UP ENERGY

UP ENERGY DEVELOPMENT GROUP LIMITED

優 派 能 源 發 展 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 307

Increased Value In Circulation

Coal - Exploration • Mining • Washing • Coking & Chemicals

Interim Report 2014

CORPORATE PROFILE

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

Up Energy currently has four mines and three downstream ancillary industrial projects in Xinjiang, and is considering to develop four ancillary industrial projects within its circulative economy business model in the second phase. The four coal mines held by Up Energy are namely the Xiaohuangshan Mine, the Shizhuanggou Mine, the Quanshuigou Mine and the Baicheng Mine. It is expected that construction of the former three coal mines will be completed and production will commence successively starting from the second to the fourth quarter of 2015, while the improvement works at the Baicheng Mine have been mostly completed during the year ended 31 March 2014. At present, production at the Baicheng Mine has been resumed and it is expected that the expansion works will be completed in 2016. In addition, our coal coking plant has successfully produced coke and by-products in October 2013. Upon full operation, Up Energy's planned annual production capacity of coking coal is expected to reach 5.40 million tonnes, and will provide us with recycling processing capacity, which includes production capacity of 1.30 million tonnes of coke, raw coal washing capacity of 4.50 million tonnes and water recycling capacity of 5.20 million m^3. Up Energy has established strategic co-operation relationships with Pingan Coal Mine and Gas (Methane) Engineering Research Limited, Heilongjiang Longmei Mining Holding Group Co., Ltd. and several large steel producers in China, and has signed financial cooperative agreements with two of the largest financial service groups in China. Up Energy has emerged as one of the largest integrated energy groups with circulative economy business model in the coking industry in the northwestern region of China.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Chu Lai Wan

EXECUTIVE COMMITTEE

Qin Jun *(Chairman)*
Jiang Hongwen
Wang Chuan

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

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

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PRINCIPAL PLACE OF BUSINESS IN CHINA

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Minzu Lane
Fukang City
Xinjiang, China

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

http://www.upenergy.com

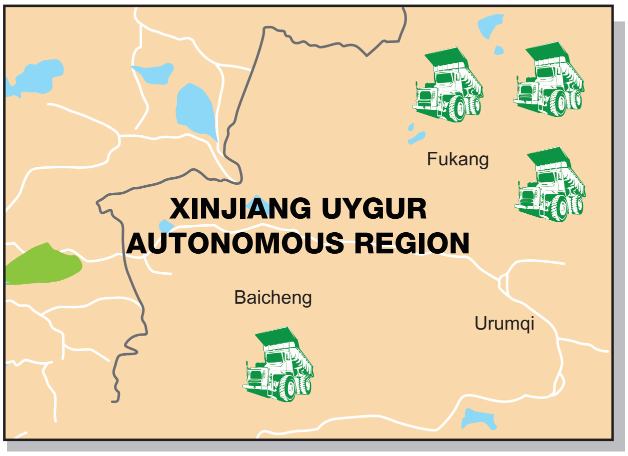
STOCK CODE

307

BUSINESS SNAPSHOT

Distribution of Our Mines

It is always the basic development strategy of Up Energy to sharpen our competitive edges in Xinjiang and proactively extend our reach into sea-borne coking coal market. We endeavor in mergers and acquisitions as well as streamlining our corporate structure. When we focus on the strengthening of our top position in northwest region in China, we also strive to advance into the international market and become a leading enterprise in Asian coking coal market.

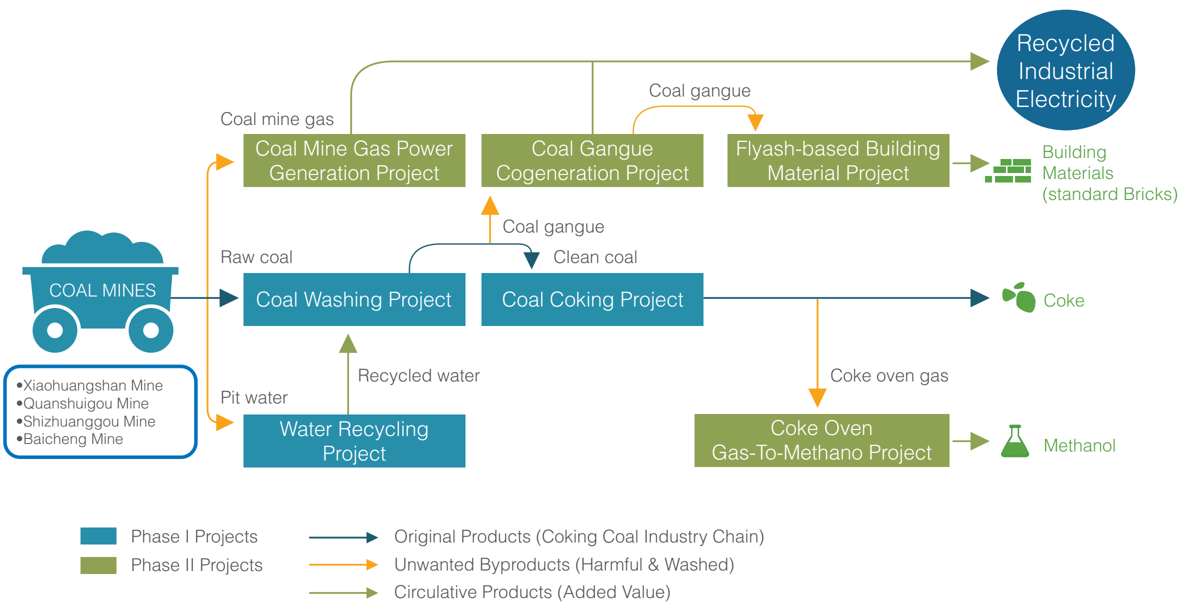


Phase One Project:
Xiaohuangshan Mine
Quanshuigou Mine
Shizhuanggou Mine
Baicheng Mine

Proposed Acquisition:
Grande Cache Coal

Circulative Business Model

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



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 2015
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 2015
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 73.22 Mt
JORC Code Coal Reserves*: 23.52 Mt
JORC Code Potential Coal Reserves*: 24.75 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and lean coal

Quanshuigou Coal Mine – 70% owned

Location: 40 km to the east of Fukang City
Area: 6.6052 sq. km
Type of Mine: underground mine
Expected Commencement Date of Production: the 4th quarter in 2015
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 70.61 Mt
JORC Code Coal Reserves*: 20.58 Mt
JORC Code Potential Coal Reserves*: 27.19 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and lean coal

Baicheng Coal Mine – 100% owned

Location: 39 km to the north of Baicheng County
Area: 5.9178 sq. km
Type of Mine: underground mine
Commencement Date of Production: 2006
Current Annual Coal Production Capacity: 0.21 Mt
JORC Code Coal Resources:** 125.90 Mt
JORC Code Coal Reserves:** 80.50 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and $^{1}/_{2}$ caking coal

* Source of information: Technical Report of John T. Boyd Company of October 2010
** Source of information: Technical Report of Roma Oil and Mining Associates Ltd. of 6 May 2013

PROFILES OF PHASE ONE PROJECTS

Coal Coking Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Commencement Date of Production: 20 October 2013
Daily Processing Capacity: 4,808 tonnes
Annual Processing Capacity: 1,755,000 tonnes
Planned Annual Coke Production Capacity at Full Operation: 1.3 Mt

Raw Coal Washing Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Commencement Date of Production: the 3rd quarter in 2015
Planned Annual Coal Washing Capacity at Full Operation: 4.5 Mt
Recovery Rate of Clean Coal: 83%
Expected Annual Production of Clean Coal: 3.735 Mt

Water Recycling Project – 70% owned

Location: next to the Shizhuanggou Coal Mine
Expected Commencement Date of Production: the 2nd quarter in 2015
Planned Annual Processing Capacity at Full Operation: 5.2 million m^3
Usage of Processed Pit Water: Water for industrial use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2014 (the "Review Period"), the Group continued to pay close attention to the development of the regional coking coal market in Xinjiang area and the international seaborne coking coal market. In respect of the market in Xinjiang, the Group focused on developing four mines and three circulative business chain projects within the region, and the production of these projects has commenced or will commence successively. Regarding the seaborne coking coal market, the Group took an active role in identifying opportunities for further development overseas and initiated the acquisition of Grande Cache Coal, a well-known coking coal corporation in Canada. Negotiations between both parties were held, and good progress was seen.

INDUSTRY REVIEW

Coking Coal Market in China

In 2014, the coal prices in China have been in the low end because of the oversupply of steel, the drop of coke production and the low demand for coking coal. As at the end of August 2014, the selling prices of premium coke and premium coking coal in Shanxi dropped to RMB900/tonne and RMB700/tonne respectively, decreasing by approximately RMB300 per tonne when compared with those at the beginning of the year. The coking coal and coke market in Xinjiang enjoys regional advantages, and because the demand from steel and chemical enterprises in Xinjiang has been stable, the decrease in prices of coking coal and coke was relatively limited, maintaining at the level of RMB900/tonne and RMB1,300/tonne as at the end of August 2014.

