

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Up Energy Development Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

**(I) AMENDMENTS OF THE TERMS OF
TRANCHE A CONVERTIBLE NOTES DUE 2016 AND
TRANCHE B CONVERTIBLE NOTES DUE 2016;
(II) CONNECTED TRANSACTION;
(III) INCREASE IN THE AUTHORISED SHARE CAPITAL
OF THE COMPANY
AND
(IV) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Opus Capital Limited
創富融資有限公司

A notice convening the SGM of the Company to be held at Empire Room I, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on 13 February 2015 at 11:30 a.m. is set out on pages 59 to 61 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed to this circular.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to branch share registrar of the Company in Hong Kong, Tricor Secretaries Ltd., at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM of the Company or any adjournment thereof should you so wish.

CONTENTS

	<i>Pages</i>
Definitions	1
Letter From the Board	5
Letter from the Independent Board Committee	22
Letter From the Independent Financial Adviser	23
Appendix – General Information	51
Notice of SGM	59

DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Amended Conversion Price”	HK\$0.75 per Share, being the conversion price per conversion Share in relation to the Tranche A Convertible Notes and the Tranche B Convertible Notes after the Amendment of Terms become effective (subject to adjustments in accordance with the terms of Convertible Notes)
“Amendment of Terms”	Amendment of Tranche A Convertible Notes Terms and Amendment of Tranche B Convertible Notes Terms
“Amendment of Tranche A Convertible Notes Terms”	the proposed amendment of certain terms and conditions of the Tranche A Convertible Notes, the details of which are set out in the section “AMENDMENT OF TRANCHE A CONVERTIBLE NOTES TERMS” in this circular
“Amendment of Tranche B Convertible Notes Terms”	the proposed amendment of certain terms and conditions of the Tranche B Convertible Notes, the details of which are set out in the section “AMENDMENT OF TRANCHE B CONVERTIBLE NOTES TERMS” in this circular
“Announcement”	the Company’s announcement dated 12 December 2014, in relation to the proposed Amendment of Terms
“Associate”	having the meaning attributed to that term in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong and the PRC are generally open for banking business in Hong Kong and the PRC
“Company”	Up Energy Development Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Convertible Notes”	Tranche A Convertible Notes and Tranche B Convertible Notes

DEFINITIONS

“Conversion Shares”	Tranche A Conversion Shares and Tranche B Conversion Shares
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised Share capital of the Company from HK\$1,200,000,000 divided into 6,000,000,000 Shares of HK\$0.20 each to HK\$4,000,000,000 divided into 20,000,000,000 Shares of HK\$0.20 each by the creation of an additional 14,000,000,000 Shares of HK\$0.20 each
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming, formed for the purpose to advise the Independent Shareholders on the Amendment of Terms and as to voting in the SGM
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Amendment of Terms and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than UEGL and UECL and their respective associates
“Latest Practicable Date”	22 January 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange, as the same may be amended, supplemented or otherwise modified from time to time
“Noteholder(s) A”	existing holder(s) of the Tranche A Convertible Notes
“Noteholder(s) B”	existing holder(s) of the Tranche B Convertible Notes
“p.a.”	per annum
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms and the transactions contemplated thereunder which include the grant of the Specific Mandate and the Increase in Authorised Share Capital of the Company and any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of the Company
“Share Charge(s)”	the following documents, as amended, supplemented or otherwise modified from time to time: (a) the share charge, over the shares of Up Energy Investment (China) Limited dated 18 January 2011 and entered into by the Company in favour of UEGL on its behalf and as trustee for the secured parties as specified therein; (b) the share charge over the shares of Up Energy International Limited dated 18 January 2011 and entered into by Up Energy Investment (China) Limited in favour of UEGL on its behalf and as trustee for the secured parties specified therein; and (c) the share charge over the shares of Up Energy (Hong Kong) Limited dated 18 January 2011 and entered into by Up Energy International Limited in favour of UEGL on its behalf and as trustee for the secured parties specified therein
“Shareholder(s)”	holder(s) of the Share(s) of the Company

DEFINITIONS

“Specific Mandate”	a specific mandate to be granted to the Directors in relation to the proposed allotment and issue of the Conversion Shares up to 6,014,603,595 Shares upon full exercise of the conversion rights of Tranche A Convertible Notes and Tranche B Convertible Notes, as amended by the Amendment of Terms, in full, to be approved by the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Tranche A Convertible Notes”	the convertible notes in the aggregate principal amount of HK\$3,480,000,000 issued by the Company on 18 January 2011
“Tranche A Conversion Shares”	up to a maximum of 2,627,801,382 new Shares which would fall to be issued by the Company (assuming all Noteholders A agree to the Amendment of Tranche A Convertible Notes Terms and enter into a deed of amendment to give effect to the same) upon exercise of the conversion rights attached to the Tranche A Convertible Notes, after the Amendment of Tranche A Convertible Notes Terms becomes effective
“Tranche B Convertible Notes”	the convertible notes in the aggregate principal amount of HK\$4,300,000,000 issued by the Company on 18 January 2011
“Tranche B Conversion Shares”	up to a maximum of 3,386,802,213 new Shares which would fall to be issued by the Company (assuming all Noteholders B agree to the Amendment of Tranche B Convertible Notes Terms and enter into a deed of amendment to give effect to the same) upon exercise of the conversion rights attached to the Tranche B Convertible Notes, after the Amendment of Tranche B Convertible Notes Terms becomes effective
“UECL”	Up Energy Capital Limited, a company incorporated in Belize wholly owned by Mr. Qin Jun, an executive Director of the Company
“UEGL”	Up Energy Group Limited, a company incorporated in the British Virgin Islands being 100% beneficially held in trust by J&J Trust, of which Mr. Qin and his wife are the beneficiaries
“%”	per cent



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)

Executive Directors:

Mr. Qin Jun
Mr. Jiang Hongwen
Mr. Wang Chuan

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

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

*Head office and principal place of
business in Hong Kong:*

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

26 January 2015

To the Shareholders

Dear Sir or Madam,

**(I) AMENDMENTS OF THE TERMS OF
TRANCHE A CONVERTIBLE NOTES DUE 2016 AND
TRANCHE B CONVERTIBLE NOTES DUE 2016;
(II) CONNECTED TRANSACTION;
(III) INCREASE IN THE AUTHORISED SHARE CAPITAL
OF THE COMPANY
AND
(IV) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 12 December 2014 whereby the Board announced that the Company intends to propose to Noteholders A and Noteholders B the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms respectively, subject to the approval by the Independent Shareholders at the SGM. If agreed upon and the respective deeds of amendments executed between the Company and individual holder(s) of the Convertible Notes and subject to the approval by Independent Shareholders at the SGM, certain terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes would

* for identification purpose only

LETTER FROM THE BOARD

be amended accordingly for the relevant Convertible Notes held by such individual holder(s). As at the date of this circular, the aggregate outstanding principal amount of the Tranche A Convertible Notes and the Tranche B Convertible Notes are HK\$1,970,851,037 and HK\$2,540,101,660 respectively.

The purpose of this circular is to provide you with, among other things, further details of the (i) Amendment of Terms; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment of Terms; (iv) the proposed grant of Specific Mandate to the Directors to allot and issue the Conversion Shares; (v) the Increase in Authorised Share Capital; and (vi) the notice convening the SGM.

(I) AMENDMENTS OF THE TERMS OF TRANCHE A AND TRANCHE B CONVERTIBLE NOTES

The Board announces that the Company intends to propose to the Noteholders A and Noteholders B of the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms respectively, pursuant to which and subject to the approval by the Independent Shareholders at the SGM, if agreed upon and the respective deeds of amendments executed between the Company and individual holder(s) of the Convertible Notes, certain terms and conditions of Tranche A Convertible Notes and Tranche B Convertible Notes would be amended accordingly for the relevant Convertible Notes held by such individual holder(s). As at the date of this circular, the aggregate outstanding principal amount of Tranche A Convertible Notes and Tranche B Convertible Notes are HK\$1,970,851,037 and HK\$2,540,101,660 respectively.

BACKGROUND INFORMATION

Reference is made to the announcements of the Company dated 21 September 2010, 7 December 2010, 17 December 2010 and 18 January 2011, 12 May 2011, 28 March 2013, 1 September 2014 and the circulars of the Company dated 26 November 2010 and 20 December 2010, in relation to, inter alia, the issue of the Tranche A Convertible Notes and the Tranche B Convertible Notes.

On 18 January 2011, Tranche A Convertible Notes and the Tranche B Convertible Notes were issued in aggregate of a principal amount of HK\$7,780,000,000.

On 12 May 2011, pursuant to the terms and conditions of Tranche A Convertible Notes and Tranche B Convertible Notes, the conversion prices of Tranche A Convertible Notes and Tranche B Convertible Notes were both adjusted from HK\$0.10 per conversion share to HK\$2.00 per conversion share as a result of the share consolidation of the Company.

On 28 March 2013, pursuant to the terms and conditions of Tranche A Convertible Notes and Tranche B Convertible Notes, the conversion prices of Tranche A Convertible Notes and Tranche B Convertible Notes were both further adjusted from HK\$2.00 per conversion

LETTER FROM THE BOARD

share to HK\$1.6484 per conversion share as a result of the rights issue of the Company on the basis of one rights Share for every two issued Shares.

On 1 September 2014, pursuant to the terms and conditions of Tranche A Convertible Notes and Tranche B Convertible Notes, the conversion prices of Tranche A Convertible Notes and Tranche B Convertible Notes were both further adjusted from HK\$1.6484 per conversion share to HK\$1.6258 per conversion share as a result of the issue of placing Shares of the Company.

The existing principal terms of Tranche A and Tranche B Convertible Notes (before the Amendment of Terms) are summarized as follows:

Maturity date	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes
Interest	non-interest bearing
Redemption	the holder of each of the Tranche A Convertible Notes and the Tranche B Convertible Notes may by written notice served on the Company demands the Company to redeem the Convertible Notes if trading of the Shares has been suspended consecutively for more than twenty (20) trading days. Otherwise, unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Convertible Notes, the Convertible Notes will be redeemed by the Company on the maturity date at their respective principal amounts outstanding
Conversion Price	HK\$1.6258 per conversion share
Conversion Period	Tranche A Convertible Notes: the period commencing on the first issue date of the Tranche A Convertible Note and expiring on the date which is five (5) Business Days preceding the Maturity Date Tranche B Convertible Notes: the period commencing on the day following the end of six (6) months after the first issue date of the Tranche B Convertible Note and expiring on the date which is five (5) Business Days preceding the Maturity Date

LETTER FROM THE BOARD

- Conversion Restriction(s) the conversion rights attached to the Convertible Notes shall not be exercised by the Noteholders A and Noteholders B or the Company shall not be obliged to issue any conversion shares but may treat that conversion notice as invalid, if it comes to notice of the Company that following such conversion: (1) the Company will be unable to meet the public float requirement under the Listing Rules; or (2) a mandatory general offer obligation under the Takeover Code will be triggered on the part of the Noteholder together with the parties acting in concert with it
- Transferability the Convertible Notes or any part(s) thereof may be assigned or transferred at any time provided that such assignment or transfer shall be in compliance with the conditions as set out in the terms and conditions of the Convertible Notes and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:
- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations; and
 - (b) the Listing Rules and all applicable laws and regulations. The permitted assignment or transfer of the Convertible Notes may be in respect of the whole or any part(s) of the outstanding principal amount of the Convertible Notes and may only be made to person(s) which are not connected persons of the Company
- Security the obligations of the Company arising under the Convertible Notes constitute general, unconditional, unsubordinated obligations of the Company; such obligations are secured only in the case of UEGL but unsecured for any other holder thereof. The Share Charges in favor of UEGL secured, among other matters, the outstanding obligations of the Company under the Convertible Notes. However, such Share Charges can only be enforced by UEGL but not by any subsequent assignees, transferees or holders of the Convertible Notes

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) the principal amount of the outstanding Tranche A Convertible Notes is HK\$1,970,851,037, which are convertible into 1,212,234,614 Shares upon full exercise of the conversion rights attaching to the outstanding principal amount based on the existing conversion price of HK\$1.6258 per Share, and would become convertible into 2,627,801,382 Shares, which represent approximately 70.2% of the existing issued share capital of the Company and approximately 26.9% of the enlarged issued Share capital of the Company, upon full exercise of the conversion rights attaching to the outstanding principal amount based on the Amended Conversion Price after the Amendment of Tranche A Convertible Notes Terms has become effective, assuming all Noteholders A have entered into the relevant deeds of amendments to give effect to the Amendment of Tranche A Convertible Notes Terms and no conversion rights will be exercised by the Noteholders A prior to that; and (ii) the principal amount of the outstanding Tranche B Convertible Notes is HK\$2,540,101,660, which are convertible into 1,562,370,316 Shares upon full exercise of the conversion rights attaching to the outstanding principal amount based on the existing conversion price of HK\$1.6258 per Share, and would become convertible into 3,386,802,213 Shares, which represent approximately 90.5% of the existing issued share capital of the Company and approximately 34.7% of the enlarged issued share capital of the Company, upon full exercise of the conversion rights attaching to the outstanding principal amount based on the Amended Conversion Price after the Amendment of Tranche B Convertible Notes Terms has become effective, assuming all Noteholders B have entered into the relevant deeds of amendments to give effect to the Amendment of Tranche B Convertible Notes Terms and no conversion rights will be exercised by the Noteholders B prior to that.

