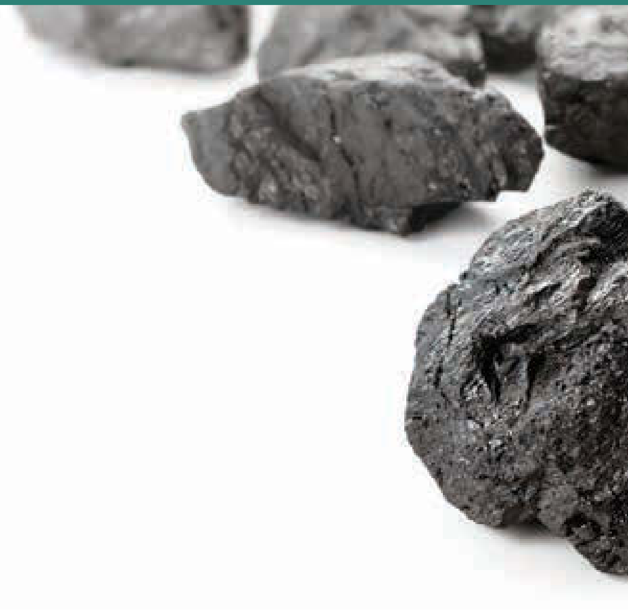
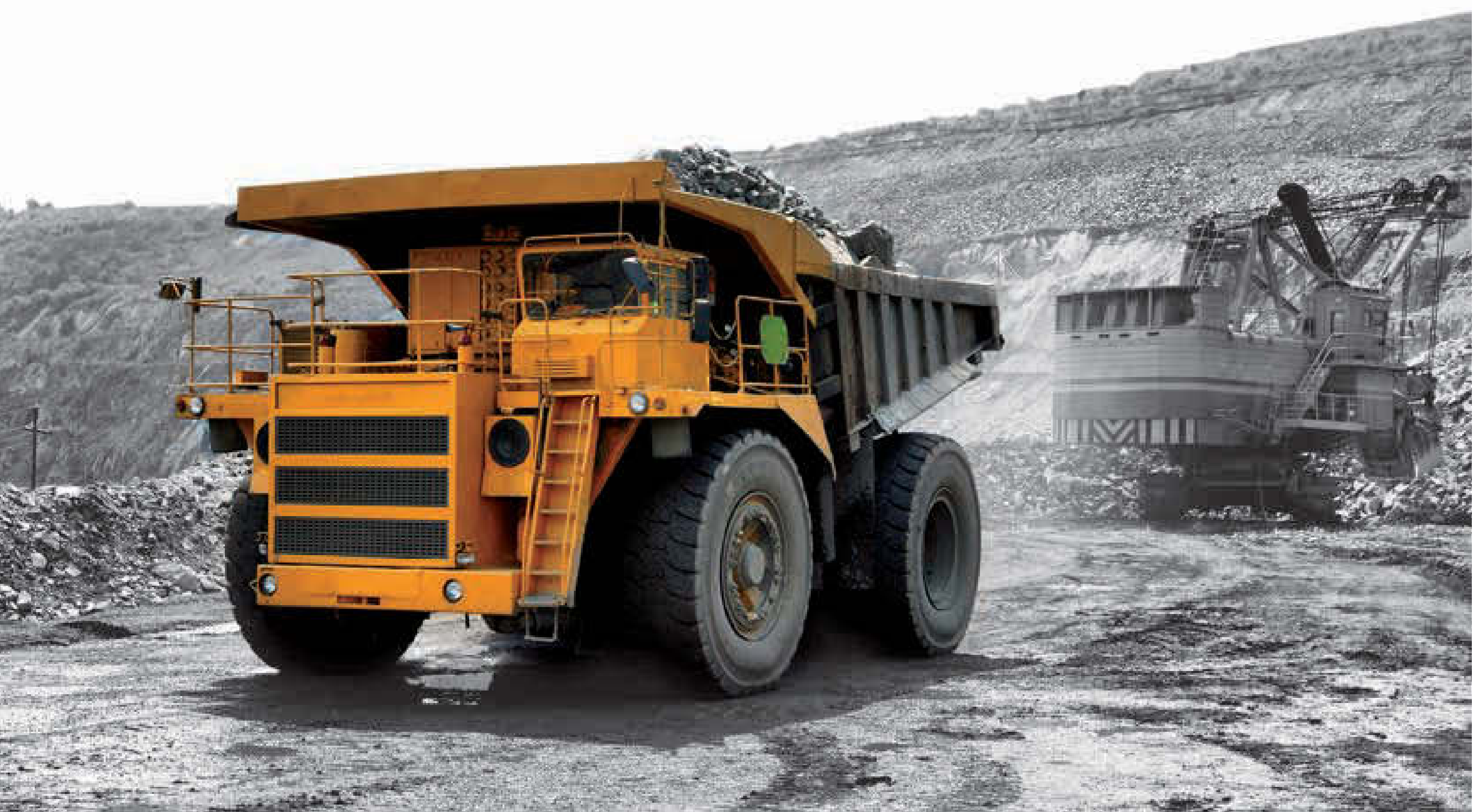
UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 307