The annual prices of gas coal and gas coke were maintained at a relatively stable level of RMB360/tonne and RMB825/tonne respectively. Meanwhile, the established strategy regarding the "Silk Road Economic Belt" brings about plenty and yet unprecedented room for further development of the coal and coking industries in Xinjiang whereas Middle Asia will become the area with the most promising potential for future growth, which will probably drive the consumer demand for basic raw materials.

International Seaborne Coking Coal Market

With the gradual decrease of the international hard coking coal benchmark price (Platts Hard Coking Coal Index) from the historical high of US$330/tonne in the second quarter of 2011, the price recorded in the international coking coal market was no longer demand-driven and the cost of coking coal became the benchmark for pricing. Currently, the market price of coking coal is extremely close to the cost (including mining cost, washing cost and transportation cost of raw coal), suggesting that the market value of coking coal approximates to zero, and the room for a further decrease is quite limited. Meanwhile, the demand for production capacity of steel in the international market sees a moderate increase. As a result, the Group believes it is the best time to roll out the plan of securing a foothold in the overseas coking coal market, to initiate acquisitions of overseas production projects of coking coal and to increase the coal reserves and resources controlled by the Group.

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 30 September 2014, the Group had a total of approximately 377 Mt of JORC Code-compliant measured, indicated and inferred coal resources and a total of approximately 151 Mt of JORC Code-compliant proved and probable marketable coal reserves. In addition, the potential coal resources and reserves are approximately 52 Mt. Details are as follows:

Name of Coal Mine	Coal Resources (Mt)	Coal Reserves (Mt)	Potential Reserves (Mt)
Xiaohuangshan Coal Mine	107.0	26.1	/
Quanshuigou Coal Mine	70.6	20.6	27
Shizhuanggou Coal Mine	73.2	23.5	25
Baicheng Coal Mine	125.9	80.5	/
Total	376.7	150.7	52

Note:

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

(2) Production Safety and Strategic Co-operation

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

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Limited ("Pingan Gas") which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"), pursuant to which Huainan Mining is responsible for supervising the production safety of the Group's Xiaohuangshan Coal Mine. Management teams have been sent by Huainan Mining to the Xiaohuangshan Coal Mine to oversee production safety and provide technical services.

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. On 22 April 2014, the Group entered into the Comprehensive Strategic Cooperative Agreement ("SCA") with 黑龍江龍煤礦業控股集團有限責任公司 ("Longmei"). Pursuant to the SCA, both parties intended to co-operate in certain areas, including (i) the promotion of resource integration projects regarding special and rare kinds of coal in Xinjiang, the Mainland and overseas; (ii) the enhancement of the access to overseas capital markets for funding the business development of both parties; (iii) the appointment of Longmei by the Company for the management of production safety, including the construction of infrastructure for coal mines, the improvement of coal mining technologies, the management of coal mine accidents and etc.; and (iv) Longmei's responsibility for production safety during the construction and operational periods of coal mines.

Longmei is the largest state-owned coal conglomerate in Heilongjiang Province and one of the Top 500 Enterprises in China. The management believes that the strategic cooperation with Longmei can effectively enhance the safety management and overall competitiveness of the Group.

(3) Construction Progress of Coal Mines and Circulative Business Chain Projects

During the Review Period, the construction progress of the coal mines and circulative business chain projects was delayed because the Group accommodated to the temporary production suspension policy announced by the safety supervisory department of the government as a result of coal mine accidents occurred in adjacent areas. The Group anticipates that the above projects will be able to put into operation successively in the second to the fourth quarter of 2015. The construction progress and current status of the Group's coal mines and circulative business chain projects are as follow:

Xiaohuangshan Coal Mine

Shaft sinking and drifting project: Following the completion of construction of shaft bottom stations, underground chambers, haulage crosscuts, main ventilation drifts and district rises in the year ended 31 March 2014, gas ventilation and control works of pit water in coal mining areas were still in progress.

Ground-level infrastructure: As construction of material warehouses, equipment repair houses, hoist rooms of main and auxiliary vertical shafts, boiler rooms, main buildings at shaft entrance, pipelines on surface level, plant area hardening had been completed in the earlier of 2014, the Group proactively constructed gas ventilation pump houses on surface level and got them completed during the Review Period.

Equipment installation: Following the completion of installation and testing of hoists of main and auxiliary vertical shafts in the earlier of 2014, the Group also finished installation, testing and construction of shaft equipment of main and auxiliary vertical shafts as well as installation and testing of underground equipment during the Review Period.

During the Review Period, the construction and development cost of the Xiaohuangshan Coal Mine was RMB4.59 million.

Shizhuanggou Coal Mine

Shaft sinking and drifting project: Following the completion of construction of vertical ventilation shafts, main ventilation drifts, haulage crosscuts (roads and rails), shaft stations of district rise of the shaft sinking and drifting project and the final stage of construction works of district rise in the year ended 31 March 2014, the Group was still working on gas ventilation and control works of pit water in coal mining areas during the Review Period.

Ground-level infrastructure: Following the completion of construction of 110kv electricity transmitting and transforming facilities, buildings at the shaft entrance, material warehouses, hoist rooms of auxiliary inclined shafts and gas ventilation pump houses on surface level, the Group continued to make progress in the works for boiler rooms, pipelines on surface level, apartment buildings for single staff in the administrative and welfare zone projects and domestic sewage treatment rooms during the Review Period. Construction of offices and canteens in the administrative services complex was also begun.

Equipment installation: After lifting and transportation rails of auxiliary inclined shafts had been laid and installation and testing of lifting hoists of auxiliary inclined shafts had been completed, the Group continued the follow-up works of testing and tuning of drainage pipelines, gas ventilation pump houses, underground water pump houses and central power substations during the Review Period.

During the Review Period, the construction and development cost of the Shizhuanggou Coal Mine was RMB33.35 million.

Quanshuigou Coal Mine

Shaft sinking and drifting project: Following the completion of construction of a vertical ventilation shaft with a depth of 534 meters, main ventilation drifts, +680-meter shaft bottom stations, underground chamber and haulage crosscuts in the earlier of 2014, the Group proactively proceeded in a district rise construction project during the Review Period.

Ground-level infrastructure: Following the completion of construction of 35kv electricity transmitting and transforming facilities, hoist rooms of auxiliary inclined shafts, material warehouses, mine office buildings, canteens, staff duty-shift quarters, buildings at the shaft entrance, boiler rooms and gas ventilation pump houses on surface level, the Group was still working on pipelines on surface level and domestic sewage treatment rooms during the Review Period.

Equipment installation: Installation and testing of lifting hoists of auxiliary inclined shafts and equipment of gas ventilation pump houses on surface level had been completed earlier. On the other hand, the Group proactively worked on the laying of rails of the auxiliary inclined shaft and the installation of drainage pipes and the installation and testing of underground water pump houses and central power substation. These works entered their final stages as a result.

During the Review Period, the construction and development cost of the Quanshuigou Coal Mine was RMB36.77 million.

Baicheng Coal Mine

It was confirmed by the Group in mid-2013 that the acquisition of the Baicheng Coal Mine, with an annual output of 210,000 tonnes, was completed. The estimated coal resources and reserves of the Baicheng Coal Mine were about 126 Mt and 81 Mt respectively. The State and the Xinjiang Uygur Autonomous Region Development and Reform Commission granted an approval for the master planning of mining areas in Baicheng, Xinjiang on 4 August 2014, stating a planned annual output of 900,000 tonnes.

Coal Coking Project

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

(ii) The basic roofs, resisting walls, flues, steel scaffoldings for oven construction of the no. 2 oven have been completed. Construction of oven is yet to start.

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

(iv) The installation of pipelines for biochemical sewage treatment facilities is being coordinated. The surface level dust removal station of coking coal ovens is in the final stage.

The production of coke is safe and in order. Since the start of production activities, the target of production safety has been met.

Raw Coal Washing Project

(i) Construction of major structures, such as coal receiving systems, selection and crushing plants, major plants, concentrating workshops and transportation corridors has been completed.

(ii) Works for water supply and drainage, fire control, heating and lighting are partly completed.

(iii) Installation of iron removers, electric cranes and concentrators has been completed. On-site installation of raw coal selectors, wash boxes, scraper conveyors, belt conveyors, slurry pumps, pressure filters, flotation machines and clean coal dehydration sifting machines has been completed.

The coal washing project and the new coal mine of the Group are planned to put into operation at the same time.

Water Recycling Project

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

(4) Acquisition of Overseas Projects

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

In respect of the development of seaborne coking coal market, the Group, Winsway Enterprises Holdings Limited ("Winsway") and Marubeni Corporation ("Marubeni") entered into a non-legally binding memorandum of understanding on 30 September 2014, pursuant to which the Group intended to purchase an aggregate of 82.74% interest in the total issued share capital of Grande Cache Coal Corporation ("GCC") and an aggregate of 82.74% partnership interest in Grande Cache Coal LP ("GCC LP"). The acquisition sees smooth progress, and the Group has entered into the Sale and Purchase Agreement with Winsway and Marubeni on 14 November 2014.