AMENDMENT OF TRANCHE A CONVERTIBLE NOTES TERMS

The Company intends to propose to Noteholders A the Amendment of Tranche A Convertible Notes Terms pursuant to which certain terms and conditions of Tranche A Convertible Notes will be amended. Details of the Amendment of Tranche A Convertible Notes Terms are summarized as follows:

	Before the Amendments of Tranche A Convertible Notes Terms	After the Amendments of Tranche A Convertible Notes Terms
Maturity Date	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes (i.e. 18 January 2016)	31 December 2018

LETTER FROM THE BOARD

	Before the Amendments of Tranche A Convertible Notes Terms	After the Amendments of Tranche A Convertible Notes Terms
Interest	non-interest bearing	5% p.a., payable semi-annually on 30 June and 31 December each calendar year
Conversion Price	HK\$1.6258 per Share	HK\$0.75 per Share

Apart from the above, all other terms and conditions of the Tranche A Convertible Notes remain unchanged.

The Amendment of Tranche A Convertible Notes Terms is conditional upon the fulfillment of the following conditions:

- (a) the approval by the Independent Shareholders of the Company in relation to the Amendment of Tranche A Convertible Notes Terms and all transactions contemplated thereunder (which include the issue and allotment of the Tranche A Conversion Shares under the Specific Mandate upon the exercise of the conversion rights attached to the Tranche A Convertible Notes after the Amendment of Tranche A Convertible Notes Terms becoming effective in compliance with the applicable Listing Rules and the bye-laws of the Company) having been obtained by the Company;
- (b) the Stock Exchange having consented to the Amendment of Tranche A Convertible Notes Terms;
- (c) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Tranche A Conversion Shares upon the exercise of the conversion rights attached to the Tranche A Convertible Notes after the Amendment of Tranche A Convertible Notes Terms in respect of the Tranche A Convertible Notes held by an individual Noteholder A; and
- (d) the entering into of a deed of amendment (or other legally binding agreement) between that individual Noteholder A (the “**Consenting Noteholder A**”) and the Company to give effect to the Amendment of Tranche A Convertible Notes Terms.

LETTER FROM THE BOARD

Upon the fulfillment of the above-mentioned conditions, the Amendment of Tranche A Convertible Notes Terms will become effective in respect of those Tranche A Convertible Notes held by that Consenting Noteholder A.

AMENDMENT OF TRANCHE B CONVERTIBLE NOTES TERMS

The Company intends to propose to Noteholders B the Amendment of Tranche B Convertible Notes Terms pursuant to which certain terms and conditions of the Tranche B Convertible Notes will be amended. Details of the Amendment of Tranche B Convertible Notes Terms are summarized as follows:

	Before the Amendments of Tranche B Convertible Notes Terms	After the Amendments of Tranche B Convertible Notes Terms
Maturity Date	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes (i.e. 18 January 2016)	31 December 2018
Interest	non-interest bearing	5% p.a., payable semi-annually on 30 June and 31 December each calendar year
Conversion Price	HK\$1.6258 per Share	HK\$0.75 per Share

Apart from the above, all other terms and conditions of the Tranche B Convertible Notes remain unchanged.

The Amendment of Tranche B Convertible Notes Terms in respect of the Tranche B Convertible Notes held by an individual Noteholder B is conditional upon the fulfillment of the following conditions:

- (a) the approval by the Independent Shareholders of the Company in relation to the Amendment of Tranche B Convertible Notes Terms and all transactions contemplated thereunder (which include the issue and allotment of the Tranche B Conversion Shares under the Specific Mandate upon the exercise of the conversion rights attached to the Tranche B Convertible Notes after the Amendment of Tranche

LETTER FROM THE BOARD

B Convertible Notes Terms becoming effective in compliance with the applicable Listing Rules and the bye-laws of the Company) having been obtained by the Company;

- (b) the Stock Exchange having consented to the Amendment of Tranche B Convertible Notes Terms;
- (c) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Tranche B Conversion Shares upon the exercise of the conversion rights attached to the Tranche B Convertible Notes after the Amendment of Tranche B Convertible Notes Terms becoming effective; and
- (d) the entering into of a deed of amendment (or other legally binding agreement) between that individual Noteholder B (the “**Consenting Noteholder B**”) and the Company to give effect to the Amendment of Tranche B Convertible Notes Terms.

Upon the fulfillment of the above-mentioned conditions, the Amendment of Tranche B Convertible Notes Terms will become effective in respect of those Tranche B Convertible Notes held by that Consenting Noteholder B.

The Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms were proposed by the Board with reference to, among other things, (i) the recent market price of the Shares, (ii) compensation to Noteholders A and Noteholders B for the extension of the maturity date of the Convertible Notes and (iii) the existing financial conditions and internal resources of the Group.

LETTER FROM THE BOARD

For the 5% p.a. interest rate proposed herein as part of the Amendment of Terms, the Board considers that the rate is fair and reasonable after taking into account of current actual unsecured borrowing cost of the Company is approximately 11% p.a., the coupon rate of straight bonds with similar maturity at a range of approximately 7% to 7.5% p.a., the extra burden on additional administrative expenses and times on securing a new borrowing in current market condition, as well as the fact that the Amended Conversion Price is at a premium of approximately 15.4% to the closing price of the Share on the date of the Announcement.

The Amended Conversion Price represents:

- (i) a premium of approximately 15.4% to the closing price of HK\$0.65 per Share as quote on the Stock Exchange on 12 December 2014, being the date of Announcement;
- (ii) a premium of approximately 9.6% to the average closing price of HK\$0.684 per Share for the last five consecutive trading days immediately prior to the date of Announcement as quoted on the Stock Exchange (not including date of Announcement);
- (iii) a premium of approximately 10.3% to the average closing price of HK\$0.68 per Share for the one year period preceding to the date of Announcement;
- (iv) a discount of approximately 71.7% to the Company's net asset value per Share of approximately HK\$2.65 as at 30 September 2014;
- (v) a premium of approximately 25% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 22 January 2015, being the Latest Practicable Date; and
- (vi) a premium of approximately 23% to the average closing price of HK\$0.61 per Share for the last five consecutive trading days immediately prior to the Latest Practicable Date as quoted on the Stock Exchange.

The Board considers that the Amended Conversion Price is fair and reasonable as it is determined with reference to the prevailing market price of the Shares and it is consistent with the practice that the conversion price is generally determined at a premium to the closing price as quoted on the date of relevant announcement and average five days closing price per Share prior to such announcement.

REASONS FOR THE PROPOSED AMENDMENT OF TERMS

The Board proposes the Amendment of Terms for the following reasons:

- (i) Reference is made to the announcement of the Company dated 8 December 2014 in relation to the acquisition of shareholding in a metallurgical coal mining company engaged in the production and sales of premium hard coking coal (the "**Acquisition**"). The management of the Company considers that the Amendment of Terms will facilitate the relevant capital requirement in the Acquisition by improving the cash flow position of the Group.

LETTER FROM THE BOARD

- (ii) If the maturity date of the Convertible Notes is not extended, the outstanding amount of the Tranche A Convertible Notes and Tranche B Convertible Notes will be immediately accounted for as current liabilities in the financial statement of the Company, which would adversely affect its dealings with banks.
- (iii) Given the current financial situation of the Company, if the extension of the maturity date of the Convertible Notes is not obtained, the Company would have to fulfill its obligations to repay the outstanding amount of Tranche A Convertible Notes and Tranche B Convertible Notes at their respective maturity date, which would result in rapid depletion of the Company's financial resources.
- (iv) The interest payment is a benefit to Consenting Noteholders A and Noteholders B as a compensation for the extension of maturity of the Convertible Notes.
- (v) The Amendment of Terms is a way for the Company to maintain business relationships with the independent Noteholders A and Noteholders B, which is beneficial if and when the Company plans to undertake any fund raising exercise in the future and Noteholders A and Noteholders B might be potential investors in future fund raising. The Company has intentions for further fund raising, however, as at the Latest Practicable Date, there is no concrete plan or timetable related to such fund raising intentions.

The Board considers that it is beneficial for the Company to extend the maturity dates ahead even though Tranche A Convertible Notes and Tranche B Convertible Notes are approximately one year due from their respective original maturity date as the compliance and administration of the extension would generally take a few months in practice. Also, the Board is of the view that the 5% interest rate is fair and reasonable considering there is an equity element in the instrument and that it is reasonable to offer compensation benefits for the extension of maturity date of the Convertible Notes.

After due consideration, the Directors (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser regarding the Amendment of Terms) are of the view that the Amendment of Terms, including the Amended Conversion Price, the interest rate attaching to the Convertible Notes being given and the extension of the maturity date of the Convertible Notes to the end of 2018, are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

The Company will issue further announcement(s) in relation to the acceptance by independent Noteholders A and Noteholders B of the Amendment of Terms and relevant signing of the deeds of amendments after the Latest Practicable Date. If the aforesaid conditions for the Amendment of Terms in respect of the relevant Convertible Notes for an individual Noteholder A or Noteholder B (as the case may be) are not fulfilled by 31 December 2015, then the Amendment of Terms will not be effective as between the Company and that Noteholder A or Noteholder B (as the case may be).

LETTER FROM THE BOARD

The Board does not anticipate a change in the terms of the Convertible Notes, other than the Amendment of Terms proposed herein. Should there be any such circumstances arise, the Company will comply with all regulatory requirements including and not limited to disclosure, reporting and obtaining additional approval from Independent Shareholders at such time.

As at the latest Practicable Date, other than UEGL and UECL, the Company has not entered into deed of amendments with other Noteholders A and Noteholders B in respect of the Amendment of Terms and did not seek to do it as the Board has informally communicated with the Noteholders A and Noteholders B, and after the conversations, the Board is of the view that the Independent Shareholders' approval is necessary for such Noteholders A and Noteholders B, as sizeable institutional investors, to enter into relevant deeds of amendments. The Board also believes that with the Independent Shareholders' approval having been obtained, it will enhance the Company's position in negotiation with the Noteholders A and Noteholders B. The independent Noteholders A and Noteholders B could decide whether to enter into relevant deeds of amendments after the Independent Shareholders have approved the Amendment of Terms. Should the remaining Noteholders A and Noteholders B do not agree with the Amendment of Terms after the relevant approval by Independent Shareholders in the SGM, subject to the terms and conditions attached to the Convertible Notes instrument, such Noteholder(s) A and Noteholder(s) B is/are entitled to require the Company to convert the whole or any part(s) of the outstanding principal amount under the Convertible Notes into Shares within the existing conversion period or the Company is obligated to redeem such principal amount outstanding under the Convertible Notes held by that Noteholder(s) A and/or Noteholder(s) B at their respective original maturity date. If the Company is to redeem the outstanding principal amount under the Convertible Notes at their respective original maturity date, the Company will finance the redemption by internal resources, loan borrowings, or other fund raising methods, including but not limited to issuance of notes, issuance of new Shares, as the Board thinks fit considering the market condition then and internal financial position of the Company.

It is uncertain that Noteholders A and Noteholders B (other than UEGL and UECL) will consent to the Amendment of Terms and entered into relevant deeds of amendments. Shareholders and/or investors are advised to take caution when dealing with the Shares.