GRASPING OPPORTUNITIES FROM CRISIS

Interim Report
2015



About Up Energy

Up Energy is a sizable listed multinational company that specializes in coking coal, with the focus on the mining of high-quality coking coal, as well as the production and sales of raw and fine coking coal and coking coal-based products.

Up Energy has world-class coking coal assets. In September 2015, the Group completed the acquisition of Canada's Grande Cache Coal (GCC). Together with the four coal mines in Xinjiang, the resources and reserves were approximately 1,120 Mt and 298 Mt in total respectively. Upon the completion of construction of all projects, the annual capacity, coal washing capacity and coal coking capacity will be 10 Mt, 9 Mt and 1.3 Mt respectively.

Up Energy has a dual strategy that promotes development of international seaborne market and the "Belt and Road" regional markets. In the international seaborne market, it will continue to look for quality projects currently in operation in leading supply areas including Canada and Australia, making acquisitions at low cost during market lows to improve resource distribution and continue to promote the internationalization of the Group. In the "Belt and Road" regional markets, Up Energy will directly benefit from the "Belt and Road" national development strategy, which is a long-term macroeconomic policy of China's central government. With the increase of fixed asset investment and the acceleration of infrastructure development, there will be a significant increase in the demand for basic raw materials, including iron and steel and coking coal, in the "Belt and Road" regional markets.

As a medium- and short-term goal, Up Energy will strive to become the largest listed non-state owned company of coking coal in Asia.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Bao Guo
Lien Jown Jing, Vincent
Shen Shiao-Ming
Chau Shing Yim, David
(Retired on 25 September 2015)
Zhang Xudong, Alan
(Appointed on 25 September 2015)

COMPANY SECRETARY

Chu Lai Wan (Resigned on 28 August 2015)
Leung Wai Shun Wilson
(Appointed on 12 October 2015)

EXECUTIVE COMMITTEE

Qin Jun *(Chairman)*
Jiang Hongwen
Wang Chuan

AUDIT COMMITTEE

Lien Jown Jing, Vincent *(Chairman)*
Li Bao Guo
Shen Shiao-Ming
Chau Shing Yim, David
(Retired on 25 September 2015)
Zhang Xudong, Alan
(Appointed on 25 September 2015)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Li Bao Guo *(Chairman)*
Li Qiuyu
Chi Man Hoi
Chu Lai Wan (Resigned on 28 August 2015)

AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3201, 32/F.
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