GCC is a company incorporated in Alberta, Canada and is a metallurgical coal mining company engaged in the production and sales of premium hard coking coal. GCC has been engaged in production activities since 2004, and is an exporter of premium low volatile hard coking coal and one of the only four coking coal producers in North America with the ability to export coking coal from the west coast to the end user market in Asia. The total coal resources in the Grande Cache Mine, prepared in accordance with the Canadian Standard NI 43-101, amounted to 666 million metric tonnes, and the total marketable coal reserves amounted to 154 million metric tonnes. The consumer network of GCC covers China, Brazil, Korea, Japan and India.

Upon completion of the acquisition and duly operation of all mines, the planned annual output of the Group will be increased to 10.4 Mt by 2016. With the doubled reserves, resources and annual output, the Group will become one of the largest coking coal enterprises in Asia, thereby further strengthening its leading position in the industry. Accordingly, the Group will be allowed to control and further develop its coal mine business, which is in the interests of the Group and shareholders of the Group as a whole.

BUSINESS PROSPECT

The four coal mines and three circulative business chain projects see good progress, and have been or will be put into operation successively. Accordingly, the operation, profitability and capacity of the Group will be improved significantly.

(1) Optimization and Modification of Coal Mine Design

Huainan Mining is responsible for optimizing the preliminary design of the Quanshuigou Coal Mine, the Shizhuanggou Coal Mine and the Xiaohuangshan Coal Mine of the Group, and the optimization of which has been completed. As a result, the production safety of the three coal mines of the Group can be guaranteed, creating larger room for a further increase in capacity.

The improvement project of the west end of the Baicheng Coal Mine was completed in October 2014. The technological improvement project of mines with an annual output of 900,000 tonnes has been submitted for examination, and construction works will commence in the second quarter of 2015.

(2) Progress of Phase One of Circulative Business Chain Project

Coal Coking Project

With the operation of the project, the Group has been able to continuously improve in the areas of management optimization, energy and resources conservation and sales and marketing. As a result, a positive cycle has been formed in the Group’s production and operation activities. Comparing with other areas in the Mainland China, the market in Xinjiang is rather special, which has continuous growth in capacity for development of the coal and coking industries. Thanks to the increase in productivity of facilities of the Group recorded in the second half of the year, the operation results of the Group are expected to deliver substantial improvement.

Raw Coal Washing Project

The coal washing plant and other new mines of the Group will be put into operation simultaneously. The plant boasts its functions of main wash with wash boxes for all coal, floating wash for crude coal soil and dehydrating technology of compress filter for processed coal soil, which are all technological feasible. It is also equipped with core machines like advanced programmed control wash boxes with complex air chamber, bringing about the advantages of short processing time, low energy consuming, economic affordable and environmental friendly. Upon operation of the production line, it will become the coking coal washing plant with the highest single production line capacity in Xinjiang area, thus making it the new income driver of the Group.

Water Recycling Project

The project fully makes use of waste water resulting from mining activities. Waste water was purified and then used for production in the operational purposes. This promoted the effort of environment protection in the Group's business and also facilitated the mixed usage of waste water from mines along with fresh water, thereby expediting the diversified development of the Group and strengthening its integrated competitiveness. Since the water resource in China is depleting, the government stepped up its effort in promoting the concept of "Conserve Water". The increase of water fee seems inevitable. With the operation of the water recycling project, the profitability of the Group's circulative economy business model will be higher probably.

(3) Progress of Phase Two of Circulative Business Chain Project

Following the commencement of production of the three circulative business chain projects, the Group's Phase One Project in Fukang is going to be completed. The Group plans to invest in four correlated circulative business projects in the second phase in order to expand the production facilities of the phase one project. The Phase Two Project is currently in the preparation stage, and various administrative formalities have been completed. Upon completion of the Phase One Project, the Group will commence the final feasibility study of the Phase Two Project so as to speed up the progress of which. Currently, the feasibility study report of the coal gangue materials project has been prepared and filed with relevant authorities for approval, and related formalities have also been completed.

DEVELOPMENT STRATEGIES

It is always the basic development strategy of Up Energy to sharpen our competitive edges in Xinjiang and proactively extend our reach into seaborne coking coal market. Building on its belief of safeguarding production safety and identifying strategic co-operation partners, the Group endeavor in mergers and acquisitions as well as streamlining our corporate structure for the sake of strengthening our top position in northwest region in China and advancing into the international market so as to become a leading enterprise in Asian coking coal market.

The steel industry in China has experienced excess production capacity coupled with a decline in demand for coking coal in the past few years, resulting in an imbalance between supply and demand as well as a continued slump in product prices. Nevertheless, the general market is of the view that coal prices have been close to the lowest level. Since the second half of 2014, the central government has introduced a number of regulatory policies focusing on the coal industry as a whole. The policies include: from 15 October 2014, the abolition of zero import duty for various kinds of coal and the restoration of the national tax of 3% to 5% for the most-favoured-nations; from 1 December 2014, the calculation of coal resources tax will be based on prices rather than quantities and the tax rate will be determined by the provincial government in accordance with the prescribed range; and, on 15 August 2014, the State Administration of Coal Mine Safety, the National Development and Reform Commission and the National Energy Administration jointly announced various measures to impose limitations on the overproduction of coal mines, in which stringent control on annual output and production safety are clearly stated. The Group believes that such regulatory measures can give impetus to industry integration, strike a balance between market supply and demand and stabilize coal prices, which are all favourable to the long term and healthy development of the sector.

In addition, the central government proposed to establish the "Silk Road Fund" with an amount of US$40 billion in the main speech delivered in the APEC CEO Summit in November 2014 for the sake of providing financial assistance to projects regarding construction of infrastructure, resource exploration and business co-operation in countries in the "Silk Road Economic Belt" and those along the "21st century Silk Road on the Sea". The policy will generate new development opportunities for infrastructure in provinces in north western China, which will be beneficial to Xinjiang area directly.

As coking coal serves as irreplaceable raw materials in steel production for a long period of time, the Group, being the leading coking coal enterprise in north western China, is able to leverage on its exclusive district advantage. That is, the Group is justified to hold an optimistic attitude to the future development of the industry, and is confident in seizing opportunities and meeting challenges through proactively identifying target projects with development potential across the Xinjiang area and overseas during the time of market depression and concluding mergers and acquisitions at lower costs in pursuit of parallel development among the regional market and overseas markets, thereby taking adequate preliminary steps for the long-term development of the Group.

In order to capitalize on opportunities identified in the market in a more effective way, the Group will continue to adhere to its existing development strategy which focuses on seeking appropriate merge and acquisition opportunities in Xinjiang area and overseas.

Upon completion of the acquisition of the Baicheng Coal Mine in Xinjiang, the Group further reinforced its leading position in north western China by bringing a significant increase in coal reserves as well as an expansion of operating scale. Moreover, the policy of eliminating small coal mines with annual output lower than 600,000 tonnes promulgated by Xinjiang government will be beneficial to the Group. The Group will leverage on the core advantages brought about by industry integration and will continue to pay on-site visits to, and negotiate with, coking coal mines in Xinjiang area for the acquisition of, and merge with, coal mines with premium coking coal resources at competitive prices. As a result, the Group will benefit from the synergies resulting from the operation of our existing mines in the region in terms of management, distribution and transportation.

The Group will keep an eye on the overseas coking coal market, and will actively identify merger and acquisition opportunities for overseas resources, and overseas visits to Canada and Australia have been made from time to time. The acquisition of GCC signifies Up Energy's first and yet important step in the international market. Substantial progress has been made for the transaction in November 2014. Coal mines of GCC are under operation and business development has been established. The Group believes that the project will be able to provide the Group with positive financial effect within a short period of time once the coal price resumes the upward trend. Furthermore, a free trade agreement has also been entered into between China and Australia, pursuant to which mutual understanding regarding the elimination of custom duty of coking coal has been reached. Accordingly, there will be no more import custom duty on coking coal from Australia. The Group will keep an eye on the development potential of markets in North America and Australia and will study the feasibility of overseas resources consolidation.

CORPORATE VISION

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 coking coal resources, the Group will invest in the development of chemical by-products resulted from the processing of coking coal so as to realize an effective utilization of coal resources by increasing the added value of coal products. Accordingly, the Group will be able to maximize its profitability, enabling it to achieve its ultimate goal of becoming a leading professional and integrated energy group in the coking coal industry in the north western part of China as well as the Asia region.

RISK ANALYSIS

The Group's business may be subject to a variety of uncertainties and challenges in relation to policy, regional social stability, and operation and market risks. Details are listed below.

In respect of policy risks, the central and local governments may adjust the policies on mining operations and exploration activities, which may have impact on the Group's operation.

As for risks in relation to social stability of the region, with the strong support and assistance rendered by various policies of the government of China, the economy of Xinjiang has recorded sustained and steady development and the regional society has been stable as a whole. However, economic development in the area is still lag behind the average level of China in general. Also, racial and religious discrepancies may have impact on the management and operation of the Group.

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

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

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

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

FINANCIAL REVIEW

Revenue

After the coking oven has been put to operation and completion of the acquisition of Baicheng Coal Mine in Xinjiang, in the six months ended 30 September 2014, the Group recorded a revenue of HK$161,800,000 (2013: nil) from its coking coal and coal mining business.