(II) CONNECTED TRANSACTION

As at the Latest Practicable Date:

UEGL holds 1,214,326,356 Shares, representing approximately 32.44% of the issued Share capital of the Company, and holds an aggregate principal amount of HK\$1,093,000,000 in Tranche A Convertible Notes and HK\$1,396,250,000 in Tranche B Convertible Notes, altogether being 55.18% of the aggregate outstanding principal amount of the Tranche A Convertible Notes and Tranche B Convertible Notes; and

UECL holds 25,178,000 Shares, representing approximately 0.67% of the issued Share capital of the Company, and holds an aggregate principal amount of HK\$275,000,000 in

LETTER FROM THE BOARD

Tranche A Convertible Notes and HK\$100,000,000 in Tranche B Convertible Notes, altogether being 8.3% of the aggregate outstanding principal amount of the Tranche A Convertible Notes and Tranche B Convertible Notes.

Accordingly, UEGL is a controlling shareholder and hence a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. UECL is wholly owned by Mr. Qin Jun, an executive Director. Therefore, UECL is also a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As at the Latest Practicable Date, the Company has entered into the deed of amendments in relation to the Amendment of Terms with UEGL and UECL respectively in relation to the outstanding principal amounts of the Tranche A Convertible Notes and the Tranche B Convertible Notes held by them as mentioned above respectively.

Accordingly, the Amendment of Tranche A Convertible Notes, the Amendment of Tranche B Convertible Notes, the grant of the Specific Mandate for the issue and allotment of the Conversion Shares and the entering into deeds of amendments with UEGL and UECL respectively altogether constitute a connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

UEGL and UECL, as connected persons of the Company and both having a material interest in the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms, and their respective associates, will be required to abstain from voting on the proposed resolutions at the SGM for approving, the Amendment of Terms, the deeds of amendments for effecting the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms respectively and the grant of the Specific Mandate to Directors for the issue and allotment of the Conversion Shares.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, all other Noteholders A and Noteholders B, and their ultimate beneficial owners if applicable, are third parties independent of the Company and its connected persons.

Mr. Qin Jun, an executive Director, being the sole shareholder of UECL and a beneficiary (together with his wife Ms. Wang Jue) of the J&J Trust that wholly owns UEGL on trust, has a material interest in the Amendment of Terms and the grant of the Specific Mandate to the Directors for the issue and allotment of the Conversion Shares, and had abstained from voting on the relevant board resolutions for approving the aforesaid transactions.

LETTER FROM THE BOARD

FUND RAISING EXERCISES OF THE COMPANY

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months immediately before the Latest Practicable Date.

Date of announcements	Fund raising activities	Net proceeds raised (Approximately)	Intended use of proceeds	Actual use of proceeds as at the date of the Announcement
2 September 2014	Placing of HK\$200,000,000 bonds (in progress)	HK\$200 million	Intends to use the net proceeds for (i) funding potential acquisition activities to be identified by the Group from time to time; and/or (ii) the general working capital of the Group	Not yet utilized
25 August 2014	Placing of 575,100,000 new shares under general mandate	HK\$565.89 million	Repayment of existing bank loans and/or the general working capital of the Group	Used as intended (Note 1)
Total net proceeds		HK\$765.89 million (Note 2)		

Note 1: Such net proceeds were used for general working capital of the Group in the following manner: (a) as to approximately HK\$109 million for loan financing to target company in the acquisition as announced by the Company on 7 December 2014; (b) as to approximately HK\$40 million for investment in a subsidiary of the Company incorporated in the People's Republic of China (the "PRC"); (c) as to approximately HK\$151 million for repayment of existing bank loan; (d) as to approximately HK\$180 million for a secured deposit in bank and (e) as to approximately HK\$87 million as the general working capital and expenses (including payments for PRC subsidiaries, employee's benefits and office general expenses) of the Company.

Note 2: The net proceeds of approximately HK\$200 million from placing of bonds as mentioned above is yet to be received as the transaction is still in progress.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

	As at the Latest Practicable Date		Immediately upon full conversion of the		Immediately upon full conversion of the	
			Convertible Notes (under the existing conversion price)		Convertible Notes (under the Amended Conversion Price)	
	Number of Shares	Approximate % (Note 3)	Number of Shares	Approximate % (Note 3)	Number of Shares	Approximate % (Note 3)
Shareholders						
UEGL (Note1)	1,214,326,356	32.44	2,745,418,741	42.12	4,533,326,356	46.46
UECL (Note2)	25,178,000	0.67	255,833,677	3.93	525,178,000	5.38
Public Shareholders						
Public Shareholders	2,503,683,419	66.89	3,516,540,287	53.95	4,699,287,015	48.16
Total	3,743,187,775	100.00	6,517,792,705	100.00	9,757,791,371	100.00

Note:

- The 1,214,326,356 Shares are held by UEGL as beneficial owner. UEGL is wholly owned by Up Energy Holding Ltd. (the “**Up Energy Holding**”). Up Energy Holding is wholly owned by Perfect Harmony Holdings Limited (the “**Perfect Harmony**”). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited (the “**Seletar**”) and Serangoon Limited (the “**Serangoon**”) as nominees in trust of Credit Suisse Trust Limited, the trustee of the J&J Trust. Accordingly, UEGL, Up Energy Holding, Perfect Harmony, Seletar and Serangoon are also deemed to be interested in the 1,214,326,356 Shares by virtue of the SFO.

Credit Suisse Trust Limited, as a trustee of the J&J Trust, is deemed to be interested in the 1,214,326,356 Shares by virtue of the SFO. 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. Liu Huihua are therefore taken to be interested in the 1,214,326,356 Shares by virtue of the SFO.

Mr. Qin Jun and Ms. Wang Jue are the beneficiaries of the J&J Trust. Ms. Wang Jue is the daughter of Mr. Wang Mingquan and the wife of Mr. Qin Jun, a Director. Each of Mr. Qin Jun and Ms. Wang Jue is therefore taken to be interested in the 1,214,326,356 Shares by virtue of the SFO.

UEGL, being a controlling Shareholder, is a connected person of the Company.

As at the Latest Practicable Date, UEGL holds an aggregate principal amount of HK\$2,489,250,000 in the Convertible Notes.

- The 25,178,000 Shares are held by UECL as beneficial owner. UECL is a company wholly owned by Mr. Qin Jun, a Director. Accordingly, Mr. Qin Jun is deemed to be interested in the 25,178,000 Shares by virtue of the SFO. UECL, being an associate of Mr. Qin Jun, is a connected person of the Company.

As at the Latest Practicable Date, UECL holds an aggregate principal amount of HK\$375,000,000 in the Convertible Notes.

- The percentages are subject to rounding difference, if any.

LETTER FROM THE BOARD

(III) INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the authorised Share capital of the Company from HK\$1,200,000,000 divided into 6,000,000,000 Shares of HK\$0.20 each to HK\$4,000,000,000 divided into 20,000,000,000 Shares of HK\$0.20 each by the creation of an additional 14,000,000,000 Shares of HK\$0.20 each.

The convertible preference shares in the authorized Share capital of the Company of HK\$40,000,000 divided into 2,000,000,000 convertible preference shares shall remain unchanged.

The Board is of the view that the proposed Increase in Authorised Share Capital of the Company will provide flexibility to the Company for any future increase of the capital base of the Company and is in the interests of the Company and the Shareholders as a whole. The proposed Increase in Authorised Share Capital of the Company is conditional upon and shall take effect upon the passing by the Shareholders of the ordinary resolution for Increase in Authorised Share Capital of the Company at the SGM and the Company obtaining, where required, approval of applicable governmental authorities.

GENERAL

The Group is engaged in coking coal business in Xinjiang Uygur Autonomous Regions (the “Xinjiang”) in the PRC. With headquarters in Fukang City in northern Xinjiang close to the regional capital Urumqi, the Group is principally engaged in mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alternations take effect automatically under the existing terms of such convertible debt securities. An application for the said approval has been submitted to the Stock Exchange on 9 January 2015. An application for the listing of and permission to deal in the Conversion Shares will be made to the Stock Exchange in due course.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM to cater for the issue and allotment of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the terms of Convertible Notes as amended by the relevant deed of amendments to give effect to the Amendment of Terms.

At the Latest Practicable Date, UEGL, being one of the Noteholders A and Noteholders B, owned 1,214,326,356 Shares, representing approximately 32.44% of the issued share capital of the Company and therefore is a controlling shareholder (as defined under the Listing Rules) of the Company. As a result, UEGL is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, UEGL, being one of the Noteholders A and Noteholders B, owned 25,178,000 Shares, representing

LETTER FROM THE BOARD

approximately 0.67% of the issued share capital of the Company and is wholly owned by Mr. Qin Jun, an executive Director. Therefore, UECL is also a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, the Company has entered into the deed of amendments in relation to the Amendment of Terms with UEGL and UECL in relation to the outstanding principal amounts of the Tranche A Convertible Notes and the Tranche B Convertible Notes held by them as mentioned above respectively. Accordingly, the Amendment of Tranche A Convertible Notes Terms, the Amendment of Tranche B Convertible Notes Terms, the issue and allotment of the Conversion shares under the Specific Mandate and the entering into deeds of amendments with UEGL and UECL respectively altogether constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

UEGL and UECL, both having a material interest in the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms, and their respective associates, will be required to abstain from voting at the SGM in respect of resolutions approving Amendment of Tranche A Convertible Notes Terms and Amendment of Tranche B Convertible Notes Terms and the transactions contemplated thereunder, including the issue and allotment of Conversion Shares under the Specific Mandate.

To the best knowledge of the Directors, save as disclosed above, no other Noteholders A or Noteholders B are Shareholders. Should any other Noteholder A and/or Noteholder B holds Share(s) as at date of the SGM, they are required to abstain from voting in the SGM in respect of resolutions approving the Amendment of Terms and the transactions contemplated thereunder.

SGM

The notice convening the SGM of the Company to be held at Empire Room I, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on 13 February 2015 at 11:30 a.m. is set out on pages 59 to 61 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed to this circular.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to branch share registrar of the Company in Hong Kong, Tricor Secretaries Ltd., at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM of the Company or any adjournment thereof should you so wish.

The Independent Board Committee comprising all the independent non-executive Directors has been established to give recommendations to the Independent Shareholders on the Amendment of Terms and the transactions contemplated thereunder. A letter from the Independent Board Committee containing its advice and recommendations to the Independent Shareholders is set out on page 22 of this circular.

LETTER FROM THE BOARD

Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and a letter from Opus Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 50 in this circular.

RECOMMENDATION

The Board considers that the Amendment of Terms, the grant of the Specific Mandate to the Directors to allot and issue the Conversion Shares, and the Increase in Authorised Capital of the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Also, the Board considers that the Connected Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions for approving the Amendment of Terms and the grant of the Specific Mandate and all Shareholders to vote in favour of the relevant ordinary resolutions for approving the Increase in Authorised Share Capital as set out in the notice of SGM respectively.

ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendices to this circular.

Yours Faithfully,
By Order of the Board
Up Energy Development Group Limited
Qin Jun
Chairman



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)

To the Independent Shareholders,

26 January 2015

Dear Sir or Madam,

**(I) AMENDMENTS OF THE TERMS OF
TRANCHE A CONVERTIBLE NOTES DUE 2016 AND
TRANCHE B CONVERTIBLE NOTES DUE 2016; AND
(II) CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Amendment of Tranche A Convertible Notes Terms and Amendment of Tranche B Convertible Notes Terms and the grant of the Specific Mandate to the Directors for the issue and allotment of the Conversion Shares which constitute connected transactions of the Company under Chapter 14A of the Listing Rules (together the “**Connected Transaction**”), details of which are set out in the letter from the Board in the circular (the “**Circular**”) of the Company dated 26 January 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter from Opus Capital as set out on pages 23 to 50 of the Circular, which contains its advices and recommendations to us as to whether or not the Amendment of Tranche A Convertible Notes Terms and Amendment of Tranche B Convertible Notes Terms and the transactions contemplated thereunder, including the issue and allotment of Conversion Shares under the Specific Mandate, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advices and recommendations.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Opus Capital as stated in its aforementioned letter, we are of the opinion that the Connected Transaction, is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We consider that the Connected Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Amendment of Tranche A Convertible Notes Terms and Amendments of Tranche B Convertible Notes Terms and the grant of Specific Mandate to Directors for issue and allotment of Conversion Shares.

Yours faithfully,
For and on behalf of the Independent Board Committee

Chau Shing Yim, David
*Independent non-executive
Director*

Li Bao Guo
*Independent non-executive
Director*

Lien Jown Jing, Vincent
*Independent non-executive
Director*

Dr. Shen Shiao-Ming
*Independent non-executive
Director*

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amendments of Terms for the purpose of inclusion in this Circular.