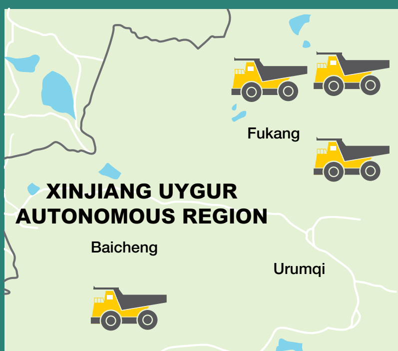
http://www.upenergy.com

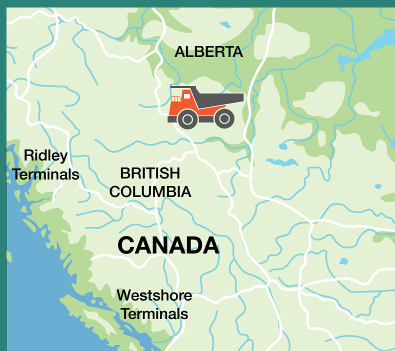
STOCK CODE

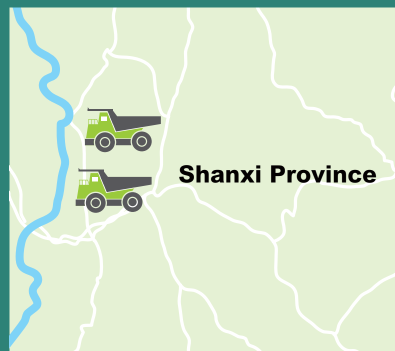
307

Distribution of Our Mines

It is always the basic development strategy of Up Energy to sharpen its competitive edges in Xinjiang and proactively extend its reach into seaborne coking coal market. The Group adheres to the implementation of the dual development strategies focusing on both the "Belt and Road" regional markets and the international seaborne market, in order to optimize its resource distribution. The Group strives to become a leading enterprise in Asian coking coal market.







Projects in Xinjiang:
Xiaohuangshan Mine Shizhuanggou Mine
Quanshuigou Mine Baicheng Mine

Project in Canada:
Grande Cache Coal

Proposed Acquisition:
Shanxi Liulin Project

World-class coking coal resources and reserves

Up Energy completed its acquisition of more than 85% interest in Canada's second largest coking coal company, GCC, in September 2015. This serves as one of the rare cases in the global coking coal industry in which a non-state owned Chinese coking coal company has successfully acquired high-quality assets overseas. The coal mine of Canada's GCC has abundant reserves of high-quality coking coal, a long history of operation, and a stable customer base, giving it an obvious competitive advantage. Since listing five years ago, Up Energy has seen significant expansion. With the completion of the acquisition of Canada's GCC, the Group's resources, reserves, and annual production capacity have doubled.

	Resources (million tonnes)	Reserves (million tonnes)	Annual Production Capacity (million tonnes)	Annual Coal Washing Capacity (million tonnes/year)	Annual Coal Coking Capacity (million tonnes/year)
Xiaohuangshan	119	26	2.40	4.5	1.3
Shizhuanggou	147	24	1.05		
Quanshuigou	142	21	1.05		
Baicheng	126	80	0.9	--	--
GCC	586	147	5.00	4.5	--
Total	**1,120**	**298**	**10.4**	**9.0**	**1.3**

PROFILES OF COAL MINES

The "Belt and Road" Regional Markets

79.2%

Xiaohuangshan Coal Mine 79.2% owned

Location: 18 km to the southeast of Fukang City
Area: 2.178 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 2.4 Mt
JORC Code Coal Resources: 119 Mt
JORC Code Coal Reserves: 26 Mt
Coking Coal Type: mainly fat coal and $^{1}/_{3}$ coking coal

70%

Shizhuanggou Coal Mine 70% owned

Location: 40 km to the east of Fukang City
Area: 7.1572 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources: 147 Mt
JORC Code Coal Reserves: 24 Mt
JORC Code Potential Coal Reserves: 25 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and lean coal

Note:

The sources of information are derived from the technical report of John T. Boyd Company in October 2010, the technical report of Roma Oil and Mining Associates Ltd. dated 6 May 2013, which were prepared in accordance with JORC, and the technical report of Norwest Corporation dated 27 March 2015, which was prepared in accordance of NI43-101 standards, and deducting the coal produced in January to September 2015.

Under NI43-101 standards, inferred mineral resources shall not be added to other categories of mineral resources.

The NI43-101 standards do not permit the estimate of potential reserves as described in an official reserve report, i.e., they are not included in the report.

