business of multi-media products trading be terminated with immediate effect. Accordingly, for the year ended 31 March 2012, the multi-media products trading business was classified as a discontinued operation.

The results of discontinued operations are presented below:

	2013 **$'000**	2012 $'000
Revenue	–	5,078
Other income	–	1
Expenses	–	(5,068)
Profit before tax from discontinued operations	–	11
Income tax	–	–
Profit for the year from discontinued operations	–	11

12. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 March 2013 and 2012 (note 30(a)).

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss (from continuing operation and for the year) attributable to ordinary equity shareholders of the Company of $47,786,000 (2012: $91,357,000) and the weighted average of 1,610,816,199 ordinary shares (2012 (Restated): 935,528,767) in issue during the year, as adjusted to reflect (1) the conversion of the Tranche B convertible notes; and (2) issuance of shares under rights issue. As described in note 30(e), the Company completed the rights issue on 22 March 2013. In calculating earnings per share, the weighted average number of shares outstanding during the years ended 31 March 2013 and 2012 were calculated as if the bonus elements without consideration included in the rights issue had been existed from the beginning of the comparative year.

13. LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

The diluted loss per share for the years ended 31 March 2013 and 2012 are the same as the basic loss per share as the conversion options for the outstanding convertible notes during the years ended 31 March 2013 and 2012 have anti-dilutive effect to basic loss per share.

14. SEGMENT REPORTING

After termination of the business of multi-media products trading on 31 March 2012, the Group has one business segment, mainly engaged in development and construction of coal mining and coke processing facilities. Accordingly, no additional business and geographical segment information are presented.

15. PROPERTY, PLANT AND EQUIPMENT, NET

The Group

	Plant and machinery $'000	Motor vehicles $'000	Office furniture and fixtures $'000	Equipment and others $'000	Vessel $'000	Mine properties $'000	Construction in progress* $'000	Total $'000
Cost:								
At 1 April 2011	10,337	7,533	833	1,725	–	13,780,143	309,197	14,109,768
Additions	18,840	3,482	140	3,072	32,238	–	632,715	690,487
Exchange adjustments	435	411	–	96	–	4,566	9,421	14,929
At 31 March 2012	29,612	11,426	973	4,893	32,238	13,784,709	951,333	14,815,184
At 1 April 2012	29,612	11,426	973	4,893	32,238	13,784,709	951,333	14,815,184
Additions	21,352	2,439	3	4,105	122	–	727,936	755,957
Disposals	–	(124)	–	(1)	–	–	–	(125)
Exchange adjustments	979	664	–	340	–	446	2,961	5,390
At 31 March 2013	51,943	14,405	976	9,337	32,360	13,785,155	1,682,230	15,576,406
Accumulated depreciation								
At 1 April 2011	(262)	(472)	(16)	(183)	–	–	–	(933)
Charge for the year	(1,510)	(2,685)	(148)	(1,116)	(5,211)	–	–	(10,670)
Exchange adjustments	(41)	(135)	–	(36)	–	–	–	(212)
At 31 March 2012	(1,813)	(3,292)	(164)	(1,335)	(5,211)	–	–	(11,815)
At 1 April 2012	(1,813)	(3,292)	(164)	(1,335)	(5,211)	–	–	(11,815)
Charge for the year	(4,344)	(3,129)	(202)	(2,346)	(6,268)	–	–	(16,289)
Written back on disposals	–	109	–	1	–	–	–	110
Exchange adjustments	(344)	(373)	–	(143)	–	–	–	(860)
At 31 March 2013	(6,501)	(6,685)	(366)	(3,823)	(11,479)	–	–	(28,854)
Net book value:								
At 31 March 2013	45,442	7,720	610	5,514	20,881	13,785,155	1,682,230	15,547,552
At 31 March 2012	27,799	8,134	809	3,558	27,027	13,784,709	951,333	14,803,369

* During the year 2013, approximately $27 million of coal was extracted during the construction of coal mining facilities, and the management has deducted construction in progress at the same amount.

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

Mine properties mainly represented costs to obtain the rights for the mining of coal reserves in Shizhuanggou coal mine, Quanshuigou coal mine and Xiaohuangshan coal mine located in Fukang City, the Xinjiang Uyghur Autonomous Region, the PRC. No depreciation had been provided as all mines have not commenced commercial production.