Opus Capital Limited
創富融資有限公司

18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

26 January 2015

*To: The Independent Board Committee and the Independent Shareholders of
Up Energy Development Group Limited*

Dear Sirs,

AMENDMENTS OF THE TERMS OF TRANCHE A CONVERTIBLE NOTES DUE 2016 AND TRANCHE B CONVERTIBLE NOTES DUE 2016

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment of Terms, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 26 January 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the Announcement, the Board announced that the Company intends to propose to the Noteholders A and the Noteholders B, the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms respectively, subject to the approval by the Independent Shareholders at the SGM. If agreed upon and the respective deeds of amendment executed between the Company and individual holder(s) of the Convertible Notes, and subject to the approval by the Independent Shareholders at the SGM, certain terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes would be amended accordingly for the relevant Convertible Notes held by such individual holder(s). As at the Latest Practicable Date, the aggregate outstanding principal amount of the Tranche A Convertible Notes and the Tranche B Convertible Notes are HK\$1,970,851,037 and HK\$2,540,101,660 respectively.

LISTING RULES IMPLICATIONS AND CONNECTED TRANSACTION

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alternations take effect automatically under the existing terms of such convertible debt

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

securities. An application for the said approval will be submitted to the Stock Exchange in due course. An application for the listing of and permission to deal in the Conversion Shares will be made to the Stock Exchange in due course.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM to cater for the issue and allotment of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the terms of Convertible Notes as amended by the relevant deed of amendments to give effect to the Amendment of Terms.

As stated in the Letter from the Board, as at the Latest Practicable Date, the Company has entered into the deed of amendments in relation to the Amendment of Terms with UEGL and UECL respectively in relation to the outstanding principal amounts of the Tranche A Convertible Notes and the Tranche B in respect of the Amendment of Terms Convertible Notes held by them respectively. Other than UEGL and UECL, the Company has not entered into deeds of amendments with other Noteholders A and Noteholders B in respect of the Amendment of Terms and did not seek to do it as the Board has informally communicated with the Noteholders A and Noteholders B, and after the conversations, the Board is of the view that the Independent Shareholders approval is necessary for such Noteholders A and Noteholders B, as sizeable institutional investors, to enter into relevant deeds of amendments. The Board also believes that with Independent Shareholders' approval obtained, it will enhance the Company's position in negotiation with Noteholders A and Noteholders B. The independent Noteholders A and Noteholders B could decide to enter into the relevant deeds of amendments after the independent Shareholders have approved the Amendment of Terms.

Should the remaining Noteholders A and Noteholders B do not agree with the Amendment of Terms after the relevant approval by the Independent Shareholders at the SGM, subject to the terms and conditions attached to the Convertible Notes instrument, such Noteholder(s) A and Noteholder(s) B is/are entitled to require the Company to convert the whole or any part(s) of the outstanding principal amount under the Convertible Notes into Shares within the existing conversion period or the Company is obligated to redeem such principal amount outstanding under the Convertible Notes held by that Noteholder(s) A and/or Noteholder(s) B at the maturity. If the Company is to redeem the outstanding principal amount under the Convertible Notes at the maturity, the Company will finance the redemption by internal resources, loan borrowings, or other fund raising methods, including but not limited to issuance of notes, issuance of new Shares, as the Board thinks fit considering the market condition then and internal financial position of the Company.

As stated in the Letter from the Board, the Company will issue further announcement(s) in relation to the acceptance by independent Noteholders A and Noteholders B of the Amendment of Terms and relevant signing of the deeds of amendments after the Latest Practicable Date. If the aforesaid conditions for the Amendment of Terms in respect of the relevant Convertible Notes for an individual Noteholder A or Noteholder B (as the case may be) are not fulfilled by 31 December 2015, then the Amendment of Terms will not be effective as between the Company and that Noteholder A or Noteholder B (as the case may be). The Board does not anticipate a change in the terms of the Convertible Notes, other

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

than the Amendment of Terms proposed herein. Should there be any such circumstances arise, the Company will comply with all regulatory requirements including and not limited to disclosure, reporting and obtaining additional approval from independent Shareholders at such time.

As at the Latest Practicable Date, UEGL, being one of the Noteholders A and Noteholders B, owned 1,214,326,356 Shares, representing approximately 32.44% of the issued Shares and therefore is a controlling Shareholder (as defined under the Listing Rules) of the Company. Therefore, UEGL is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As at the Latest Practicable Date, UECL, being one of the Noteholders A and Noteholders B, owned 25,178,000 Shares, representing approximately 0.67% of the issued Shares and is wholly-owned by Mr. Qin Jun, an executive Director. Therefore, UECL is also a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

Accordingly, the Amendment of Terms, the issue and allotment of the Conversion Shares under the Specific Mandate and the entering into the deeds of amendments with UEGL and UECL respectively, altogether constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

UEGL and UECL, both having a material interest in the Amendment of Terms, and their respective associates, will be required to abstain from voting at the SGM in respect of resolutions approving the Amendment of Terms and the transactions contemplated thereunder, including the issue and allotment of Conversion Shares under the Specific Mandate and the entering into the deeds of amendments with UEGL and UECL. As stated in the Letter from the Board, to the best knowledge of the Directors, save as disclosed above, no other Noteholders A or Noteholders B are Shareholders. Should any other Noteholder A and/or Noteholder B holds Share(s) as at date of the SGM, they are required to abstain from voting in the SGM in respect of resolutions approving Amendment of Terms and the transactions contemplated thereunder.

Mr. Qi Jun, an executive Director, being the sole shareholder of UECL, has a material interest in the Amendment of Terms, and the grant of the Specific Mandate to the Directors for the issue and allotment of the Conversion Shares, and had abstained from voting on the relevant board resolutions for approving the aforesaid transactions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao Ming, being all the independent non-executive Directors has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the Amendment of Terms and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the Amendment of Terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolutions in relation to the Amendment of Terms and the grant of the Specific Mandate at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Amendment of Terms, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Tranche A Convertible Notes and the Tranche B Convertible Notes, the deeds of amendments entered into between the Company and UECL and UEGl respectively on the Latest Practicable Date, the announcements of the Company dated 7 December 2014 and 12 December 2014, the Company's annual report for the financial year ended 31 March 2014 (the "**2014 Annual Report**") and for the financial year ended 31 March 2013 (the "**2013 Annual Report**"), the Company's interim report for the six months ended 30 September 2014 (the "**2014 Interim Report**") and for the six months ended 30 September 2013 (the "**2013 Interim Report**") and other information as set out in the Circular.

We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Management, nor have conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect. The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Amendment of Terms and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

BACKGROUND INFORMATION ON THE CONVERTIBLE NOTES

On 18 January 2011, the Tranche A Convertible Notes and the Tranche B Convertible Notes were issued in aggregate of a principal amount of HK\$7,780,000,000. On 12 May 2011, pursuant to the terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes, the conversion prices of the Tranche A Convertible Notes and the Tranche B Convertible Notes were both adjusted from HK\$0.10 per conversion share of the Company to HK\$2.00 per conversion share of the Company as a result of the share consolidation of the Company.

On 28 March 2013, pursuant to the terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes, the conversion prices of the Tranche A Convertible Notes and the Tranche B Convertible Notes were both further adjusted from HK\$2.00 per conversion share to HK\$1.6484 per conversion share as a result of the rights issue of the Company on the basis of one rights Share for every two issued Shares.

On 1 September 2014, pursuant to the terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes, the conversion prices of Tranche A Convertible Notes and Tranche B Convertible Notes were further adjusted from HK\$1.6484 per conversion share to HK\$1.6258 per conversion share as a result of the issue of placing Shares of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The existing principal terms of the Tranche A Convertible Notes and the Tranche B Convertible Notes (before the Amendment of Terms) are summarized as follows:

“Maturity date”	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes
“Interest”	non-interest bearing
“Redemption”	the holder of each of the Tranche A Convertible Notes and the Tranche B Convertible Notes may by written notice served on the Company demand the Company to redeem the Convertible Notes if trading of the Shares has been suspended consecutively for more than twenty (20) trading days. Otherwise, unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Convertible Notes, the Convertible Notes will be redeemed by the Company on the maturity date at their respective principal amounts outstanding
“Conversion price”	HK\$1.6258 per conversion share
“Conversion period”	Tranche A Convertible Notes: the period commencing on the first issue date of the Tranche A Convertible Notes and expiring on the date which is five (5) Business Days preceding the Maturity Date Tranche B Convertible Notes: the period commencing on the day following the end of six (6) months after the first issue date of the Tranche B Convertible Notes and expiring on the date which is five (5) Business Days preceding the Maturity Date
“Conversion Restriction(s)”	the conversion rights attached to the Convertible Notes shall not be exercised by the Noteholders A and Noteholders B or the Company shall not be obliged to issue any conversion shares but may treat that conversion notice as invalid, if it comes to notice of the Company that following such conversion: (1) the Company will be unable to meet the public float requirement under the Listing Rules; or (2) a mandatory general offer obligation under the Takeover Code will be triggered on the part of the Noteholder together with the parties acting in concert with it

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- “Transferability” the Convertible Notes or any part(s) thereof may be assigned or transferred at any time provided that such assignment or transfer shall be in compliance with the conditions as set out in the terms and conditions of the Convertible Notes and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:
- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations; and
 - (b) the Listing Rules and all applicable laws and regulations. The permitted assignment or transfer of the Convertible Notes may be in respect of the whole or any part(s) of the outstanding principal amount of the Convertible Notes and may only be made to person(s) which are not connected persons of the Company
- “Security” the obligations of the Company arising under the Convertible Notes constitute general, unconditional, unsubordinated obligations of the Company; such obligations are secured only in the case of UEGL but unsecured for any other holder thereof. The Share Charges in favor of UEGL secured, among other matters, the outstanding obligations of the Company under the Convertible Notes. However, such Share Charges can only be enforced by UEGL but not by any subsequent assignees, transferees or holders of the Convertible Notes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, (i) the principal amount of the outstanding Tranche A Convertible Notes is HK\$1,970,851,037, which are convertible into 1,212,234,614 Shares upon full exercise of the conversion rights attaching to the outstanding principal amount based on the existing conversion price of HK\$1.6258 per Share, and would become convertible into 2,627,801,382 Shares, which represent approximately 70.2% of the existing issued share capital of the Company and approximately 26.9% of the enlarged share capital of the Company, upon full exercise of the conversion rights attaching to the outstanding principal amount based on the Amended Conversion Price after the Amendment of Tranche A Convertible Notes Terms has become effective, assuming all Noteholders A have entered into the relevant deeds of amendment to give effect to the Amendment of Terms and no conversion rights will be exercised by the Noteholders A prior to that; and (ii) the principal amount of the outstanding Tranche B Convertible Notes is HK\$2,540,101,660, which are convertible into 1,562,370,316 Shares upon full exercise of the conversion rights attaching to the outstanding principal amount based on the existing conversion price of HK\$1.6258 per Share, and would become convertible into 3,386,802,213 Shares, which represent approximately 90.5% of the existing issued share capital of the Company and approximately 34.7% of the enlarged share capital of the Company, upon full exercise of the conversion rights attaching to the outstanding principal amount based on the Amended Conversion Price after the Amendment of Tranche B Convertible Notes Terms has become effective, assuming all Noteholders B have entered into the relevant deeds of amendment to give effect to the Amendment of Tranche B Convertible Notes Terms and no conversion rights will be exercised by the noteholders prior to that.

Set out in the table below illustrates the convertible Shares of each tranche of the Convertible Notes under the existing conversion price of HK\$1.6258 per Share and the Amended Conversion Price under the Amendment of Terms:

Table 1: Convertible shares of each tranche of the Convertible Notes under the existing conversion price and the Amended Conversion Price

	Outstanding principal amount as at the Latest Practicable Date (HK\$)	Convertible shares based on the existing conversion price of HK\$1.6258 per Share	Convertible Shares based on the Amended Conversion Price
Tranche A Convertible Notes	1,970,851,037	1,212,234,614	2,627,801,382
Tranche B Convertible Notes	2,540,101,660	1,562,370,316	3,386,802,213
Total	4,510,952,697	2,774,604,930	6,014,603,595

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

AMENDMENT OF TRANCHE A CONVERTIBLE NOTES TERMS

As stated in the Letter from the Board, the Company intends to propose to the Noteholders A, the Amendment of Tranche A Convertible Notes Terms pursuant to which certain terms and conditions of the Tranche A Convertible Notes will be amended. Details of the Amendment of Tranche A Convertible Notes Terms are summarized as follows:

	Before the Amendment of Tranche A Convertible Notes Terms	After the Amendment of Tranche A Convertible Notes Terms
Maturity date	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes	31 December 2018
Interest	non-interest bearing	5% p.a., payable semi-annually on 30 June and 31 December of each calendar year
Conversion price	HK\$1.6258 per Share	HK\$0.75 per Share

Apart from the above, all other terms and conditions of the Tranche A Convertible Notes remain unchanged.