PROFILES OF COAL MINES

70%

Quanshuigou
Coal Mine
70% owned

Location: 40 km to the east of Fukang City
Area: 6.6052 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources: 142 Mt
JORC Code Coal Reserves: 21 Mt
JORC Code Potential Coal Reserves: 27 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and lean coal

100%

Baicheng
Coal Mine
100% owned

Location: 39 km to the north of Baicheng County
Area: 5.9178 sq. km
Type of Mine: underground mine
Current Annual Coal Production Capacity: 0.21 Mt
JORC Code Coal Resources: 126 Mt
JORC Code Coal Reserves: 80 Mt
Coking Coal Type: mainly gas coal, $^{1}/_{3}$ coking coal and $^{1}/_{2}$ caking coal

The “Belt and Road” Regional Markets (Continued)

70%

Coal Coking Project
70% owned

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

70%

Raw Coal Washing Project
70% owned

Location: next to the Shizhuanggou Coal Mine
Planned Annual Coal Washing Capacity at Full Operation: 4.5 Mt
Recovery Rate of Clean Coal: 83%
Expected Annual Production of Clean Coal: 3.735 Mt

70%

Water Recycling Project
70% owned

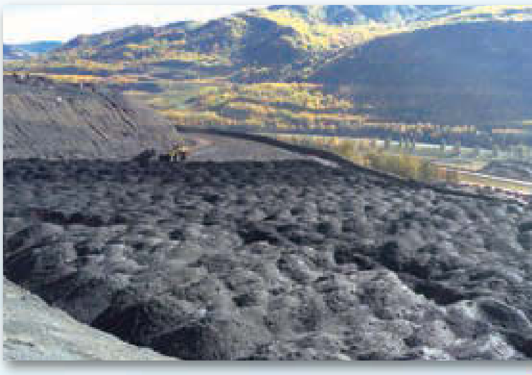
Location: next to the Shizhuanggou Coal Mine
Planned Annual Processing Capacity at Full Operation: 5.2 million m^3
Usage of Processed Pit Water: Water for industrial use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

International Seaborne Market

85.31%

GCC Coal Mine
85.31% owned

Location: West Central Alberta, 400 km to the west of Edmonton City
Area: 299.68 sq. km
Type of Mine: Underground and surface mines
Planned Annual Production Capacity of Coking Coal at Full Operation: 4.3 million tonnes clean coking coal
NI43-101 Coal Resources: 586.4 million tonnes
NI43-101 Coal Reserves: 146.9 million tonnes (marketable clean coal reserve)
Coking Coal Type: low volatile hard coking coal



85.31%

Raw Coal
Washing Plant
85.31% owned

Location: inside the GCC mine
Planned Annual Coal Washing Capacity at Full Operation: 4.5 million tonnes
Recovery Rate of Clean Coal: 60 to 70%
Annual Production of Clean Coal: 3.0 million tonnes

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2015 (the "**Period under Review**"), the Group spared no effort to develop itself into an international and sizeable mining corporation specialized in coking coal. In respect of development strategies, the Group focused on the international seaborne market and the "Belt and Road" regional markets. As for the international seaborne market, the Group has continued to identify quality projects currently under operation in major coking coal supplying countries, including Canada and Australia, and to seek for opportunities for merge and acquisition at affordable costs during the market downturn for the purpose of optimizing its resources distribution. As for the "Belt and Road" regional markets, China's "Belt and Road" development strategy has been beneficial to the Group. With the expected increase in investment in fixed assets and the speed up of infrastructure development, the market demand for raw materials for infrastructure construction, namely steel and coking coal, from the "Belt and Road" regional markets will increase significantly. The Group is well prepared to capitalize on the business opportunities brought about by the "Belt and Road" strategy of China.