16. PREPAID LAND LEASE PAYMENTS

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

	The Group	
	2013	2012
	$'000	$'000
Carrying amount at beginning of year	70,638	70,529
Additions	–	1,406
Amortisation for the year	(2,258)	(2,111)
Exchange adjustments	81	814
Carrying amount at end of year	68,461	70,638
Current portion included in prepayments, deposits and other receivables:	(2,260)	(2,059)
Non-current portion	66,201	68,579

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

As at 31 March 2013, the Group is in the process of applying for the ownership certificate for certain land use rights with an aggregate net book value amounting to $1,093,000 (2012: $10,257,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above-mentioned buildings.

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	$'000	$'000
Unlisted shares, at cost	7,800,000	7,800,000

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

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Up Energy Investment (China) Ltd. ("UE China")	BVI	US$141,506,005	100.00%	–	Investment holding
Up Energy Mining Limited ("UE Mining")	BVI	US$1	100.00%	–	Investment holding
Up Energy Resource Company Limited ("UE Resources")	BVI	US$1	100.00%	–	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. ("UE Xinjiang")	PRC	US$30,000,000	–	70.00%	Coal mining, manufacture and sale of coke and clean coke
Up Energy International Ltd ("UE International")	BVI	US$50,000	–	100.00%	Investment holding
Up Energy (Hong Kong) Limited ("UE HK")	Hong Kong	$10,000	–	100.00%	Investment holding
Up Energy (Fukang) Coal Mining Ltd.	PRC	US$15,000,000	–	90.00%	Mine construction
Up Energy (Fukang) Coking Ltd.	PRC	US$11,500,000	–	70.00%	Manufacture and sale of coke and clean coke
Up Energy (Fukang) Coal Washing Ltd.*	PRC	US$5,000,000	–	70.00%	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd.	PRC	US$479,990	–	70.00%	Water recycling

* On 3 July 2012, a holder of the non-controlling interests injected capital of US$750,000 into Up Energy (Fukang) Coal Washing Ltd.

The Company has entered into a share charge in connection with the issue of the convertible notes (see note 28) of the Company. Pursuant to the share charge, the charge is created over (i) the entire issued share capital of UE China; (ii) the entire issued share capital of UE International; and (iii) the entire issued share capital of UE HK. All of these companies are wholly-owned subsidiaries of the Company. Save as above, the Group did not have any charges on assets as at 31 March 2013.

18. AMOUNT DUE FROM AND TO SUBSIDIARIES

Amounts due from and to subsidiaries included in the Company's current assets and current liabilities of $188,220,000 (2012: $52,979,000) and $8,260,000 (2012: $209,898,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

19. OTHER NON-CURRENT ASSETS

	The Group	
	2013	2012
	$'000	$'000
Deposits for acquisitions (note (i))	108,662	–
Deposits for financial liabilities (note 24)	53,267	–
Prepayments to suppliers for property, plant and equipment	64,526	–
	226,455	–

Notes:

(i) As at 31 March 2013, deposits mainly represent the prepayment made to Hao Tian Resources Group Limited for the acquisition of Bai Cheng Coal Mine of $10,000,000 (2012: Nil) and the prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited of $98,662,000 (2012: Nil).

20. TRADING SECURITIES

	The Group	
	2013	2012
	$'000	$'000
Listed equity securities at fair value		
– in Hong Kong	18,250	–

21. INVENTORIES

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

	The Group	
	2013	2012
	$'000	$'000
Materials and suppliers	297	5,680

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

	The Group	
	2013	2012
	$'000	$'000
Carrying amount of inventories sold	4,698	–

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Prepayments and deposits (note (i))	9,302	37,270	134	501
VAT and other tax receivables (note (ii))	34,689	22,874	–	–
Other receivables	12,647	1,401	498	258
	56,638	61,545	632	759

Notes:

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

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

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

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	915,799	819,950	666,713	607,232
Less: Restricted bank deposits	(33,867)	(18,931)	–	–
Cash and cash equivalents	881,932	801,019	666,713	607,232

As at 31 March 2013, the Group's bank balances of approximately $16,864,000 (2012: $10,954,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 31 March 2013, the Group's bank balances of approximately $17,003,000 (2012: $7,977,000) were deposited at banks as a bank acceptance notes margin for construction equipment purchased with a term of six months.