Other Net Income/Loss

In the six months ended 30 September 2014, the other net income was HK$59,972,000 (2013: Loss HK$734,000), which mainly comprised net unrealized fair value change in other financial liability with fair value through profit or loss of HK$60,494,000 (2013: HK$9,419,000) and net-off with the net unrealized loss on trading securities of HK$850,000 (2013: HK$10,450,000).

Administrative Expenses

Administrative expenses increased by 20.4% to HK$46,823,000 for the six months ended 30 September 2014 from HK$38,904,000 for the corresponding period in 2013. The increase was primarily due to the increase in employee expenses, professional fee and depreciation charges. The increase in employee expenses and depreciation charges was primarily due to the completion of acquisition of a subsidiary in same period last year.

Finance Costs

Finance costs increased by HK$97,611,000, from HK$19,395,000 in the six months ended 30 September 2013 to HK$117,006,000 in the six months ended 30 September 2014. The increase in finance costs was mainly due to the introduction of new bank loan upon completion of acquisition of subsidiaries and decrease in interest expenses capitalized into construction in progress and mining properties, which was mainly due to a temporary suspension in the development of the projects in Fukang, Xinjiang.

Income Tax Expense

The Group recorded current income tax expenses of HK$1,889,000 (2013: HK$1,525,000) and a deferred income tax credit of HK$1,479,000 (2013: HK$4,515,000) for the six months ended 30 September 2014.

Results for the Period

The Group's results for the six months ended 30 September 2014 recorded a loss of HK$135,648,000 comparing to a loss of HK$53,033,000 for the corresponding period in 2013.

Capital Expenditure

During the six months ended 30 September 2014, the additional property, plant and equipment mainly for mine development and washing facilities construction of the Group amounted to approximately HK$198,381,000 (2013: HK$947,836,000) which comprised of mining properties of approximately HK$177,365,000 (2013: HK$395,915,000) and other capital expenditures of approximately HK$21,016,000 (2013: HK$551,921,000).

Charges on Assets

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

In addition, the Company has also entered into a share charge in connection with the introduction of bank borrowing to the Company, the charge is created over (i) entire issued share capital of Up Energy Mining Limited; (ii) the entire share capital of Champ Universe Limited; (iii) the entire share capital of Venture Path Limited; (iv) the entire share capital of West China Coal Mining Holdings Limited; and (v) the entire issued share capital of Baicheng Wenzhou Mining Development Co., Ltd. All of the companies are wholly owned subsidiaries of the Company.

As at 30 September 2014, bank deposits with carrying amounts of approximately HK$29,473,000, prepaid land lease payments with carrying amount of approximately HK$59,793,000, mine properties with carrying amount of HK$8,370,418,000 and property, plant and equipment with carrying amount of HK$100,088,000 were pledged to banks for the Group's borrowings.

Save as above listed, the Group did not have any charges on assets as at 30 September 2014.

Liquidity and Financial Resources

There has not been any change in the Group's funding and treasury policies during the period under review. The Group continues to follow the practice of prudent working capital management. Our funding and treasury activities were implemented by way of considered strategy to manage liquidity and financial risks, enabling us to sustain and grow our business. The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. The Group has in place a planning and forecasting process to help determine the funding requirements so as to support the Group's normal operations and its expansionary objectives. We recognize that fluctuations in the markets may occur at any time and thus we carefully plan for and assess liquidity requirements in advance of our requirements from diversified sources.

As at 30 September 2014, the Group had net current liabilities of approximately HK$330,346,000 (31 March 2014: net current liabilities of HK$762,543,000) and current portion of outstanding bank borrowings of approximately HK$327,056,000 (31 March 2014: HK$370,614,000) and other financial liabilities of approximately HK$151,758,000 (31 March 2014: HK$164,350,000) which was due for renewals or repayments within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Company's consolidated interim financial report has been prepared on a going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due and will continue operating until least the next twelve months.

During the current period, the Company took several measurements to enhance the Group's liquidity position, including but not limited to maintaining rapport with existing financing providers and seeking additional sources of financing. Major activities included:

- the Group and Minsheng Bank Hong Kong mutually agreed upon a 3-month deferral of the interest bearing borrowings quarterly HK$61.71 million principal repayment due on 30 June 2014;

- the availability of undrawn facility from Industrial and Commercial Bank of China Limited Fukang Branch amounting to approximately HK$411.90 million (RMB326.41 million) as of 30 September 2014;

- the availability of the continued financial support from the Company's major shareholder that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months;

- the completion of placing of an aggregate of 575,100,000 new shares with net proceeds of approximately HK$565.87 million on 1 September 2014; and

- the Company and Partners Capital Securities Limited (acting as placing agent) entered into the placing agreement on 2 September 2014 for placing of bonds with an aggregate amount of HK$200 million.

As at 30 September 2014, the Group's current ratio was 0.69 (31 March 2014: 0.32), with current assets of approximately HK$736,695,000 (31 March 2014: HK$360,416,000) against current liabilities of approximately HK$1,067,041,000 (31 March 2014: HK$1,122,959,000). Cash and cash equivalents were approximately HK$343,597,000 (31 March 2014: HK$23,992,000). The Group's gearing ratio was 90% as at 30 September 2014 (31 March 2014: 97%).

Treasury Policies

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

Foreign Exchange Risk

The Group's assets and liabilities are mainly denominated in HKD, USD and RMB, the Group is not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources and Remuneration Policy

As at 30 September 2014, the Group had a total of 834 employees (31 March 2014: 1,169) in China and Hong Kong. Employees' remuneration packages are reviewed and determined by reference to the Group's performance market statistics and individual performance. The staff benefits include contributions to mandatory provident fund for eligible employees in Hong Kong and welfare schemes as required under the applicable PRC laws and regulations for eligible employees in the PRC, medical scheme, share option scheme and a share award scheme.

INDEPENDENT REVIEW REPORT

Independent Review Report
to the Board of Directors of
Up Energy Development Group Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 59 which comprises the consolidated statement of financial position of Up Energy Development Group Limited (the "Company") as of 30 September 2014 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw your attention to note 2 to the unaudited interim financial report which describes that the Company together with its subsidiaries (the "Group") had net current liabilities of approximately $330,346,000 as at 30 September 2014 and current portion of outstanding bank borrowings of $327,056,000 and other financial liabilities of $151,758,000 was due for renewals or repayments within the next twelve months and explains that there are uncertainties about the commencement of the commercial production of the Group's projects in Fukang and that consequently for the foreseeable future the Group is dependent upon the financial support from its bankers and major shareholder and its ability to raise proceeds from existing and new investors. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared on a going concern basis, the validity of which is dependent on the availability of the ongoing financial support from its bankers and major shareholder and its ability to raise proceeds from existing and new investors to enable the Group to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future, details of which are set out in note 2 to the interim financial report. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

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

24 November 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 September 2014
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2014 $'000	2013 $'000
Revenue	5	**161,800**	–
Cost of revenue		**(185,569)**	–
Gross loss		**(23,769)**	–
Other revenue	6	**1,087**	3,010
Other net income/(loss)	6	**59,972**	(734)
Distribution costs		**(8,699)**	–
Administrative expenses		**(46,823)**	(38,904)
Loss from operations		**(18,232)**	(36,628)
Finance costs	7(a)	**(117,006)**	(19,395)
Loss before taxation	7	**(135,238)**	(56,023)
Income tax	8	**(410)**	2,990
Loss for the period		**(135,648)**	(53,033)
Attributable to:			
Equity shareholders of the Company		**(111,204)**	(43,315)
Non-controlling interests		**(24,444)**	(9,718)
Loss for the period		**(135,648)**	(53,033)
Loss per share (basic and diluted)	10	**(3.74) cents**	(2.46) cents

The notes on pages 29 to 59 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 September 2014
(Expressed in Hong Kong dollars)

	Six months ended 30 September 2014 $'000	2013 $'000
Loss for the period	**(135,648)**	(53,033)
Other comprehensive income for the period (after tax adjustments):		
Items that may be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of financial statements of subsidiaries outside of Hong Kong	**1,906**	18,782
Total comprehensive income for the period	**(133,742)**	(34,251)
Attributable to:		
Equity shareholders of the Company	**(109,416)**	(26,481)
Non-controlling interests	**(24,326)**	(7,770)
Total comprehensive income for the period	**(133,742)**	(34,251)

The notes on pages 29 to 59 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2014
(Expressed in Hong Kong dollars)

	Note	At 30 September 2014 $'000	At 31 March 2014 $'000
Non-current assets			
Property, plant and equipment, net	11	**18,987,203**	18,824,714
Prepaid land lease payments	12	**74,089**	74,952
Goodwill	13	**25,623**	25,623
Deferred tax assets		**13,474**	13,474
Restricted bank deposits	19	**24,809**	23,923
Other non-current assets	14	**83,263**	119,166
Total non-current assets		**19,208,461**	19,081,852
Current assets			
Trading securities	15	**3,900**	4,750
Inventories	16	**90,948**	110,068
Trade and bills receivables	17	**52,291**	71,803
Prepayments, deposits and other receivables	18	**214,765**	107,453
Restricted bank deposits	19	**31,194**	42,350
Cash and cash equivalents	19	**343,597**	23,992
Total current assets		**736,695**	360,416
Current liabilities			
Short term borrowings and current portion of long-term borrowings	20	**327,056**	370,614
Trade and bills payables	21	**170,306**	196,391
Other financial liabilities	22	**151,758**	164,350
Other payables and accruals	23	**407,941**	383,500
Current taxation		**9,980**	8,104
Total current liabilities		**1,067,041**	1,122,959