The Amendment of Tranche A Convertible Notes Terms in respect of the Tranche A Convertible Notes held by an individual Noteholder A is conditional upon the fulfillment of the following conditions:

- (a) the approval by the Independent Shareholders in relation to the Amendment of Tranche A Convertible Notes Terms and all transactions contemplated thereunder (which includes the issue and allotment of the Tranche A Conversion Shares under the Specific Mandate upon the exercise of the conversion rights attached to the Tranche A Convertible Notes (after the Amendment of Tranche A Convertible Notes Terms becoming effective) in compliance with the applicable Listing Rules and the bye-laws of the Company, having been obtained by the Company;
- (b) the Stock Exchange having consented to the Amendment of Tranche A Convertible Notes Terms;
- (c) the approval by the Listing Committee of the listing of, and permission to deal in, the Conversion Shares upon the exercise of the conversion rights attached to the Tranche A Convertible Notes after the Amendment of Tranche A Convertible Notes Terms becoming effective; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the entering into of a deed of amendment (or other legally binding agreement) between the Consenting Noteholder A (as defined in the Letter from the Board) and the Company to give effect to the Amendment of Tranche A Convertible Notes Terms.

upon the fulfillment of the above-mentioned conditions, the Amendment of Tranche A Convertible Notes Terms will become effective in respect of those Tranche A Convertible Notes held by the Consenting Noteholder A.

AMENDMENT OF TRANCHE B CONVERTIBLE NOTES TERMS

As stated in the Letter from the Board, the Company intends to propose to the Noteholders B, the Amendment of Tranche B Convertible Notes Terms pursuant to which certain terms and conditions of the Tranche B Convertible Notes will be amended. Details of the Amendment of Tranche B Convertible Notes Terms are summarized as follows:

	Before the Amendment of Tranche B Convertible Notes Terms	After the Amendment of Tranche B Convertible Notes Terms
Maturity date	the Business Day falling on the fifth anniversary of the issue date of the Convertible Notes	31 December 2018
Interest	non-interest bearing	5% p.a., payable semi-annually on 30 June and 31 December of each calendar year
Conversion price	HK\$1.6258 per Share	HK\$0.75 per Share

Apart from the above, all other terms and conditions of the Tranche B Convertible Notes remain unchanged.

The Amendment of Tranche B Convertible Notes Terms in respect of the Tranche B Convertible Notes held by an individual Noteholder B is conditional upon the fulfillment of the following conditions:

- (a) the approval by the Independent Shareholders in relation to the Amendment of Tranche B Convertible Notes Terms and all transactions contemplated thereunder (which includes the issue and allotment of the Tranche B Conversion Shares under the Specific Mandate upon the exercise of the conversion rights attached to the Tranche B Convertible Notes (after the Amendment of Tranche B Convertible Notes Terms becoming effective) in compliance with the applicable Listing Rules and the bye-laws of the Company having been obtained by the Company;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Stock Exchange having consented to the Amendment of Tranche B Convertible Notes Terms;
- (c) the approval by the Listing Committee of the listing of, and permission to deal in, the Conversion Shares upon the exercise of the conversion rights attached to the Tranche B Convertible Notes after the Amendment of Tranche B Convertible Notes Terms becoming effective; and
- (d) the entering into of a deed of amendment (or other legally binding agreement) between the Consenting Noteholders B (as defined in the Letter from the Board) and the Company to give effect to the Amendment of Tranche B Convertible Notes Terms.

Upon the fulfillment of the above-mentioned conditions, the Amendment of Tranche B Convertible Notes Terms will become effective in respect of those Tranche B Convertible Notes held by the Consenting Noteholders B.

As stated in the Letter from the Board, the Amendment of Tranche A Convertible Notes Terms and the Amendment of Tranche B Convertible Notes Terms were proposed by the Board of the Company with reference to, among other things, (i) the recent market price of the Shares, (ii) compensation to Noteholders A and Noteholders B for the extension of the maturity date of the Convertible Notes and (iii) the existing financial conditions and internal resources of the Group.

The Amended Conversion Price represents:

- (i) a premium of approximately 25.00% to the closing price of HK\$0.600 per Share as quoted on the Stock Exchange on 22 January 2015, being the Last Practicable Date;
- (ii) a premium of approximately 15.38% to the average closing price of HK\$0.650 per Share as quoted on the Stock Exchange on 12 December 2014, the date of the Announcement (the “**Announcement Date**”);
- (iii) a premium of approximately 9.65% to the average closing price of HK\$0.684 per Share for the last five consecutive trading days of the Shares immediately prior to the Announcement Date as quoted on the Stock Exchange; and
- (iv) a premium of approximately 10.95% to the average closing price of HK\$0.676 per Share as quoted on the Stock Exchange for the one-year period from 13 December 2013 up to and including to the Announcement Date (the “**Review Period**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Amendment of Terms and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

ANALYSIS ON THE EXTENSION OF THE MATURITY DATE

Background information of the Group

As stated in the 2014 Annual Report, the principal activities of the Company are mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products.

Set out below are the audited consolidated financial results of the Group for the three financial years ended 31 March 2014 as extracted from the 2014 Annual Report and the 2013 Annual Report:

Table 2: Highlights of the financial results of the Group

	For the year ended 31 March 2014 (HK\$ million)	For the year ended 31 March 2013 (HK\$ million)	For the year ended 31 March 2012 (HK\$ million)
Revenue	152.84	–	–
Profit/(Loss) for the year	(123.60)	(60.38)	(101.27)

Source: 2014 Annual Report and 2013 Annual Report

Regarding the operating results, we noted that the Group has recorded continual loss in the previous financial years. In particular, losses of the Group were approximately HK\$123.60 million, HK\$60.38 million and HK\$101.27 million for the year ended 31 March 2014, 31 March 2013 and 31 March 2012 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, set out below are the unaudited financial results of the Group for the six months ended 30 September 2014 and 30 September 2013 as extracted from the 2014 Interim Report and the 2013 Interim Report:

Table 3: Highlights of the unaudited financial results of the Group as at 30 September 2014 and 30 September 2013

	For the six months ended 30 September 2014 (HK\$ million)	For the six months ended 30 September 2013 (HK\$ million)
Revenue	161.80	–
Profit/(Loss) for the year	(135.65)	(53.03)

Source: 2014 Interim Report and 2013 Interim Report

As shown in the table above, the losses of the Group were approximately HK\$135.65 million and approximately HK\$53.03 million for the six months ended 30 September 2014 and 30 September 2013 respectively, representing a year-on-year increase in losses of approximately 155.80%.

Having considered the continual loss of the Group, it is prudent and rational for the Company to consider retaining sufficient cash flow to finance the existing loss making business and the future development of the Group instead of utilizing most, if not all, of its working capital to redeem the outstanding Convertible Notes at the time of their maturity.

Set out below are highlights of the financial position of the Group as at 30 September 2013 and 2014, as extracted from the 2013 Interim Report and 2014 Interim Report:

Table 4: Highlights of the financial position of the Group

	As at 30 September 2014 (HK\$ million)	As at 30 September 2013 (HK\$ million)	Year-on year change (%)
Current assets	736.70	175.14	320.63%
Cash and cash equivalents	343.60	33.26	933.07%
Net asset value	9,936.66	9,278.72	7.09%

Source: 2014 Interim Report and 2013 Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the Group's unaudited cash and cash equivalents and the current asset value as at 30 September 2014 were approximately HK\$343.60 million and HK\$736.70 million respectively. Since the Convertible Notes are due in January 2016, unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Convertible Notes, the Company will have to redeem the Convertible Notes at their respective principal amounts outstanding. If the Convertible Notes were to be fully redeemed, the cash required based on their principal amount outstanding at the Latest Practicable Date would be over HK\$4.5 billion. As shown in the table above, as at 30 September 2014, the Group does not have sufficient cash to fully redeem the Convertible Notes.

In view of the continual loss making trend of the Group, there is no certainty that the Group will have sufficient cash generated from its business operations to fully redeem the Convertible Notes at the time of their maturity. As discussed with the Management, in light of the Company's existing financial positions, redemption of the outstanding Convertible Notes at the time of their maturity will drain out a significant amount of cash from the Group and may adversely affect the business development and future prospect of the Group.

Furthermore, as stated in the Letter from the Board, if the maturity date of the Convertible Notes is not extended, the outstanding amount of the Tranche A Convertible Notes and Tranche B Convertible Notes will be immediately accounted for as a current liabilities in the financial position of the Company, which would adversely affect its dealings with banks.

Overview of coal and coking coal prices

According to a report released by Energy Transition Advisor dated 22 September 2014, coal prices are down approximately 40% since 2011. The report also highlighted that generally coal prices have been under pressure due to: (1) lower-than-expected growth in coal demand (or turning negative) due to more energy efficiency, competition from other electricity sources, and regulations to limit air pollution from coal (all amid a context of low-to-moderate economic expansion); and (2) robust supply growth in export markets and China's domestic market, due to production commencement from projects undertaken few years ago in response to the high price of coal.

The report also highlighted that from August 2011 to 2014, the Bloomberg Global Coal Index of 32 major publicly-traded coal companies declined by approximately 56% in value while the MSCI World Index (a broad market benchmark) increased by 31%. In the United States, over 24 coal producers have filed for bankruptcy since 2012.

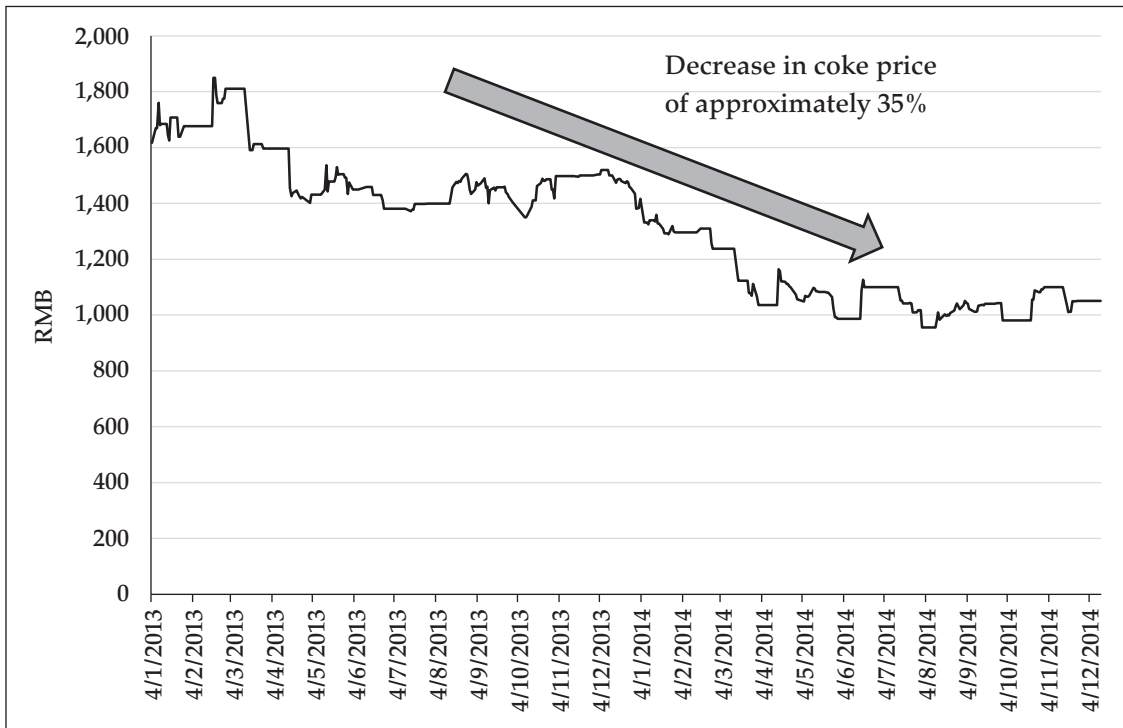
Metallurgical coal can be broken up into two main categories: coking coal and pulverised coal injection, which is used in the steel industry used to generate electricity in power stations. It comes in three coking coal categories: hard coking; soft coking; and semi-soft coking. According to a bulletin dated July 2014 by KPMG, contract prices for hard metallurgical coal for delivery in 1Q2014 settled at about US\$143/tonne, which has dropped from US\$152/tonne in 4Q2013, representing a decline of almost 6%. Spot prices for hard metallurgical coal have continued to decline since September 2013 and were trading at about US\$107/tonne (free on board Australia) during March 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the 2014 Annual Report, the principal activities of the Company are mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products. In addition, as discussed with the Management, the Group's current operating results are highly dependent on coke price which tend to cyclical and subject to fluctuations.