The Group completed the acquisition of the Grande Cache Coal project in Canada (the "**GCC Project**") on 2 September 2015. Together with the four coal mines in Xinjiang, the resources and reserves were approximately 1,120 Mt and 298 Mt in total respectively. Upon the completion of construction of all projects, the annual capacity, coal washing capacity and coal coking capacity will be 10 Mt, 9 Mt and 1.3 Mt respectively. In order to sustain the international development policy, the Group entered into a strategic partnership agreement with the Can-China Global Resources Fund (the "**CCGRF**") on 7 September 2015, aiming at identifying merge and acquisition opportunities for coking coal assets in Canada and other parts of the world. In addition, the Group kicked off the acquisition of the Liulin Project in Shanxi from a member of CDH Group. A memorandum of understanding has been entered into by both parties on 24 August 2015, and they are going to speed up the procedures in the hope of launching the project by the end of 2015.

COAL RESOURCES AND RESERVES

As at 30 September 2015, the Group had a total of approximately 1,120 Mt of measured, indicated and inferred coal resources in compliance with JORC Code and NI43-101 standards, and there were approximately 963 Mt of coal resources within mining right control, of which a total of approximately 298 Mt were proved and probable marketable coal reserves in compliance with JORC Code and NI43-101 standards, and the potential coal reserves were approximately 52 Mt. Details are as follows:

	Coal Resources (within mining right control) (Mt)			Marketable Coal Reserves (Mt)	
	Measured	Indicated	Inferred	Proved	Probable
Xinjiang Project	244	91	42	112	39
GCC Project	370	216	77*	112	35
Total	963			298	

Name of Coal Mine	Coal Resources (Mt)	Coal Resources (within mining right control) (Mt)	Coal Reserves (Mt)	Potential Reserves (Mt)
Xiaohuangshan Coal Mine	119	107	26	–
Quanshuigou Coal Mine	142	71	21	27
Shizhuanggou Coal Mine	147	73	24	25
Baicheng Coal Mine	126	126	80	–
GCC Coal Mine in Canada	586*	586*	147	N/A**
Total	1,120	963	298	52

Note:

The sources of information are derived from the technical report of John T. Boyd Company in October 2010, the technical report of Roma Oil and Mining Associates Ltd. dated 6 May 2013, which were prepared in accordance with JORC, and the technical report of Norwest Corporation dated 27 March 2015, which was prepared in accordance of NI43-101 standards, and deducting the coal produced in January to September 2015.

* Under NI43-101 standards, inferred mineral resources shall not be added to other categories of mineral resources.

** The NI43-101 standards do not permit the estimate of potential reserves as described in an official reserve report, i.e., they are not included in the report.

INDUSTRY OVERVIEW

Looking back upon the past couple of years, we see coking coal prices kept falling, with the international benchmark prices for hard coking coal dropping from record highs of US$350 per ton in 2011 to about US$90 per ton now. On the other hand, domestic coking coal prices keep going downward as well, hovering around RMB600 per ton, nearing a five-year low. In general, coking coal companies' cost of production is about US$100 per ton. From current market prices, coking coal's market prices are lower than the cost, and the entire industry is under the pressure of losing money. As a result, coal enterprises, including large mining companies, are becoming "coal-less" – getting out of the coal business in order to reduce risks and losses in exchange for the cash flow, so that they can invest their limited capital into areas with higher rates of return. Nevertheless, as a professional and international coking coal company of a good scale, the Group sees this as an appropriate time for acquisitions of premium coking coal projects and expansion of resources control to get ready for our long term development.

Coking coal is a special kind of bulk commodities, and is among the best of coal with optimal coking properties. With a high level of carbonation and adhesion, it can produce a gelatinous body with high thermal stability when heated, and is one of the indispensable base raw materials in coke production. Unlike thermal coal that may be substituted with other energy forms, such as natural gas, nuclear power and renewable energy, coking coal is one of the essential raw materials in the steel industry as it is characterized by its scarce, irreplaceable and nonrenewable nature. In the past hundred years, the steel industry has been unable to find an alternative to coking coal elsewhere in the world. Coking coal has better rigid demand, market prices and profit margins than thermal coal. Globally, coking coal of better quality and competitiveness are concentrated in Canada, Australia, and China's Shanxi and Xinjiang regions. Coking coal connects the coking coal, coke and steel industries. The majority of coking coal is used for the production of coke, and more than 80% of coke, in turn, is used for the production of steel. These three are the backbone of China's industries, which are interrelated with and influence each other.