The notes on pages 29 to 59 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED *(continued)*

At 30 September 2014

(Expressed in Hong Kong dollars)

	Note	At 30 September 2014 $'000	At 31 March 2014 $'000
Net current liabilities		**(330,346)**	(762,543)
Total assets less current liabilities		**18,878,115**	18,319,309
Non-current liabilities			
Long-term borrowings	20	**305,307**	199,500
Convertible notes	24	**4,153,400**	4,213,246
Other financial liabilities	22	**557,848**	673,898
Deferred tax liabilities		**3,917,384**	3,918,863
Provisions	25	**7,520**	7,482
Total non-current liabilities		**8,941,459**	9,012,989
NET ASSETS		**9,936,656**	9,306,320
CAPITAL AND RESERVES			
Share capital	27(b)	**747,678**	606,059
Equity component of convertible notes		**1,251,695**	1,311,693
Reserves		**5,236,443**	4,663,402
Total equity attributable to equity shareholders of the Company		**7,235,816**	6,581,154
Non-controlling interests		**2,700,840**	2,725,166
TOTAL EQUITY		**9,936,656**	9,306,320

The notes on pages 29 to 59 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 September 2014
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000 (note27(b))	Share premium $'000 (note 27(e)(i))	Other reserve $'000 (note 27(e)(ii))	Contributed surplus $'000 (note 27(e)(iii))	Exchange reserve $'000 (note 27(e)(iv))	Capital reserve $'000 (note 27(e)(v))	Equity component of convertible notes $'000 (note 24)	Share award scheme trusts $'000 (note 27(e)(vi))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2013		509,337	3,386,675	–	84,798	20,046	3,490	1,364,709	–	710,731	6,079,786	2,646,968	8,726,754
Loss for the period		–	–	–	–	–	–	–	–	(43,315)	(43,315)	(9,718)	(53,033)
Other comprehensive income for the period		–	–	–	–	16,834	–	–	–	–	16,834	1,948	18,782
Total comprehensive income for the period		–	–	–	–	16,834	–	–	–	(43,315)	(26,481)	(7,770)	(34,251)
Deemed disposal of Group's interests in a subsidiary without losing control	27(e)(iii)	–	–	–	300,370	–	–	–	–	–	300,370	95,074	395,444
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	6,332	6,332
Issuance of shares for acquisition of subsidiaries	27(d)	73,500	661,500	(606,665)	–	–	–	–	–	–	128,335	–	128,335
Conversion of convertible notes		8,128	65,980	–	–	–	–	(18,002)	–	–	56,106	–	56,106
Balance at 30 September 2013		590,965	4,114,155	(606,665)	385,168	36,880	3,490	1,346,707	–	667,416	6,538,116	2,740,604	9,278,720
Balance at 30 September 2013 and 1 October 2013		590,965	4,114,155	(606,665)	385,168	36,880	3,490	1,346,707	–	667,416	6,538,116	2,740,604	9,278,720
Loss for the period		–	–	–	–	–	–	–	–	(55,302)	(55,302)	(15,266)	(70,568)
Other comprehensive income for the period		–	–	–	–	3,750	–	–	–	–	3,750	(172)	3,578
Total comprehensive income for the period		–	–	–	–	3,750	–	–	–	(55,302)	(51,552)	(15,438)	(66,990)
Conversion of convertible notes		15,094	129,395	–	–	–	–	(35,014)	–	–	109,475	–	109,475
Contributions to share award scheme trusts		–	–	–	–	–	–	–	(14,885)	–	(14,885)	–	(14,885)
Balance at 31 March 2014		606,059	4,243,550	(606,665)	385,168	40,630	3,490	1,311,693	(14,885)	612,114	6,581,154	2,725,166	9,306,320
Balance at 1 April 2014		**606,059**	**4,243,550**	**(606,665)**	**385,168**	**40,630**	**3,490**	**1,311,693**	**(14,885)**	**612,114**	**6,581,154**	**2,725,166**	**9,306,320**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(111,204)**	**(111,204)**	**(24,444)**	**(135,648)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**1,788**	**-**	**-**	**-**	**-**	**1,788**	**118**	**1,906**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**1,788**	**-**	**-**	**-**	**(111,204)**	**(109,416)**	**(24,326)**	**(133,742)**
Issuance of shares under placing	27(c)	**115,020**	**450,853**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**565,873**	**-**	**565,873**
Conversion of convertible notes	24	**26,599**	**231,604**	**-**	**-**	**-**	**-**	**(59,998)**	**-**	**-**	**198,205**	**-**	**198,205**
Balance at 30 September 2014		**747,678**	**4,926,007**	**(606,665)**	**385,168**	**42,418**	**3,490**	**1,251,695**	**(14,885)**	**500,910**	**7,235,816**	**2,700,840**	**9,936,656**

The notes on pages 29 to 59 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 September 2014
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2014 $'000	2013 $'000
Operating activities			
Cash generated from/(used in) operations		**11,048**	(28,957)
Tax paid		**–**	–
Net cash generated from/(used in) operating activities		**11,048**	(28,957)
Investing activities			
Payments for acquisition of property, plant and equipment		**(130,588)**	(319,438)
Payment for acquisition of subsidiaries		**–**	(787,365)
Loan to a third party		**(77,669)**	(48,000)
Repayment of loan from a third party		**–**	16,000
Other cash flows arising from investing activities		**11,357**	(40,941)
Net cash used in investing activities		**(196,900)**	(1,179,744)
Financing activities			
Proceeds from new bank loans		**282,390**	517,836
Repayment of bank loans		**(220,139)**	(76,250)
Instalments of financial liabilities		**(81,701)**	(60,341)
Interest paid		**(41,093)**	(23,410)
Proceeds from issuance of shares under placing, net of issuing expenses		**565,873**	–
Net cash generated from financing activities		**505,330**	357,835
Net increase/(decrease) in cash and cash equivalents		**319,478**	(850,866)
Cash and cash equivalents at 1 April		**23,992**	881,932
Effect of foreign exchange rate changes		**127**	2,194
Cash and cash equivalents at 30 September	19	**343,597**	33,260

The notes on pages 29 to 59 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 Company and its subsidiaries (the "Group") are principally engaged in development and construction of coal mining and coke processing facilities.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 24 November 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

Details of these changes in accounting policies are set out in note 3.

In the auditors' report dated 23 June 2014, the auditors expressed an unqualified opinion on 2014 annual financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

As at 30 September 2014, the Group had net current liabilities of $330,346,000 (31 March 2014: net current liabilities of $762,543,000) and current portion of outstanding bank borrowings of $327,056,000 (31 March 2014: $370,614,000) and other financial liabilities of $151,758,000 (31 March 2014: $164,350,000) was due for renewals or repayments within the next twelve months. These conditions continue to indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

2 BASIS OF PREPARATION *(continued)*

The phase one of Group's 1.3 Mt Coking Project started its operation from October 2013. In relation to the newly acquired projects in Baicheng, Xinjiang, they resumed production of coal from November 2013. These projects contributed revenue amounting to $161,800,000 to the Group for the six months ended 30 September 2014. Due to the impact of major coal mine accidents occurred in adjacent areas, requirements to stop production to ensure safety are implemented by the safety supervisory department in the mining area, the projects (other than phase one of the 1.3 Mt Coking Projects) in Fukang, Xinjiang, did not commence commercial production as originally planned. The Group is using its best endeavours in an attempt to bring the projects in Fukang, Xinjiang, into commercial production according to the revised prevailing development plan of the Group's principal projects. The Directors anticipate that certain of the Group's aforementioned projects will commence commercial production from the second quarter of 2015 which will then enhance the liquidity position of the Group. However, the commencement of the projects is still subject to satisfaction of certain conditions, which continues to represent a material uncertainty to the going concern of the Group.

The Directors are confident that the Group will continue to obtain ongoing support from its bankers. This includes unused banking facilities of approximately RMB326,409,000 obtained from the Group's bankers located in the Mainland China. In addition, the major shareholder has confirmed that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months. On 1 September 2014, the Group completed a placing of an aggregate of 575,100,000 new shares with net proceeds of approximately $565,873,000 to enhance its liquidity position. The Group is also actively considering to raise new capital by carrying out fund raising activities including but not limited to issuance of corporate bonds as alternative sources of funding. On 2 September 2014, the Group entered into a placing agreement with a placing agent for a contemplated placing of bonds with an aggregate amount of up to $200 million. Accordingly, the Directors consider that it is appropriate to prepare the interim financial report on the going concern basis. The interim financial report does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 BASIS OF PREPARATION *(continued)*

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on pages 21 to 22.

The financial information relating to the financial year ended 31 March 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 March 2014 are available from the Company's principal place of business.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report as the Group did not have any impaired non-financial assets as at 30 September 2014.