Set out in the chart below is the coke price from 4 January 2013 to 12 December 2014 extracted from the Dalian Commodity Exchange.

Chart 1: Coke price from the Dalian Commodity Exchange



Source: Dalian Commodity Exchange

As shown in chart 1, coke price showed a downward trend decreasing from RMB1,617 per tonne as at 4 January 2013 to RMB1,051 per tonne as at Announcement Date, representing an approximate 35% decline in prices during the Review Period. The decreasing price of coke may affect the current revenue stream of the Group generated from the production and sale of coke.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of: (i) the continual loss making trend and the financial position of the Group; and (ii) the decreasing trend in coke price, we are of the view that the extension of the maturity date of the Convertible Notes is in the interest of the Company and the Shareholders as a whole.

Potential Acquisition

As stated in the announcement of the Company dated 8 December 2014 (the “**VSA Announcement**”), the Company proposed the Acquisition (as defined in the Letter from the Board). As stated in the VSA Announcement and as confirmed by the Management, the potential funding requirement on the Company is approximately US\$70 million with respect to the Acquisition and its underlying project. The Company has taken into account such potential funding requirement in its planning and forecasting process so as to support the Group’s normal operations and expansionary objectives. As stated in the VSA Announcement, the Company has taken several measures to enhance the Group’s liquidity position including deferral of principal repayment of interest bearing bank borrowings, availability of undrawn bank facility, continued financial support from the Company’s major shareholder, proceeds from completion of a recent placing of Shares as announced by the Company on 1 September 2014 and proceeds from future completion of a placing of bonds to be issued by the Company as it has announced on 2 September 2014.

As stated in the Letter from the Board, the Management considers that the Amendment of Terms will facilitate the relevant capital requirement in the Acquisition by improving the cash flow position of the Group. We are of the view that this is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Trading liquidity of the Shares

The monthly average daily trading volume of the Shares as compared to the then total number of Shares in issue during the Review Period are tabulated as follows:

Table 5: Trading volume of the Shares during the Review Period

Month	Average daily trading volume of the Shares (the "Average Volume")	Average Volume as a percentage of the then total number of Shares in issue (%)
2013		
December	3,023,163	0.10
2014		
January	7,489,795	0.25
February	6,899,262	0.23
March	8,453,486	0.28
April	31,229,654	1.03
May	16,386,789	0.54
June	7,057,651	0.23
July	18,338,928	0.60
August	34,227,701	1.12
September	7,899,386	0.21
October	1,764,649	0.05
November	3,385,072	0.09
December (up to and including the Announcement Date)	5,961,772	0.16
Average	12,851,181 ⁽¹⁾	0.34 ⁽²⁾

Source: Stock Exchange

Notes:

- (1) The Average Volume of 12,851,181 during the Review Period is the total trading volume divided by the total number of trading days during the Review Period.
- (2) The Average Volume of approximately 12,851,181 Shares, represents approximately 0.34% of the total Shares in issue as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, we noted that the trading liquidity of Shares has been very thin during the Review Period, ranging from the highest Average Volume of approximately 1.12% to a lowest Average Volume of approximately 0.05% as compared to the respective total number of Shares then in issue. The Average Volume of approximately 12,851,181 Shares, represents only about 0.34% of the total Shares in issue as at the Latest Practicable Date. As shown in the subsection headed "Background information on the Convertible Notes" of this Letter, in the event that the Company does not have sufficient cash to redeem all the outstanding Convertible Notes at their maturity date, and should the Noteholders A and Noteholders B decide to convert all their respective Convertible Notes into conversion Shares, a total of 2,774,604,930 Shares will be converted based on the existing conversion price of HK\$1.6258 per Share, representing over 215 times of the Average Volume during the Review Period. Given the generally very low trading liquidity of the Shares as compared to the potential size of the conversion Shares, we consider that the Noteholders A and Noteholders B may not be able to realize their shareholdings in the market after the conversion of their respective Convertible Notes. Furthermore, since the Average Volume is relatively low and insufficient, the disposal of large number of Shares within a short period might put substantial downward pricing pressure on the price of the Shares. Such depression in Share price could have negative impacts on the Group's funding ability and credibility.

In light of this, we are of the opinion that the extension of the maturity date of the Convertible Notes is in the interest of the Company and the Shareholders as a whole.

Therefore, with respect to the extension of the maturity date of the Convertible Notes and taking into account of:

- (i) the continual loss of the Group and the rationale in considering retaining sufficient cash flow to finance the existing loss making business and the future development of the Group, instead of utilizing most, if not all, of its working capital to redeem the outstanding Convertible Notes at the time of their maturity;
- (ii) based on the cash position of the Group as at 30 September 2014, it has insufficient cash to redeem the Convertible Notes and there will be no immediate cash outflow required to redeem the Convertible Notes until the expiry of the extended maturity date of the Convertible Notes;
- (iii) the potential adverse effect in dealings with banks should the maturity date of the Convertible Notes not be extended;
- (iv) the overall generally declining trend in coal and coke price may adversely affect the business performance of the Group;
- (v) the rationale of the Management to improve the cash flow position of the Group in view of the funding requirement on the Company for the Acquisition; and
- (vi) the relative thin trading liquidity of the Shares as compared to the potential size of the conversion Shares assuming that the Noteholders A and Noteholders B fully convert their respective Convertible Notes and the potential downward pressure on the Shares should they decide to realize these in the market over a short period of time,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the opinion that the extension of the maturity date of the Convertible Notes is in the interest of the Company and the Shareholders as a whole.

ANALYSIS ON THE INTEREST RATE

In assessing the fairness and reasonableness of the increase in interest rates of the Convertible Notes under the Amendment of Terms, we have compared this, amongst other things, to both the existing secured and unsecured borrowing costs of the Group. As confirmed with the Management, the current unsecured borrowing cost of the Group is approximately 11%. Furthermore, as disclosed in the 2014 Interim Report and as confirmed by the Management, as at 30 September 2014, the Group has two secured loans outstanding, the borrowing cost of which as at 30 September 2014 are 6.66% and 8.58% p.a.. In addition, with regards to the placing of HK\$200 million bonds by the Company as announced on 2 September 2014, the coupon rates of the two tranches of these bonds were 7% p.a. and 7.5% p.a.. Therefore, the increase of the interest rate of the Convertible Notes under the Amendment of Terms is lower to both the existing secured and unsecured borrowing costs of the Group as well as the coupon rates to a recent bond placing by the Company.

In addition, we also note that the interest rate of the Convertible Notes under the Amendment of Terms is the same as the Hong Kong dollar prime rate of 5% in Hong Kong and also lower than the People's Bank of China lending rate of 6.0% for 1 to 5 years loans in China as at the Latest Practicable Date.

Furthermore, we have, on a best effort basis, conducted a search of all recent convertible bonds (listed and unlisted) issued by companies listed on the Stock Exchange (the "**Bonds**"), announced during the Review Period. During the Review Period and based on our research conducted, we identified a total of 99 Bonds. In addition, to make the comparison more appropriate and relevant to the Convertible Notes, we have also excluded those companies, the market capitalization of which are less than HK\$1.43 billion and more than HK\$3.43 billion as the market capitalization of the Company was approximately HK\$2.43 billion as at the Announcement Date. Subsequent to this refinement in our search, we have identified a total of 20 Bonds announced during the Review Period (the "**Comparable Bonds**"). As the terms of the Comparable Bonds are determined under similar market conditions and sentiments as the Convertible Notes, we consider that the Comparable Bonds, to the best of our knowledge, represent an exhaustive list and are fair and representative samples. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as those companies that issued the Comparable Bonds and the Comparable Bonds are only used to provide a general reference for the recent general market pricing range on the issue of convertible bonds/notes in Hong Kong.

We consider that the Comparable Bonds provide a general reference on the coupon rate of bonds issued by companies listed on the Stock Exchange of a similar sized market capitalization as that of the Company. Details of which are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 6: Comparable Bonds announced during the Review Period

Issuer Name	Stock Code	Announcement date	Coupon (%)	Market capitalization (HK\$ billion) ⁽²⁾	Premium/ (Discount) of the conversion price to the closing price of the shares as at the last trading day prior to the release of the announcement	Premium/ (Discount) of the conversion price over the average closing price of the shares for the five consecutive trading days prior to the release of the announcement ("5-Day Average")
AVIC Joy Holdings (HK) Ltd.	260.HK	06/24/2014	1	1.43	25.00	29.87
AVIC Joy Holdings (HK) Ltd.	260.HK	06/26/2014	2	1.43	1.52	22.7
Haitian Hydropower International Ltd.	8261.HK	12/01/2014	5	1.55	(19.87)	(16.10)
China E-Learning Group Ltd.	8055.HK	06/27/2014	1	1.61	(13.33)	(19.75)
China Ocean Shipbuilding Industry Group Ltd.	651.HK	05/14/2014	7.5	1.57	(33.33)	(21.26)
Century Sunshine Group Holdings Ltd.	509.HK	06/17/2014	4.5	2.03	22.45	21.46
Century Sunshine Group Holdings Ltd.	509.HK	06/20/2014	4.5	2.03	18.81	21.95
Golden Meditech Holdings Ltd.	801.HK	10/22/2014	5	1.96	12.00	15.70
Prosperity International Holdings (H.K.) Ltd.	803.HK	03/14/2014	8.25	2.03	69.81	66.67
Prosperity International Holdings (H.K.) Ltd.	803.HK	03/14/2014	8.25	2.03	69.81	66.67
Newtree Group Holdings Ltd.	1323.HK	06/11/2014	8	2.46	1.59	1.65
China Vanguard Group Ltd.	8156.HK	01/13/2014	2	2.85	(19.26)	(7.44)
Louis XIII Holdings Ltd.	577.HK	11/20/2014	0	3.35	(23.47)	(25.19)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issuer Name	Stock Code	Announcement date	Coupon (%)	Market capitalization (HK\$ billion) ⁽²⁾	Premium/ (Discount) of the conversion price to the closing price of the shares as at the last trading day prior to the release of the announcement	Premium/ (Discount) of the conversion price over the average closing price of the shares for the five consecutive trading days prior to the release of the announcement ("5-Day Average")
SMI Holdings Group Ltd.	198.HK	03/14/2014	8	2.80	(1.67)	(3.67)
SMI Holdings Group Ltd.	198.HK	08/07/2014	9	2.80	7.94	11.11
SMI Holdings Group Ltd.	198.HK	12/11/2014	7	2.80	23.64	18.88
SMI Holdings Group Ltd.	198.HK	12/11/2014	7	2.80	23.64	18.88
China Grand Pharmaceutical and Healthcare Holdings Ltd.	512.HK	06/23/2014	3	2.86	(10.60)	(14.01)
China Grand Pharmaceutical and Healthcare Holdings Ltd.	512.HK	06/23/2014	3	2.86	(10.60)	(14.01)
Madex International (Holdings) Ltd.	231.HK	10/07/2014	5	2.99	(3.68)	(15.67)
Maximum			9		69.81	66.67
Minimum			0		(33.33)	(25.19)
Average			4.95		7.19	8.29
Company	307.HK		5.00	2.43	15.38	9.65

Source: Bloomberg

Note:

- (1) The market capitalization of the issue companies of the Comparable Bonds as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the amended interest rate of 5% for the Convertible Notes is within the range of the coupon rate of the Comparable Bonds and only slightly above the average coupon rate of 4.95% of the Comparable Bonds.

In light of the above, we believe that the interest rate of the Convertible Notes is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

In light of the above, in particular that the amended interest rate of the Convertible Notes under the Amendment of Terms:

- (i) is a benefit to Consenting Noteholders A and Consenting Noteholders B as a compensation for the extension of maturity of the Convertible Notes, as stated in the Letter from the Board;
- (ii) is lower than both the unsecured and secured borrowing cost of the Group and also lower than the coupon rates of a recent bond placing of the Company;
- (iii) is equal to the Hong Kong dollar prime rate and lower than the People's Bank of China lending rate in China; and
- (iv) is within the range of the coupon rate of the Comparable Bonds and only slightly above the average coupon rate of the Comparable Bonds,

we are of the opinion that the amended interest rate of the Convertible Notes under the Amendment of Terms is fair and reasonable.