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

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
RMB	178,879	45,773	–	–
US$	33,613	133,417	41	41
CAD	85	80	–	–

24. FINANCIAL LIABILITIES

	The Group	
	2013	2012
	$'000	$'000
At beginning of year	–	–
Acquisition of financial liabilities (note (i))	344,462	–
Unwinding interests (note 6(a))	7,912	–
Repayment	(7,999)	–
Exchange adjustments	14	–
At end of year	344,389	–
Current portion included in the financial liabilities	(114,792)	–
Non-current portion	229,597	–

Notes:

(i) On 19 December 2012, UE Coking and UE Coal Washing entered into agreements and supplemental agreements (collectively referred to as the "Agreements") with Cinda Financial Leasing Company Limited ("Cinda"). Pursuant to the Agreements, Cinda provided funds amounted to $296 million and $59 million to UE Coking and UE Coal Washing, respectively. The annual interest of both funds is 9.204%. The funds deemed to be used for purchase of equipment and machineries as specified in the Agreements. Pursuant the Agreements, the ownership of equipment and machineries purchased under the Agreements is in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of $44 million and $9 million made by UE Coking and UE Coal Washing, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company, provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by UE Coking and UE Coal Washing under the Agreements. As at 31 March 2013, ownership of equipment and machineries amounted to $122 million, which were recorded as construction in progress, was in possession of Cinda.

25. TRADE AND BILLS PAYABLE

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

At 31 March 2013, the ageing analysis of trade creditors and bills payable is as follows:

	The Group	
	2013	2012
	$'000	$'000
Over 1 month but within 2 months	–	4,424
Over 2 months but within 3 months	8,191	3,553
Over 3 months but within 6 months	8,612	–
	16,803	7,977

26. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Payables for construction work and equipment purchases	164,970	76,470	–	–
Payables for professional services	9,151	9,485	7,306	7,306
Security deposits on construction work	23,155	28,931	–	–
Other taxes payables	2,263	907	–	–
Others	2,558	2,051	204	641
	202,097	118,114	7,510	7,947

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

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2013	2012
	$'000	$'000
At beginning of year	989	–
Provision for the year (note 7(a))	2,126	970
Exchange adjustments	(5)	19
At end of year	3,110	989

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

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

The Group

Deferred tax arising from:	Fair value adjustment arising from acquisition of a subsidiary $'000	Depreciation allowance in excess of related depreciation $'000	Total $'000
At beginning of year	3,428,193	–	3,428,193
(Charged)/credited to profit or loss (note 7(a))	(336)	2,942	2,606
At end of year	3,427,857	2,942	3,430,799
At beginning of year	3,427,857	2,942	3,430,799
Charged to profit or loss (note 7(a))	(336)	(706)	(1,042)
At end of year	3,427,521	2,236	3,429,757

Reconciliation to the consolidated statement of financial position

	The Group	
	2013 **$'000**	2012 $'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	3,429,757	3,430,799

(c) Deferred tax assets not recognised:

At 31 March 2013, the Group and the Company did not recognise deferred tax assets in respect of cumulative tax losses of $173,495,000 and $85,880,000, respectively (2012: $145,884,000 and $85,880,000, respectively). Management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are available indefinitely or not more than five years (depending on the jurisdiction in which tax losses were incurred).

28. CONVERTIBLE NOTES

	The Group and the Company		
	Liability component $'000	Equity component $'000	Total $'000
At 1 April 2012	4,698,926	1,665,493	6,364,419
Interest charged during the year (note 6(a))	270,317	–	270,317
Conversion of convertible notes	(860,961)	(300,784)	(1,161,745)
At 31 March 2013	4,108,282	1,364,709	5,472,991

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

Tranche A and Tranche B

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

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

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

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

28. CONVERTIBLE NOTES (CONTINUED)

Tranche C

The Company issued Tranche C convertible notes with a principal amount of $520,000,000, in order to finance the capital expenditures and operating costs required by the Group, subsequent to the acquisition, for the construction and development of the coal mines and the related coke processing facilities. The conversion period for Tranche C convertible notes is the period commencing on 18 January 2011 and expiring on 11 January 2016. The maturity date is 18 January 2016. Further, the Company may, at its absolute discretion, elect to redeem the whole of or any part of the outstanding amount under Tranche C convertible notes at any time prior to the maturity date.

Tranche C convertible notes contain an early redemption option, however, as management believes that the convertible notes bear no interest, the early redemption price at par value approximates to the amortised cost of the host contract and the early redemption option is considered as closely related to the host contract. Hence, the early redemption option need not be separated from the host contract and not be measured at fair value with changes in fair value recognised in the consolidated income statement.

$436,198,000 Tranche C convertible notes were converted by note-holders into ordinary shares during the period from 1 April 2011 to 12 May 2011 on the basis of 10 ordinary shares for every $1 convertible note held. After that, the remaining $83,802,000 Tranche C convertible notes were converted by note-holders into ordinary shares in the period from 13 May 2011 to 31 March 2012 on the basis of one ordinary share for every $2 convertible note held. As at 31 March 2013 and 2012, no Tranche C convertible notes were outstanding.