In the last four years, coking coal prices started adjustment from their peaks quickly, and have fallen to 20-year lows, largely influenced by the steel industry in China. Due to environmental pressure and the overheated real estate sector, the central government introduced a series of regulatory measures in the past few years, leading to the restructuring of China's steel industry. In 2014, steel production in China posted its first negative growth in nearly 30 years. Even so, total output of steel in China was still very high, reaching more than 800 million tons, while the world's crude steel output kept growing steadily. The Group is of the view that as long as there is demand for steel, there will always be demand for coking coal – a scarce, irreplaceable, and non-renewable steel making raw material. As such, the current low prices and so-called "excess capacity," are just short-term impact brought about by the restructuring of China's steel industry, resulting in the reduction of coking coal imports, and thus triggering a crisis of confidence in the global market. Taking the world market as a whole, companies throughout the industry are currently faced with losses and have chosen to suspend their coal production. The Group considers that the current operating environment will inevitably lead to decreased capacity and supply. However, the economic cycling will allow coking coal prices to return to a reasonable level again.

Since the second-half of 2014, the central government has continued to introduce relief measures for the coal industry, including the reduction of export taxes and the removal of zero import duty policy for different kinds of coal, the imposition of coal resource tax on prices instead of quantity and the control on over production of coal mines. It has also continued to reinforce the governance on illegal construction and production, unsafe production and low-quality coal production. In early June 2015, the National Energy Administration stated that it would deepen the reform, raise the concentration level of the coal industry and put more efforts on financial support rendered to key coal enterprises in compliance with industry policies. The central government of China has implemented the development strategy of “Belt and Road” further by positioning Xinjiang as the core area of the Silk Road Economic Belt, thereby turning a new page for the coal and coking coal industry in the region, which is crucial to the Group’s business development in the market therein.

BUSINESS OVERVIEW

Admittedly, commodities particularly coal is in the doldrums. This is a normal economic cycle of commodities. As participants in the industry, corporations cannot control the market but can only adapt to it and properly adjust their strategies in accordance with the laws of the market. The industry’s common practice in the cyclical doldrums is to cut production or suspend some capacity on a temporary or phased basis.

During the Period under Review, the Group has been engaged in gas drainage and flood control in connection with coal mining in the three coal mines in Northern Xinjiang, making progress on testing relevant systems and installing part of the equipment without incurring any substantial capital expenditure. The Group will regulate the progress of various projects with reference to the market conditions in Xinjiang so as to ensure that they could be put into operation upon the recovery of coking coal prices.

The currently low capacity utilization can only support a fragile supply and demand equilibrium in the metallurgical coke market in Xinjiang, and yet, taking the overall scale of the downstream businesses into consideration, a significant gap between the supply and demand sides can still be seen. From 2012 onwards, due to the stringent requirement of the national environmental policy, blue carbon businesses in Xinjiang, whose outputs are of low quality, cheap in prices and very contaminating, have been gradually phased out by the gas coke sector and their market share has been captured accordingly. By 2020, gas coke will completely replace blue carbon. During the Period under Review, the Group has continued to improve in the areas of refined management, energy and resources conservation and sales and marketing, and a positive cycle was formed in its production and operation of coal coking business. The Group is actively exploring the gas coke market and quickly stimulating the market demand, and is gradually expanding its market share. In September 2015, the prepaid in cash market price of gas coke was about RMB720 per ton, and the prepaid in cash market prices of chemical products, such as coal tar and crude benzene, were about RMB1,500 per ton and RMB2,250 per ton, respectively.