ANALYSIS ON THE CONVERSION PRICE

For the purpose of assessing the fairness and reasonableness of the Conversion Price, we set out the following informative analysis for illustrative purposes:

The following table illustrates the highest and lowest daily closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange for each of the months during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 7: Daily closing prices of the Shares during the Review Period

Month	Highest daily closing price of the Shares (HK\$)	Lowest daily closing price of the Shares (HK\$)	Average daily closing price of the Shares (HK\$)	Number of trading days in each month (HK\$)
2013				
December ⁽¹⁾	0.465	0.445	0.456	11
2014				
January	0.455	0.435	0.445	21
February	0.445	0.435	0.440	19
March	0.560	0.430	0.456	21
April	0.850	0.560	0.694	20
May	0.740	0.570	0.648	20
June	0.640	0.560	0.609	20
July	0.930	0.600	0.728	22
August	1.150	0.860	0.983	21
September	0.960	0.890	0.929	21
October	0.940	0.800	0.868	21
November	0.860	0.670	0.769	10
December ⁽²⁾	0.740	0.650	0.670	5

Source: Stock Exchange

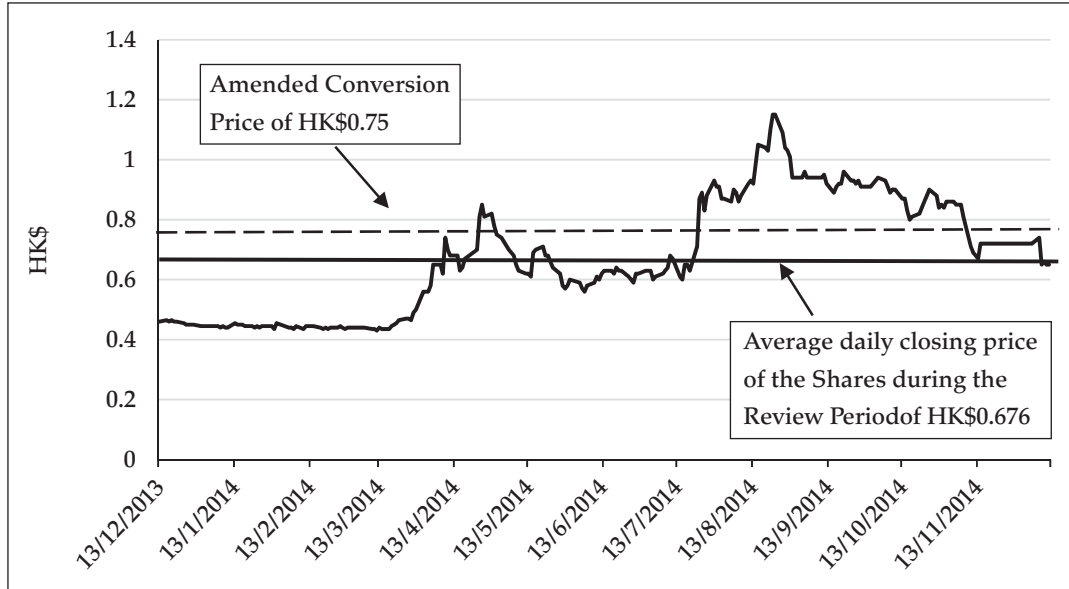
Notes:

- (1) For December 2013, the daily closing prices of the Shares have only accounted from 13 December 2013 to 31 December 2013.
- (2) For December 2014, the daily closing prices of the Shares are up to the Announcement Date. The trading of the Shares were suspended from 1 December 2014 to 5 December 2014.

During the Review Period, the daily closing prices of the Shares ranged from HK\$0.43 to HK\$1.15 per Share. In addition, the following chart highlights the movements of the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chart 2: Historical daily closing price of the Company during the Review Period



Source: Stock Exchange

We note that the Amended Conversion Price is within the range and above the average daily closing price of the Shares during the Review Period.

The Amended Conversion Price of HK\$0.75 represents:

- (i) a discount of approximately 34.78% from the highest daily closing price of the Shares of HK\$1.15 during the Review Period;
- (ii) a premium of approximately 74.42% from the lowest daily closing price of the Shares of HK\$0.43 during the Review Period; and
- (iii) a premium of approximately 10.95% from the average daily closing price of the Shares of HK\$0.676 during the Review Period.

Furthermore, as shown in Table 6 earlier in this Letter, the conversion prices of the Comparable Bonds ranged from a discount of approximately 33.33% to a premium of approximately 70.00% to the respective closing prices of their shares as at the last trading day prior to the release of their respective issue of convertible bond/note announcements (the “Comparable LTD Market Range”). The conversion prices of the Comparable Bonds ranged from a discount of approximately 25.20% to a premium of approximately 67.00% over the respective 5-Day Average (the “Comparable 5-Day Market Range”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted above, the Amended Conversion Price of HK\$0.75 per Conversion Share represents: (a) a premium of approximately 15.38% to the closing price of HK\$0.65 per Share as at the last trading day prior to the Announcement Date; and (b) a premium of approximately 9.65% over the 5-Day Average closing price of HK\$0.684 per Share, falls within the Comparable LTD Market Range and the Comparable 5-Day Market Range.

Furthermore, the premium of approximately 15.38% and approximately 9.65% represented by the Amended Conversion Price as against the price of the Shares on the last trading day prior of the Announcement Date and the 5-Day Average, respectively, are both higher than their comparable averages of approximately 7.47% for the Comparable LTD Market Range and approximately 8.48% for the Comparable 5-Day Market Range.

In light of the above, in particular that: (i) the Amended Conversion Price is within the range and at a premium to the average daily closing price of the Shares during the Review Period; (ii) the Amended Conversion Price is within the range and also higher than the average premium of the Comparable LTD Market Range; and (iii) the Amended Conversion Price is within the range and also higher than the average premium of the Comparable 5-Day Market Range, we are of the view that it is fair and reasonable. Furthermore, we also concur with the view of the Management that the lowering of the conversion price of the Convertible Notes under the Amendment of Terms is a way for the Company to potentially maintain a good business relationships with the independent Noteholders A and Noteholders B, which is beneficial if and when the Company plans to undertake any fund raising exercise in the future. Shareholders should note that as stated in the Letter from the Board, the Company has intentions for further fund raising, however, as at the Latest Practicable Date, there is no concrete plan or timetable related to such fund raising intentions.

Dilution effect

The following table sets out the shareholding structure of the Company as at (i) the Latest Practicable Date; (ii) immediately upon full conversion of the Convertible Notes under the existing conversion price of HK\$1.6258; and (iii) immediately upon full conversion of the Convertible Notes with the Amended Conversion Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 8: Effect of full conversion of the Convertible Notes on shareholding structure of the Company

	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Notes (under the existing conversion price)		Immediately upon full conversion of Convertible Notes (under the Amended Conversion Price)	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>%⁽³⁾</i>	<i>Number of Shares</i>	<i>%⁽³⁾</i>	<i>Number of Shares</i>	<i>%⁽³⁾</i>
Shareholders						
UEGL ⁽¹⁾	1,214,326,356	32.44	2,745,418,741	42.12	4,533,326,356	46.46
UECL ⁽²⁾	25,178,000	0.67	255,833,677	3.93	525,178,000	5.38
Public Shareholders						
Public Shareholders	<u>2,503,683,419</u>	<u>66.89</u>	<u>3,516,540,287</u>	<u>53.95</u>	<u>4,699,287,015</u>	<u>48.16</u>
Total	<u><u>3,743,187,775</u></u>	<u><u>100.00</u></u>	<u><u>6,517,792,705</u></u>	<u><u>100.00</u></u>	<u><u>9,757,791,371</u></u>	<u><u>100.00</u></u>

Notes:

- (1) The 1,214,326,356 Shares are held by UEGL as beneficial owner. UEGL is 100% wholly owned by Up Energy Holding Ltd. (the “**Up Energy Holding**”). Up Energy Holding is 100% wholly owned by Perfect Harmony Holdings Limited (the “**Perfect Harmony**”). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited (the “**Seletar**”) and Serangoon Limited (the “**Serangoon**”) as nominees in trust of Credit Suisse Trust Limited, the trustee of the J&J Trust. Accordingly, UEGL, Up Energy Holding, Perfect Harmony, Seletar and Serangoon are also deemed to be interested in the 1,214,326,356 Shares by virtue of the SFO.

Credit Suisse Trust Limited, as a trustee of the J&J Trust, is deemed to be interested in the 1,214,326,356 Shares by virtue of the SFO. 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. Liu Huihua are therefore taken to be interested in the 1,214,326,356 Shares by virtue of the SFO.

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. Ms. Wang Jue is therefore taken to be interested in the 1,214,326,356 Shares by virtue of the SFO.

UEGL, being a controlling Shareholder, is a connected person of the Company. As at the Latest Practicable Date, UEGL holds an aggregate principal amount of HK\$1,093,000,000 in Tranche A Convertible Notes and HK\$1,396,250,000 in Tranche B Convertible Notes, together being 55.18% of the aggregate outstanding principal amount of the Tranche A Convertible Notes and Tranche B Convertible Notes.

- (2) The 25,178,000 Shares are held by UECL as beneficial owner. UECL is a company wholly-owned by Mr. Qin Jun, a Director. Accordingly, Mr. Qin Jun is deemed to be interested in the 25,178,000 Shares by virtue of the SFO. UECL, being an associate of Mr. Qin Jun, is a connected person of the Company. As at the Latest Practicable Date, UECL holds an aggregate principal amount of HK\$275,000,000 in Tranche A Convertible Notes and HK\$100,000,000 in Tranche B Convertible Notes, together being 8.3% of the aggregate outstanding principal amount of the Tranche A Convertible Notes and Tranche B Convertible Notes.

- (3) The percentages are subject to rounding difference, if any.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 66.89% as at the Latest Practicable Date to approximately 53.95% upon full conversion of the Convertible Notes under the existing conversion price of HK\$1.6258, which represents a 12.94% potential dilution to the shareholdings of the existing public Shareholders. Upon full conversion of Convertible Notes under the Amended Conversion Price, the aggregate shareholding of the existing public Shareholders will decrease from approximately 66.89% as at the Latest Practicable Date to approximately 48.16%. The Amendment of Terms will increase the potential dilution to the shareholding of the public Shareholders from 12.94% to 18.73%. Such increase in dilution might not be favorable to the Independent Shareholders. However, having taken into account of the financial position and operation results of the Group and the benefits of the Amendment of Terms as highlighted in the earlier sections of this Letter, we are of the view that the dilution effect due to the Amendment of Terms is acceptable.

OTHER FINANCING ALTERNATIVES

As stated in the Letter from the Board, the Management considers that it is beneficial for the Company to extend the maturity dates of the Convertible Notes ahead even though Tranche A Convertible Notes and Tranche B Convertible Notes are approximately one year due from their respective original maturity date as the compliance and administration of the extension would generally take a few months in practice. We concur with the Management' view that this is reasonable. Furthermore, as discussed with the Management, they have considered other alternative financing methods for the redemption of the Convertible Notes such as bank borrowing. However, bank borrowing may incur relatively higher interest burden on the Group as compared to increase in interest rate of the Convertible Notes under the Amendment of Terms. Furthermore, it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition, especially taking into consideration the continual loss making position of the Group, the size of the bank borrowing required and the generally declining trend in coal and coking coal prices. Given the unsatisfactory profitability of the Company, there is no certainty that the Company would be able to procure favorable terms in such bank borrowing. Furthermore, issuing new bonds, placing Shares for cash, rights issue or open offers may also involve relatively substantial time and costs to complete when compared to the Amendment of Terms and there is no assurance that those terms will be favourable to those terms under the Amendment of Terms. As such, we are of the opinion that while there may be other financing alternatives available for the Company to raise additional funds in order to redeem the Convertible Notes at the time of their maturity, while the interest rate of the Convertible Notes has increased and that the Amended Conversion Price has decreased, we consider that to avoid uncertainties in funding and the benefits of the Amendment of the Terms as highlighted herein, the Amendment of the Terms is fair and reasonable.