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

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

HK(IFRIC) 21, *Levies*

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

4 SEGMENT REPORTING

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

5 REVENUE

The Group is principally engaged in the mining, coking and sale of coal. Revenue represents the sales value of goods sold to customers exclusive of value-added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised during six months ended 30 September is as follows:

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Coke	**135,301**	–
Coal	**10,463**	–
Others	**16,036**	–
	161,800	–

6 OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Other revenue		
Interest income arising from:		
– Loan to a third party	**892**	1,436
– Bank deposits	**195**	1,574
	1,087	3,010
Other net income/(loss)		
Net unrealised loss on trading securities (note 15)	**(850)**	(10,450)
Net unrealised fair value change in other financial liabilities at fair value (note 28)	**60,494**	9,419
Others	**328**	297
	59,972	(734)

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Foreign exchange loss, net	**136**	2,358
Interest on borrowings	**34,923**	11,125
Unwinding interest of convertible notes (note 24)	**138,359**	134,174
Unwinding interest of other financial liabilities (note 22)	**22,996**	21,264
Other interest expenses	**414**	–
Less: interest expense capitalised into construction in progress and mining properties*	**(79,822)**	(149,526)
Finance costs	**117,006**	19,395

* The borrowing costs have been capitalised at a rate of 7.28% per annum for the six months ended 30 September 2014 (six months ended 30 September 2013: 6.89% per annum).

(b) Staff costs

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Salaries, wages, bonus and other benefits	**28,333**	4,332
Retirement scheme contributions	**1,562**	288
	29,895	4,620

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes ("the Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2013: 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

7 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs *(continued)*

Pursuant to the Hong Kong Mandatory Provident Fund ("MPF") 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

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Amortisation of prepaid land lease payments	**1,210**	1,129
Depreciation of property, plant and equipment	**27,750**	5,714
Operating lease charges: minimum lease payments hire of property	**1,702**	1,993

8 INCOME TAX

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

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Current tax		
Provision for the period*	**1,889**	1,525
Deferred tax		
Origination and reversal of temporary differences	**(1,479)**	(4,515)
Total income tax charge/(credit) for the period	**410**	(2,990)

* The current tax expenses mainly represent the withholding PRC income tax for the inter-company shareholders' loans between non-PRC and PRC subsidiaries.

8 INCOME TAX *(continued)*

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

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 2014 and 2013.

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

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

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Loss before taxation	**(135,238)**	(56,023)
Notional tax on loss before taxation, calculated at the rates applicable to results in the jurisdictions concerned	**(31,274)**	(12,562)
Tax effect of non-deductible expenses	**13,006**	7,830
Tax effect of non-taxable income	**–**	1,005
Tax effect of tax losses recognised, net of tax losses derecognised	**18,678**	737
Actual tax expenses/(credit)	**410**	(2,990)

9 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 September 2014 and 2013.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2014 of $111,204,000 (six months ended 30 September 2013: $43,315,000) and the weighted average of 2,969,714,000 ordinary shares (six months ended 30 September 2013: 1,764,275,000) in issue during the interim period, as adjusted to reflect (1) the conversion of the Tranche A and Tranche B convertible notes; (2) shares purchased by share award scheme trusts (see note 27(e)(vi)); (3) puttable shares arising from the acquisition of Champ Universe Limited ("Champ Universe"); and (4) issuance of shares under placing (see note 27(c)).

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 September 2014 and 2013 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option and puttable shares arising from the acquisition of Champ Universe at 28 June 2013 during the six months ended 30 September 2014 and 2013 have anti-dilutive effect to basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 September 2014, the Group acquired items of plant and machinery with a cost of $193,381,000 (six months ended 30 September 2013: $947,836,000), mainly representing the increase in the Group's construction in progress of $177,365,000 (six months ended 30 September 2013: $395,915,000).

Items of motor vehicle and equipment with a net book value of $48,000 were disposed of during the six months ended 30 September 2014 (six months ended 30 September 2013: $353,000), resulting in a gain on disposal of $160,000 (six months ended 30 September 2013: $238,000).

12 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 at 30 September 2014, prepaid land lease payments of the Group of $59,793,000 (31 March 2014: $60,387,000) have been pledged to certain banks for the Group's borrowings (see note 20).

13 GOODWILL

	At 30 September 2014 $'000	At 31 March 2014 $'000
Carrying amount	**25,623**	25,623

The goodwill arose from the acquisition of Champ Universe. The goodwill is mainly attributable to the synergies expected to be achieved from integrating Champ Universe into the Group's existing coal business and the skills and technical talent of Champ Universe's workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

14 OTHER NON-CURRENT ASSETS

	At 30 September 2014 $'000	At 31 March 2014 $'000
Deposits for acquisition (note (i))	**–**	24,331
Deposits made in relation to other financial liabilities (note 22(a)(i))	**54,287**	54,248
Prepayments to suppliers for property, plant and equipment	**28,976**	40,587
	83,263	119,166

Note:

(i) As at 31 March 2014, deposits mainly represent prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited ("the Acquisition") of $24,331,000. During the six months ended 30 September 2014, such deposits have been transferred to current assets after the mutual agreement reached for terminating the Acquisition between the parties (see note 18).

15 TRADING SECURITIES

	At 30 September 2014 $'000	At 31 March 2014 $'000
Listed equity securities at fair value		
– in Hong Kong	**3,900**	4,750

The balance of trading securities represents fair value of the Group's investment in ordinary shares of a company listed on the Stock Exchange.

16 INVENTORIES

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

	At 30 September 2014 $'000	At 31 March 2014 $'000
Raw materials	**46,386**	79,922
Work in progress	**1,672**	3,658
Goods in transit	**10,955**	3,549
Finished goods	**22,577**	27,309
Materials and supplies	**11,901**	5,335
	93,491	119,773
Less: provision for diminution in value of inventories	**2,543**	9,705
	90,948	110,068

16 INVENTORIES *(continued)*

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

	Six months ended 30 September 2014 $'000	2013 $'000
Carrying amount of inventories sold	**183,026**	–
Write down of inventories	**2,543**	–
	185,569	–

17 TRADE AND BILLS RECEIVABLES

	At 30 September 2014 $'000	At 31 March 2014 $'000
Trade receivables	**49,389**	67,762
Bills receivable	**2,902**	4,041
	52,291	71,803

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

(a) Ageing analysis

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

	At 30 September 2014 $'000	At 31 March 2014 $'000
Within 3 months	**39,613**	61,533
3 to 6 months	**2,505**	10,270
6 months to 1 year	**10,173**	–
	52,291	71,803

17 TRADE AND BILLS RECEIVABLES *(continued)*

(b) Trade and bills receivables that are not impaired

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

	At 30 September 2014 $'000	At 31 March 2014 $'000
Current	**29,391**	39,823
Within 1 month	**3,871**	4,984
1 to 3 months overdue	**8,238**	17,504
3 to 6 months overdue	**10,791**	9,492
	52,291	71,803

Bills are generally due within 30 to 180 days from the date of billing. As at 30 September 2014, the Group has no impairment losses on trade and bills receivables (31 March 2014: nil).

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

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

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2014 $'000	At 31 March 2014 $'000
Prepayments and deposits (note (i))	**32,803**	33,516
VAT and other tax receivables (note (ii))	**68,412**	58,090
Amount due from related parties	**2,135**	3,039
Loan to a third party (note (iii))	**77,669**	–
Other receivables (note (iv))	**33,746**	12,808
	214,765	107,453

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.

(iii) As part of negotiation for the contemplated acquisition of Grande Cache Coal LP ("GCC LP"), a third-party company, the Group signed a loan agreement with GCC LP on 6 September 2014. Pursuant to this agreement, the Group made advance of US$10 million (approximately $77.67 million) to GCC LP. This loan will be due on the earlier of the date when the contemplated acquisition of GCC LP is completed or the date the contemplated acquisition of GCC LP is terminated.

(iv) As at 30 September 2014, other receivables mainly represent the refundable deposit of $24,331,000 in relation to the Acquisition (see note 14).

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

19 CASH AND CASH EQUIVALENTS

	At 30 September 2014 $'000	At 31 March 2014 $'000
Cash at bank and in hand	**399,600**	90,265
Less: restricted bank deposits included in non-current assets	**(24,809)**	(23,923)
restricted bank deposits included in current assets	**(31,194)**	(42,350)
Cash and cash equivalents	**343,597**	23,992

As at 30 September 2014, the Group's bank balances of $24,809,000 (31 March 2014: $23,923,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 30 September 2014, the Group's bank balances of $nil (31 March 2014: $12,877,000) were deposited at banks as bank acceptance notes margin for construction equipment purchased with a term of six months.

As at 30 September 2014, the Group's bank balances of approximately $29,473,000 (31 March 2014: $29,473,000) were deposited at banks as secured deposit for borrowings (see note 20).

As at 30 September 2014, the Group's bank balances of approximately $1,721,000 (31 March 2014: $nil) were deposited at banks as rural migrant worker salary protection guarantee fund pursuant to the relevant local government regulations.