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

29. SHARE OPTION SCHEME

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

During the year ended 31 March 2013, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the Scheme.

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Notes	Share capital $'000	Share premium $'000	Contributed suplus $'000	Equity component of convertible notes $'000	Accumulated losses $'000	Total $'000
Balance at 1 April 2011		61,184	497,819	84,798	2,299,100	(190,135)	2,752,766
Changes in equity for the year ended 31 March 2012:							
Total comprehensive loss for the year	10	–	–	–	–	(334,266)	(334,266)
Repurchase of own shares	30(d)	(7,781)	(54,364)	–	–	–	(62,145)
Conversion of convertible notes	28	177,569	1,643,882	–	(633,607)	–	1,187,844
Balance at 31 March 2012		230,972	2,087,337	84,798	1,665,493	(524,401)	3,544,199
Balance at 1 April 2012		230,972	2,087,337	84,798	1,665,493	(524,401)	3,544,199
Changes in equity for the year ended 31 March 2013:							
Total comprehensive loss for the year	10	–	–	–	–	(289,605)	(289,605)
Issuance of shares under rights issue	30(e)	169,779	246,179	–	–	–	415,958
Conversion of convertible notes	28	108,586	1,053,159	–	(300,784)	–	860,961
Balance at 31 March 2013		509,337	3,386,675	84,798	1,364,709	(814,006)	4,531,513

(b) Dividends

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 March 2013.

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2013		2012	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Authorised:				
Ordinary shares of $0.2 each	6,000,000	1,200,000	6,000,000	1,200,000
Convertible non-voting preference shares of $0.02 each	2,000,000	40,000	2,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 April	1,154,860	230,972	305,921	61,184
Conversion of convertible notes	542,931	108,586	887,847	177,569
Issuance of shares under rights issue	848,896	169,779	–	–
Shares repurchased	–	–	(38,908)	(7,781)
At 31 March	2,546,687	509,337	1,154,860	230,972

(d) Repurchase of own shares

During the year ended 31 March 2012, the Company repurchased 38,908,000 shares on the Stock Exchange at an aggregate consideration of $62,145,000 and these shares were subsequently cancelled by the Company. The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by 38,908,000 shares with a par value of $0.2 each.

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the amount paid.

The Company did not repurchase any of its own ordinary shares during the year ended 31 March 2013.

(e) Issuance of shares under rights issue

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

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

The Group's balance represents the credit arising from a previous capital reduction exercise.

(iii) Exchange reserve

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

(iv) Capital reserve

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

(g) Distributability of reserves

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

(h) Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management (continued)

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value. The Group's financial liability is mainly in respect of the liability component of its convertible notes, details of which have been disclosed in note 28.

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

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

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

(a) Credit risk

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

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

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

(b) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

The Group

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

	2012 Contractual undiscounted cash outflow					
	Within 1 Year $'000	After 1 Year within 2 years $'000	After 2 Years within 5 years $'000	After 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount $'000
Bills payable	7,977	–	–	–	7,977	7,977
Other payables and accruals	118,114	–	–	–	118,114	118,114
Convertible notes	–	–	4,698,926	–	4,698,926	4,698,926
	126,091	–	4,698,926	–	4,825,017	4,825,017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

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

	2012 Contractual undiscounted cash outflow					
	Within 1 Year $'000	After 1 Year within 2 years $'000	After 2 Years within 5 years $'000	After 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount $'000
Other payables and accruals	7,947	–	–	–	7,947	7,947
Convertible notes	–	–	4,698,926	–	4,698,926	4,698,926
	7,947	–	4,698,926	–	4,706,873	4,706,873

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

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

(i) Interest rate profile

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

	The Group				The Company			
	2013		2012		**2013**		2012	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000	**Effective interest rate %**	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:								
Financial liabilities	9.2%	344,389	–	–	–	–	–	–
Convertible notes	6.7%	4,108,282	6.7%	4,698,926	6.7%	4,108,282	6.7%	4,698,926
Total net borrowings		4,452,671		4,698,926		4,108,282		4,698,926

(ii) Sensitivity analysis

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the expose to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Estimation of fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1	
	The Group	
	2013	2012
	$'000	$'000
Assets		
Trading securities	18,250	–

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Estimation of fair values (continued)

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

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

In respect of borrowings and the liability component in respect of the convertible notes, the carrying amounts are not materially different from their fair values as at 31 March 2013. The fair values of borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The fair values of the convertible bond are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

The aggregate carrying values of other financial liabilities carried on the consolidated balance sheet are not materially different from their fair values as at 31 March 2013.

32. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	The Group	
	2013	2012
	$'000	$'000
Contracted for	336,492	393,714

(b) Operating lease commitments

(i) At 31 March 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within 1 year	1,661	2,260	32	2,022
After 1 year but within 5 years	–	69	–	22
	1,661	2,329	32	2,044

32. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Operating lease commitments (continued)

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

33. CONTINGENCIES

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

34. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

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

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8, and certain of the highest paid employees as disclosed in note 9, is as follows:

	2013	2012
	$'000	$'000
Salaries and other emoluments	7,138	6,659
Retirement scheme contributions	45	53

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

34. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

(i) The Company conducted foreign currency exchange transactions with Up Energy Holding Limited ("UEHL"), an intermediate holding company of the Company, and Mr. Wang Mingquan ("Mr. Wang"), the director of the immediate holding company, during the year. On 2 April 2012 and 5 April 2012, $5,700,000 and $45,000,000 were transferred from the Group to Mr. Wang and UEHL, respectively; the Group received RMB4,626,861 and RMB36,527,850 from these related parties on 25 June 2012. Such transactions were at zero service cost.

(ii) On 19 December 2012, Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in relation to the transaction with Cinda (note 24). Such transaction was at zero service cost.

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

(c) Related party balances

No related party balances at the Group level at 31 March 2013 (2012: Nil).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (b) above constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected transactions and continuing connected transactions" of the Report of the Directors.

35. NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 12 October 2012, the Company and UE Mining entered into a sales and purchase agreement ("SPA") with Hao Tian Resources Group Limited. Pursuant to the SPA, the Company shall acquire 100% interest in a coal mine located in Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous region, the PRC for a total consideration of $845,000,000 in cash and issue 367,500,000 ordinary shares at $2 each, and the SPA will become effective when all relevant conditions precedent to the completion are fulfilled.

The acquisition was completed on 28 June 2013.

(Expressed in Hong Kong dollars unless otherwise indicated)

36. ULTIMATE CONTROLLING PARTY

As at 31 March 2013, the directors consider the ultimate controlling party of the Group to be J&J Trust, a discretionary trust set up by Mr. Wang Mingquan.

37. MAJOR NON-CASH TRANSACTION

As disclosed in note 28, $445,282,000 Tranche A convertible notes, $574,241,000 Tranche B convertible notes and $83,802,000 Tranche C convertible notes were converted by note-holders into ordinary shares from 13 May 2011 to 31 March 2012 on the basis of one ordinary share for every $2 convertible note held. $1,085,862,934 Tranche B convertible notes was converted by note-holders into ordinary shares from 1 April 2012 to 31 March 2013 on the basis of one ordinary share for every $2 convertible note held.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group's operations and financial statements.

	Effective for accounting period beginning on or after
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HK(IFRIC) 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKFRS 1, *First-time adoption of International Financial Reporting Standards – Government loans*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7 *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 10, Consolidated financial statements

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

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the consolidated financial statements for the year ending 31 March 2014.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2009 HK$'000	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	2012 HK$'000	**2013** **HK$'000**
TURNOVER					
Continuing operations	27,988	74,454	–	–	**–**
Discontinued operation	–	296	26,121	5,078	**–**
	27,988	74,750	26,121	5,078	**–**
OPERATING PROFIT/(LOSS)					
Continuing operations	1,937	8,595	943,740	(97,701)	**(59,292)**
Discontinued operation	–	163	(170)	11	**–**
PROFIT/(LOSS) BEFORE TAX	1,937	8,758	943,570	(97,690)	**(59,292)**
Income tax expense	–	(1,185)	84	(3,576)	**(1,084)**
PROFIT/(LOSS) FOR THE YEAR	1,937	7,573	943,654	(101,266)	**(60,376)**
Attributable to:					
Owners of the Company	1,937	7,573	944,656	(91,357)	**(47,786)**
Non-controlling interests	–	–	(1,002)	(9,909)	**(12,590)**
	1,937	7,573	943,654	(101,266)	**(60,376)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	**2013** **HK$'000**
TOTAL ASSETS	55,807	59,416	15,531,530	15,759,123	**16,831,192**
TOTAL LIABILITIES	(23,103)	(19,353)	(9,072,567)	(8,256,805)	**(8,104,438)**
	32,704	40,063	6,458,963	7,502,318	**8,726,754**
TOTAL EQUITY					
Attributable to:					
Owners of the Company	32,704	40,063	3,800,153	4,849,000	**6,079,786**
Non-controlling interests	–	–	2,658,810	2,653,318	**2,646,968**
	32,704	40,063	6,458,963	7,502,318	**8,726,754**

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