SPECIFIC MANDATE

As stated in the Letter from the Board, the Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM to cater for the issue and allotment of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the terms of Convertible Notes as amended by the relevant deed of amendments to give effect to the Amendment of Terms. In light of this, we are of the view that this is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In light of the above and having considered in particular that:

- (a) the extension of the maturity date of the Convertible Notes is in the interest of the Company and the Shareholders as a whole;
- (b) the increase in the interest rate of the Convertible Notes under the Amendment of Terms is fair and reasonable;
- (c) the Amended Conversion Price is fair and reasonable;
- (d) the dilution effect due to the Amendment of Terms is acceptable, taken into account of the financial position and operation results of the Group and the benefits of the Amendment of Terms as highlighted in this Letter; and
- (e) the Amendment of Terms is a good way of refinancing the Convertible Notes as compared to other financing alternatives as it avoids uncertainties in funding and is relatively a cost-effective and simple way to execute,

we are of the opinion that: (i) the Amendment of Terms and the transactions contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms under the Amendment of Terms and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned, noting that the Amendment of Terms is not in the ordinary and usual course of business of the Company. Accordingly, we recommend: (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Amendment of Terms and the transactions contemplated thereunder and the grant of the Specific Mandate as set out in the notice of SGM.

It is uncertain that Noteholders A and Noteholder B (other than UEGL and UECL) will consent to the Amendment of Terms and the entering into the deeds of amendments. Shareholders are advised to take caution when dealing with the Shares.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Alvin Lai
Chief Executive Officer

Mr. Alvin Lai is the Chief Executive Officer of the Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Alvin Lai has over 15 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has acted as financial adviser and/or independent financial adviser to many companies and transactions involving fundraising and/or mergers and acquisition in Asia.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange are as follows:

Name of Director	Capacity	Number of Shares/underlying Shares held in the Company			Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
		Number of Shares	Number of underlying Shares	Total number of Shares and underlying Share	
Qin Jun	Beneficiary Interest of Trust	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%
	Corporate Interest	25,178,000 (L)	230,655,677 (L)	255,833,677 (L)	6.83%
	Beneficiary Interest of Trust	1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%

Abbreviations:

"L" stands for long position

"S" stands for short position

Notes:

1. Mr. Qin Jun and his wife, Ms. Wang Jue, are the beneficiaries of the J&J Trust. The J&J Trust is a discretionary trust found by Mr. Wang Mingquan, the father in-law of Mr. Qin. Mr. Qin Jun and Ms. Wang Jue are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.
2. 25,178,000 Shares and 230,655,677 derivatives interests are beneficially owned by UECL. UECL 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 the Latest Practicable Date, the number of issued Shares of the Company was 3,743,187,775 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests and Short Positions in the Shares and Underlying Shares of Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, 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 short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interests and short positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	Notes
UEGL	Beneficiary Interest	1,214,326,356 (L)	1,531,092,385 (L)	274,541,874 (L)	73.34%	2
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Up Energy Holding	Corporate Interest	1,214,326,356 (L)	1,531,092,385 (L)	274,541,874 (L)	73.34%	2
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	Notes
Perfect Harmony Holdings Limited	Corporate Interest	1,214,326,356 (L)	1,531,092,385 (L)	274,541,874 (L)	73.34%	2
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Seletar Limited	Corporate Interest	1,214,326,356 (L)	1,531,092,385 (L)	274,541,874 (L)	73.34%	2
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Serangoon Limited	Corporate Interest	1,214,326,356 (L)	1,531,092,385 (L)	274,541,874 (L)	73.34%	2
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Credit Suisse Trust Limited	Trustee	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%	3
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Liu Huihua	Spouse Interest	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%	4
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Wang Mingquan	Founder of Trust	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%	4
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
Wang Jue	Beneficiary Interest of Trust/Spouse Interest	1,214,326,356 (L)	1,531,092,385 (L)	2,745,418,741 (L)	73.34%	5
		1,203,620,637 (S)	1,263,531,799 (S)	2,467,152,436 (S)	65.91%	
UECL	Corporate Interest	25,178,000 (L)	230,655,677 (L)	255,833,677 (L)	6.83%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	337,339,639 (L)	338,896,064 (L)	9.05%	7
Central Huijin Investment Ltd.	Corporate Interest	1,556,425 (L)	581,544,614 (L)	583,101,039 (L)	15.58%	7 to 10

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	Notes
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	-	244,983,187 (L)	244,983,187 (L)	6.54%	
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	-	244,983,187 (L)	244,983,187 (L)	6.54%	8
CCB Financial Holdings Limited	Corporate Interest	-	244,983,187 (L)	244,983,187 (L)	6.54%	8
CCB International Group Holdings Limited	Corporate Interest	-	244,983,187 (L)	244,983,187 (L)	6.54%	8
China Construction Bank Corporation	Corporate Interest	-	244,983,187 (L)	244,983,187 (L)	6.54%	8
Proper Way Profits Limited	Beneficiary Interest	-	320,028,420 (L)	320,028,420 (L)	8.55%	
Yun Daihui	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	- -	300,000,000 (L) 300,000,000 (S)	8.01% 8.01%	
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	- -	300,000,000 (L) 300,000,000 (S)	8.01% 8.01%	11
Wong Ben Koon	Corporate Interest	329,100,000 (L)	-	309,000,000 (L)	8.26%	11
Hao Tian Development Group Limited	Beneficiary Interest	369,500,000 (L) 140,000,000 (L)	- -	369,500,000 (L) 140,000,000 (L)	9.87% 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:

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

2. These Shares were the same parcel of Shares held by the J&J Trust of which Mr. Wang Mingquan was the founder. UEGL is 100% wholly owned by Up Energy Holding. Up Energy Holding is wholly owned by Perfect Harmony Holdings Limited (the "Perfect Harmony"). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited (the "Seletar") and Serangoon Limited (the "Serangoon") as nominees in trust of Credit Suisse Trust Limited, the trustee of the J&J Trust. Accordingly, UEGL, Up Energy Holding, 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. UECL is a company wholly owned by Mr. Qin Jun, a Director of the Company. Accordingly, Mr. Qin Jun is deemed to be interested in the same parcel of Shares by virtue of the SFO.
7. Capital Sunlight Limited (the "Capital Sunlight") is wholly owned by ICBC International Investment Management Limited (the "ICBC Investment"). ICBC Investment is wholly owned by ICBC International Holdings Limited (the "ICBC Holdings"). ICBC Holdings is wholly owned by Industrial and Commercial Bank of China Limited (the "ICBC"). By virtue of the SFO, Capital Sunlight, ICBC Investment, ICBC Holdings and ICBC are deemed to be interested in the same parcel of Shares.
8. CCB International Asset Management Limited (the "CCB-IAM") is wholly owned by CCB International (Holdings) Limited (the "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 Investment Ltd. (the "Central Huijin") are deemed to be interested in the same parcel of Shares.
9. CCB Corp is in turn 57.26% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.
10. ICBC is in turn 35.46% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which ICBC was interested.
11. Exploratory Capital Limited is 80.12% owned by Mr. Wu Tao. Accordingly, Mr. Wu Tao is deemed to be interested in the same parcel of Shares in the Company by virtue of the SFO.
12. As at the Latest Practical Date, the number of issued Shares of the Company was 3,743,187,775 Shares.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and significant in relation to the business of the Company.

As at the Latest Practicable Date, save as disclosed, none of the Directors or proposed Directors or Experts have, directly or indirectly, any interest in any assets which have since 31 March 2014 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Company, or were proposed to be acquired or disposed of by or leased to any member of the Company.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Company since 31 March 2014, being the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or substantial Shareholders (as defined in the Listing Rules) and their respective associates was interested in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's businesses.

6. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with any member of the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters and advices, which are contained in this circular:

Name	Qualification
HEC Securities Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Opus Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

(collectively, the “Experts”)

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters and/or references to its name and/or its advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, save as disclosed, none of HEC Securities Limited and Opus Capital is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group. To the best of the Directors’ knowledge, information and belief, each of HEC Securities Limited and Opus Capital is a third party independent of the Company and its connected persons.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is situated at Room 2704, 27/E, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (b) The Company’s Hong Kong branch share registrar and transfer office is Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong during normal business hours on any weekday other than public holidays since the date of this circular, up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 March 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 September 2014;
- (c) the letter of consent issued by HEC Securities Limited as expert dated 26 January 2015 referred to in the section headed "General Information" of this circular;
- (d) the letter of consent issued by Opus Capital as expert dated 26 January 2015 referred to in the section headed "General Information" of this circular;
- (e) the letter from Opus Capital as the Independent Financial Adviser included in this circular;
- (f) the letter from the Independent Board Committee included in this circular;
- (g) this circular; and
- (h) the deeds of amendments entered into by the Company with UECL and UEGL respectively on 22 January 2015 in relation to the Amendment of Terms.



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)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "SGM") of Up Energy Development Group Limited (the "Company") will be held at Empire Room I, 1/F, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong, on 13 February 2015 at 11:30 a.m. for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "THAT:

- (a) the proposed amendment of certain terms and conditions of Tranche A Convertible Notes (as defined in the Circular) ("**Amendments of Tranche A Convertible Notes Terms**") as contained in the Deed of Amendment I (defined below), which in substance include an extension of the maturity date, the payment of interest and the change of the conversion price of Tranche A Convertible Notes, and the entering into of such Deed(s) of Amendment I by the Company and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified (details of the Amendment of Tranche A Convertible Notes Terms are set out in the circular of the Company dated 26 January 2015 (the "**Circular**") and a copy of the deed of amendment I (the "**Deed of Amendment I**") marked "A" and signed by the chairman of the meeting for the purpose of identification has been produced to the meeting) and that any Director be and is hereby authorised to execute, on behalf of the Company, such Deed of Amendment I and affix the Common Seal of the Company on such documents);
- (b) the proposed amendment of certain terms and conditions of Tranche B Convertible Notes (as defined in the Circular) ("**Amendments of Tranche B Convertible Notes Terms**") as contained in the Deed of Amendment II (defined below), which in substance include an extension of the maturity date, the payment of interest and the change of the conversion price of Tranche B Convertible Notes, and the entering into of such Deed(s) of Amendment II by the Company and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified (details of the Amendment of Tranche B Convertible Notes Terms are set out in the Circular and a copy of the deed of amendment II (the "**Deed of Amendment II**") marked "B" and signed by the

* for identification purpose only

NOTICE OF SGM

chairman of the meeting for the purpose of identification has been produced to the meeting) and that any Director be and is hereby authorised to execute on behalf of the Company, such Deed(s) of Amendment II and affix the Common Seal of the Company on such documents;

- (c) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) consenting to the Amendments of Tranche A Convertible Notes Terms and the Amendments of Tranche B Convertible Notes Terms and that the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (as defined in the Circular), the issue of the Conversion Shares to the Noteholder(s) A (as defined in the Circular) and the Noteholder(s) B (as defined in the Circular) upon the exercise of the conversion rights attached to the Tranche A Convertible Notes and Tranche B Convertible Notes be and are hereby approved and confirmed;
- (d) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue ordinary shares of HK\$0.20 each in the share capital of the Company (the “**Conversion Shares**”) at an amended conversion price of HK\$0.75 per Conversion Share (subject to adjustments according to the respective terms of the Tranche A Convertible Notes (as amended by the Amendments of Tranche A Convertible Notes Terms) and the Tranche B Convertible Notes (as amended by the Amendments of Tranche B Convertible Notes)) upon exercise of the conversion rights attaching to the Tranche A Convertible Notes and Tranche B Convertible Notes respectively in accordance with the terms and conditions of relevant Deed of Amendment I and Deed of Amendment II respectively;
- (e) the Directors be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Deed of Amendment I and the Deed of Amendment II including without limitation to:
 - (i) the execution, amendment, delivery, submission and/or implementation of any further documents or agreements in relation to the Deed of Amendment I and the Deed of Amendment II and the issue and allotment of the Conversion Shares; and
 - (ii) the taking of all necessary actions to implement the transactions contemplated under the Deed of Amendment I and the Deed of Amendment II; and

NOTICE OF SGM

2. **“THAT:**

the authorized share capital of the Company be an is hereby increased from HK\$1,200,000,000 divided into 6,000,000,000 shares of HK\$0.20 each to HK\$4,000,000,000 divided into 20,000,000,000 shares of HK\$0.20 each by the creation of an additional 14,000,000,000 shares of HK\$0.20 each.”

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

Hong Kong, 26 January 2015

Notes:

- (a) A form of proxy for use at the meeting is enclosed herewith.
- (b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
- (c) Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one, or if he is the holder of two or more shares, more than one, proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (d) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
- (e) Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
- (f) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
- (g) As required under Rule 13.39 of the Listing Rules, the ordinary resolution will be decided by way of poll.