20 BORROWINGS

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

	At 30 September 2014 $'000	At 31 March 2014 $'000
Bank loans		
– Secured	**548,839**	444,505
Less: current portion	**243,532**	245,005
	305,307	199,500

As at 30 September 2014, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong (as defined below) and ICBC Fukang (as defined below), were repayable as follows:

	At 30 September 2014 $'000	At 31 March 2014 $'000
Within 1 year or on demand	**243,532**	245,005
After 1 year but within 2 years	**305,307**	199,500
	548,839	444,505

20 BORROWINGS *(continued)*

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

On 28 June 2013, Up Energy Mining Limited ("UE Mining"), a wholly owned subsidiary of the Group, obtained a loan facility, amounting to $480,000,000, from China Minsheng Banking Corp., Ltd., Hong Kong Branch ("Minsheng Bank Hong Kong"). The effective interest rate is 8.58% per annum (31 March 2014: 9.14%). Pursuant to the amended contract, the loan principal and management fee outstanding as at 30 September 2014 will be paid as follows:

Payable on	Principal and management fee payable $'000
29 December 2014	61,714
30 March 2015	61,714
29 June 2015	68,194
29 September 2015	61,714
28 December 2015	61,714
	315,050

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

20 BORROWINGS *(continued)*

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

On 5 March 2014, Up Energy (Xinjiang) Mining Limited ("UE Xinjiang") as Borrower entered into a long-term facility loan agreement of RMB250 million (equivalent to $315 million) and RMB270 million (equivalent to $341 million), respectively with Industrial and Commercial Bank of China Limited Fukang Branch ("ICBC Fukang") for the construction of the Shizhuanggou Mine and Quanshuigou Mine. As at 30 September 2014, RMB193,591,000 (equivalent to $244,293,000) has been drawn down under this loan facility. The loan period is 2 years, and the interest rate is 110% of the prime loan rate of the People's Bank of China. Mine properties with an aggregate carrying value of $8,370,418,000 were pledged to ICBC Fukang as security. Up Energy Investment (China) Limited also pledged its equity interests in UE Xinjiang as security. In addition, Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of ICBC Fukang for, including but not limited to, all amounts payable by the Group under RMB250 million and RMB270 million loan facilities.

(b) The short-term interest-bearing borrowings comprise:

	At 30 September 2014 $'000	At 31 March 2014 $'000
Unsecured loans	**13,339**	63,050
Secured bank loans	**70,185**	62,559
Current portion of long-term borrowings		
– Bank loan	**243,532**	245,005
	327,056	370,614

Note:

(i) As at 30 September 2014, bank loans amounting to $6,309,000 (31 March 2014:$6,305,000) were secured by prepaid land lease with aggregate carrying value of $32,275,000 (31 March 2014: $32,517,000).

As at 30 September 2014, bank loans amounting to $nil (31 March 2014: $15,650,000) were guaranteed by a third party.

As at 30 September 2014, bank loans amounting to $27,257,000 (31 March 2014: $27,994,000) were secured by bank deposits with an aggregate carrying value of $29,473,000 (31 March 2014: $29,473,000) (see note 19).

As at 30 September 2014, banks loans amounting to $12,619,000 (31 March 2014: $12,610,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $27,518,000 (31 March 2014: $27,870,000) and $100,088,000 (31 March 2014: $100,776,000) respectively.

As at 30 September 2014, bank loans amounting to $24,000,000 (31 March 2014: $nil) were guaranteed by a related party.

21 TRADE AND BILLS PAYABLES

At 30 September 2014, the ageing analysis of trade creditors and bills payables, based on invoice date, is as follows:

	At 30 September 2014 $'000	At 31 March 2014 $'000
Within 2 months	**80,021**	125,850
Over 2 months but within 3 months	**77,009**	49,104
Over 3 months but within 6 months	**13,276**	21,437
	170,306	196,391

22 OTHER FINANCIAL LIABILITIES

	At 30 September 2014 $'000	At 31 March 2014 $'000
Other financial liabilities:		
– At amortised cost (note (a))	**446,094**	514,242
– At fair value (note (b))	**263,512**	324,006
	709,606	838,248
Among which:		
– Current portion	**151,758**	164,350
– Non-current portion	**557,848**	673,898

22 OTHER FINANCIAL LIABILITIES *(continued)*

(a) Other financial liabilities at amortised cost

	For finance lease (note (i)) $'000	For puttable shares (note (ii)) $'000	Total $'000
At 31 March 2013	344,389	–	344,389
Addition from acquisition of subsidiaries	–	225,907	225,907
Unwinding interests	28,067	18,203	46,270
Repayment	(107,937)	–	(107,937)
Exchange adjustments	5,613	–	5,613
At 31 March 2014	**270,132**	**244,110**	**514,242**
Among which:			
– Current portion	164,350	–	164,350
– Non-current portion	105,782	244,110	349,892
At 1 April 2014	**270,132**	**244,110**	**514,242**
Addition	–	–	–
Unwinding interests (note 7(a))	10,053	12,943	22,996
Repayment	(91,312)	–	(91,312)
Exchange adjustments	168	–	168
At 30 September 2014	**189,041**	**257,053**	**446,094**
Among which:			
– Current portion	151,758	–	151,758
– Non-current portion	37,283	257,053	294,336

22 OTHER FINANCIAL LIABILITIES *(continued)*

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

Notes:

(i) On 19 December 2012, the Group entered into agreements and supplemental agreements (collectively referred to as the "Agreements") with Cinda Financial Leasing Company Limited ("Cinda"). Pursuant to the Agreements, Cinda provided funds amounting to $296,000,000 and $59,000,000 to two subsidiaries of the Company, respectively. The annual interest of both funds is 9.204%. The funds were deemed to be used for the purchase of equipment and machineries as specified in the Agreements. Pursuant to the Agreements, the ownership of equipment and machineries purchased under the Agreements are in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of $45,239,000 and $9,048,000 made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 30 September 2014, ownership of equipment and machineries amounting to $214,600,000 (31 March 2014: $209,000,000), which were recorded as property, plant and equipment, was in possession of Cinda.

(ii) 140,000,000 ordinary shares of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of Champ Universe. The financial liabilities was amortised at a rate of 10.47% per annum.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of Top Up Option arising from acquisition of Champ Universe. The fair value of derivative financial liabilities as at 30 September 2014 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

23 OTHER PAYABLES AND ACCRUALS

	At 30 September 2014 $'000	At 31 March 2014 $'000
Payables for construction work and equipment purchases	**288,443**	299,196
Payables for professional services	**8,658**	11,054
Security deposits on construction work	**30,477**	29,778
Amount due to related parties	**41,025**	7,764
Other taxes payables	**7,579**	7,847
Others	**31,759**	27,861
	407,941	383,500

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.

24 CONVERTIBLE NOTES

	Liability component $'000	Equity component $'000	Total $'000
Carrying amount at 1 April 2014	4,213,246	1,311,693	5,524,939
Interest charged during the period (note 7(a))	138,359	–	138,359
Conversion of convertible notes	(198,205)	(59,998)	(258,203)
Carrying amount at 30 September 2014	4,153,400	1,251,695	5,405,095

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

All Tranche C convertible notes have been converted into ordinary shares before 31 March 2012. As at 31 March and 30 September 2014, no Tranche C convertible notes were outstanding.

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

25 PROVISIONS

Provisions represent the net present value of future restoration liabilities assumed from the acquisition of Champ Universe.

26 SHARE OPTION SCHEME

(a) Share option scheme

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

During the six months ended 30 September 2014, and at the end of the reporting period and at the date of approval of this interim financial report, no option has been granted under the scheme.

(b) Share award scheme

Pursuant to a written resolution of the board of director passed on 28 October 2013, the Company adopts a share award scheme ("Share Award Scheme"). The Share Award Scheme shall be subject to the administration of an executive committee and the trustee in accordance with the scheme rules and trust deed. As at 30 September 2014, no award has been made under the Share Award Scheme.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of interim dividend in respect of the six months ended 30 September 2014 (six months ended 30 September 2013: nil).

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

	At 30 September 2014 No. of shares '000	At 30 September 2014 $'000	At 31 March 2014 No. of shares '000	At 31 March 2014 $'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 the beginning of the period/year	**3,030,296**	**606,059**	2,546,687	509,337
Conversion of convertible notes	**132,994**	**26,599**	116,109	23,222
Issuance of shares under placing (note c)	**575,100**	**115,020**	–	–
Issuance of shares for acquisition of subsidiaries (note d)	**–**	**–**	367,500	73,500
At the end of the period/year	**3,738,390**	**747,678**	3,030,296	606,059

(c) Issuance of shares under placing

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

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Issuance of shares for acquisition of subsidiaries

On 28 June 2013, 367,500,000 ordinary shares were issued at $2 per share for acquisition of Champ Universe. Total nominal consideration amounted to $735,000,000 of which $73,500,000 was credited to share capital and the remaining proceeds of $661,500,000 were credited to the share premium account.

(e) Nature and purpose of reserves

(i) Share premium

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

(ii) Other reserve

Pursuant to Bermuda Company Law, difference between the issue price and fair value of the issued shares amounted to $345,800,000 and issue price of the puttable shares amounted to $280,000,000 were debited to other reserves. Equity component of the puttable shares amounting to $19,135,000 was credited to other reserves. Both issued shares and puttable shares are arising from acquisition of subsidiaries on 28 June 2013.

(iii) Contributed surplus

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the Group's accounting policies.

(v) Capital reserve

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

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(vi) Share award scheme trusts

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

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

(f) 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.

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

		Fair value measurements as at 30 September 2014 using		
	30 September 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Trading securities	**3,900**	**–**	**3,900**	**–**
Financial liabilities:				
Derivative liability for Top Up Option	**263,512**	**–**	**–**	**263,512**

		Fair value measurements as at 31 March 2014 using		
	31 March 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Trading securities	4,750	–	4,750	–
Financial liabilities:				
Derivative liability for Top Up Option	324,006	–	–	324,006

During the six months ended 30 September 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. During the year ended 31 March 2014, except for a transfer from Level 1 to Level 2 for the trading securities, there were no other transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(b) Information about Level 2 fair value measurements

The fair value of trading securities in level 2 is determined by using financial model that incorporate observable input of comparable listed companies. As the trading securities, amounting to $3,900,000, was suspended in trading in an active market as at 30 September 2014. The trading securities has resumed trading on 13 November 2014.

(c) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Value
Top Up Option	Black-Scholes model	Expected volatility	58.601%

The fair value of Top Up Option is determined using the Black-Scholes model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	$'000
Top Up Option	
At 1 April 2014	**324,006**
Changes in fair value recognised in profit or loss during the period (note 6)	**(60,494)**
At 30 September 2014	**263,512**

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

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(d) 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 30 September 2014. The fair values of borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The fair values of the convertible notes are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

The aggregate carrying values of other financial liabilities carried on the consolidated statement of financial position are not materially different from their fair values as at 30 September 2014.

29 COMMITMENTS

(a) Capital commitments

	At 30 September 2014 $'000	At 31 March 2014 $'000
Contracted for	**317,027**	401,435

(b) Operating lease commitments

At 30 September 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2014 $'000	At 31 March 2014 $'000
Within 1 year	**1,485**	127
After 1 year but within 5 years	**68**	–
	1,553	127

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.

30 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 except for the mine at Baicheng, Xinjiang. 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.

31 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the six months ended 30 September 2014:

(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 and certain of the highest paid employees, is as follows:

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Salaries and other emoluments	**4,845**	4,483
Retirement scheme contributions	**18**	16

The remuneration is included in "staff costs" (see note 7(b)).

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions

During the six months ended 30 September 2014, the Group entered into the following material related party transactions:

	Six months ended 30 September	
	2014	2013
	$'000	$'000
Payments on behalf of the Group by related parties	**27,829**	–
Cash advances from related parties (note)	**181,223**	25

Note:

The directors are of the opinion that the cash advances from related parties were conducted on terms which are better than prime bank loan interest so far as the shareholders of the Company are concerned.

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	At 30 September 2014	At 31 March 2014
	$'000	$'000
Other receivables	**2,135**	3,039
Other payables and accruals	**41,025**	7,764

32 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed acquisition of GCC

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

33 MAJOR NON-CASH TRANSACTION

$10,000,000 Tranche A convertible notes and $17,600,000 Tranche B convertible notes were converted by note-holders into ordinary shares from 1 April 2014 to 31 August 2014 on the basis of one ordinary share for every $1.6484 convertible note held. $189,000,000 Tranche A convertible notes were converted by note-holders into ordinary shares from 1 September 2014 to 30 September 2014 on the basis of one ordinary share for every $1.6258 convertible note held.

OTHER INFORMATION

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

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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
Qin Jun	Beneficiary Interest of Trust	1,214,326,356 (L)	1,672,561,200 (L)	2,886,887,556[1] (L)	77.22%
	Corporate Interest	11,126,000 (L)	230,655,677 (L)	241,781,677[2] (L)	6.47%
	Beneficiary Interest of Trust	1,203,620,637 (S)	1,428,988,805 (S)	2,632,609,442[1] (S)	70.42%

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 founded by Mr. Wang Mingquan, the father in-law of Mr. Qin Jun. 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. 11,126,000 Shares and 230,655,677 derivatives interests are beneficially owned by Up Energy Capital Limited. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun. Mr. Qin Jun is therefore taken to be interested in the relevant Shares by virtue of the SFO.

3. As at 30 September 2014, the number of issued Shares of the Company was 3,738,390,137 Shares.

Save as disclosed above, as at 30 September 2014, none of the Directors or 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.

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

As at 30 September 2014, so far as is known to the Directors, the following persons, not being a Director or the chief executive of the Company, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and Underlying Shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Up Energy Group Ltd.	Beneficiary Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	2
Up Energy Holding Ltd.	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	2
Perfect Harmony Holdings Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	2
Seletar Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	2
Serangoon Limited	Corporate Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	2
Credit Suisse Trust Limited	Trustee	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	3
Liu Huihua	Spouse Interest	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	4
Wang Mingquan	Founder of Trust	1,214,326,356 (L) 1,203,620,637 (S)	1,672,561,200 (L) 1,428,988,805 (S)	2,886,887,556 (L) 2,632,609,442 (S)	77.22% 70.42%	4

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Wang Jue	Beneficiary Interest of Trust/	1,214,326,356 (L)	1,672,561,200 (L)	2,886,887,556 (L)	77.22%	5
	Spouse Interest	1,203,620,637 (S)	1,428,988,805 (S)	2,632,609,442 (S)	70.42%	
Up Energy Capital Limited	Corporate Interest	11,126,000 (L)	230,655,677 (L)	241,781,677 (L)	6.47%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.07%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.07%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.07%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.07%	7
Central Huijin Investment Ltd.	Corporate Interest	1,556,425 (L)	581,544,614 (L)	583,101,039 (L)	15.60%	7 to 10
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	6.55%	8
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	–	244,983,187 (L)	244,983,187 (L)	6.55%	8
CCB Financial Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.55%	8
CCB International Group Holdings Limited	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.55%	8
China Construction Bank Corporation	Corporate Interest	–	244,983,187 (L)	244,983,187 (L)	6.55%	8
Exploratory General Limited	Corporate Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	8.02% 8.02%	11 11
Yun Dahui	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	8.02% 8.02%	11 11
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	8.02% 8.02%	11
Wong Ben Koon	Corporate Interest	309,100,000 (L)	–	309,100,000 (L)	8.27%	11
Hao Tian Resources Group Limited	Beneficiary Interest	369,500,000 (L) 140,000,000 (S)	– –	369,500,000 (L) 140,000,000 (S)	9.88% 3.74%	
	Corporate Interest	2,000,000 (L)	–	2,000,000 (L)	0.05%	

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

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the “DI Forms”) when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange’s official website. When a shareholder’s shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders’ latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders’ interests are prepared based on the information in the relevant DI Forms received by the Company as of 30 September 2014. 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 wholly owned by Up Energy Holdings Ltd. Up Energy Holdings Ltd. is wholly owned by Perfect Harmony Holdings Limited (“Perfect Harmony”). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited (“Seletar”) and Serangoon Limited (“Serangoon”) as nominees in trust of Credit Suisse Trust Limited, the trustee of the J&J Trust. Accordingly, Up Energy Group Ltd., Up Energy Holdings Ltd., Perfect Harmony, Seletar and Serangoon 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 57.26% beneficially owned by Central Huijin Investment Ltd. (“Central Huijin”). By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.

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

11. Exploratory Capital Limited is 80.12% owned by Ms. Yun Dahui. Accordingly, Ms. Yun Dahui is deemed to be interested in the Shares of the Company by virtue of the SFO.

12. As at 30 September 2014, the number of issued Shares of the Company was 3,738,390,137 Shares.

On 24 September 2014, the Company rectified the adjustment of Conversion price for Tranche A and Tranche B Convertible Notes from 1.6267 to 1.6258 and notified all the noteholders. As a result of the revised conversion price, the number of issued Shares of the Company was adjusted correspondingly. As the percentage changes are below 0.05%, there were no notifiable interests under SFO.

Save as disclosed above, as at 30 September 2014, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 September 2014 had the Company, any of its holding companies, subsidiaries or fellow subsidiaries been a party to any arrangements to enable the Directors or the chief executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2014, except for code provisions A.2.1 and E.1.2 as explained below:

Code Provision A.2.1

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

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

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting.

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

CHANGE OF DIRECTORS' INFORMATION

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

(i) Mr. Chau Shing Yim, David has been a committee member of Shangdong Province Jinan Committee of the National Committee of the Chinese People's Political Consultative Conference since January 2012.

(ii) The Directors' fee of each of Mr. Lien Jown, Jing, Vincent, Mr. Li Bao Guo and Dr. Shen Shiao-Ming increased from HK$22,000 to HK$24,200 per month with effect from 1 July 2014.

(iii) The Director's fee of Mr. Wang Chuan from 1 April 2014 to 30 September 2014 was HK$55,000 per month, in total HK$330,000.

Save as disclosed above, as at 30 September 2014, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. At present, the 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 unaudited interim financial information of the Group for the six months ended 30 September 2014 in conjunction with KPMG, the Company's independent auditor. Such review does not constitute an audit. The independent review report issued by KPMG is set out in this interim report of the Company.

By Order of the Board

Qin Jun
Chairman

Hong Kong, 24 November 2014