Currently, coking coal prices are below cost, which has put pressure on cash flow. However, from the perspective of acquisition, this cyclical downturn has brought sizeable and competent industry players opportunities to expand their scale. Globally, coking coal projects are state-controlled strategic resources. When coal enterprises were doing well, it would be difficult to find the right project even if a company wanted to acquire it at a reasonable price. Take for example the GCC Project, of which the Group completed acquisition during the Period under Review. Incorporated in the Province of Albert, GCC is Canada's second largest coking coal company, and is engaged in the production and sales of hard coking coal, making it an exporter of high-quality and low-volatile hard coking coal and one of only four remaining coking coal producers in North America that have the ability to export from the west coast to reach end-user markets in Asia. With abundant reserves of high-quality coking coal, GCC went into production in 2004. It has rich reserves of recoverable coking coal in the open pit and underground, with its 25 mining areas covering a total of more than 29,000 hectares. Based on NI43-101 standards, it has coal resources of 586 million tons, salable reserves of 147 million tons, and a mining life of over 40 years; its annual production capacity is 5 million tons, with a coal washing capacity of 4.5 million tons. The low volatile and low ash hard coking coal produced by GCC is among the top quality coal in the world. Globally, high-quality low-volatile hard coking coal reserves are very limited. Major markets including China that have demand for coking coal do not have reserves of the medium- to low-volatile coal that is essential in the coke mixture, giving GCC an obvious competitive advantage. GCC has well-developed infrastructure and convenient logistics facilities, with direct access to Canada's Transcontinental Railway and preferential agreements, which have been reached with west coast ports. The well-developed infrastructure on and around the site includes two-lane expressways, railway shipping stations, office facilities, coal washing plant, and natural-gas and coal thermal power stations. On the other hand, GCC has a long history of operation and stable customers throughout China, Brazil, South Korea, Japan and India, with sales of coking coal to major steel mills in Asia, Europe, the Americas, and other regions. The Group acquired over 85% interest in GCC at a nominal consideration of US$2, which undoubtedly brought an impact to the entire coal market. It is obvious that the cost of acquisition is dramatically reduced and the risk is relatively small when coking coal prices are so low. The Group is confident that, with its extensive experience in the industry and its technologies, it will be able to find an appropriate way to adjust its business strategy with reference to changes of market conditions and to minimize its loss from operation and revitalize GCC, and it will be profitable to the Group when coal prices recover in the future.

The acquisition of the GCC project has been one rare case in the global coking coal industry, in which a non-state owned Chinese company has successfully acquired high-quality coking coal assets overseas. In addition to doubling the Group's resources, reserves, and production capacity, and allowing it to become one of the leaders in the coking coal industry, it was the Group's first and extremely important step in an effort to go international. The two major steel-making raw materials include iron ore and coking coal. Due to transportation costs and environmental issues, China's steel industry has begun its gradual shift to the coastal and western regions, while the steel industry in India, Brazil and other emerging markets will continue to flourish depending on the seaborne coking coal market, creating huge opportunities for the international seaborne market. The Group is bullish about seaborne coking coal in the long run, and will continue to look for quality coking coal projects currently in operation in leading supply areas including Australia and Canada. On 7 September 2015, the Group entered into a strategic partnership agreement with the CCGRF, with the areas of cooperation including exploration for merger and acquisition opportunities relating to coking coal assets in Canada and other areas of the world.

Since the Group became a listed company five years ago, it has doubled the resources under its control and the production capacity and have been advancing toward a clear goal – to become a more professional and international enterprise with a larger size. As such, the Group set out to acquire the Liulin Project in Shanxi from a subsidiary of the CDH Group after the completion of the GCC acquisition. The two sides had signed a memorandum of understanding on 24 August 2015, and are actively accelerating the pace towards completion as soon as possible. The Liulin project in Shanxi, which is being proposed for acquisition, is a mature facility with China's best coking coal, which is among the best in the world. Its quality, which has earned it the nickname of "Giant Panda Coal," makes it extremely competitive. Upon confirmation and completion of all investment projects in place, the Group will have resources of more than 1.3 billion tons and reserves of over 400 million tons, with annual production capacity exceeding 16 million, and its coal washing and coking capacity will reach 12 million tons and 1.3 million tons per year, respectively, making it the largest non-state owned listed company in the coking coal industry in Asia.

DEVELOPMENT STRATEGY

Subject to a number of macroeconomic factors, current low prices of coking coal are impossible to experience any improvement in the short term, but the Group is optimistic about the long-term development of our industry. From historical experience, a commodity cycle normally takes about six to seven years, which is a normal economic law. With the coking coal industry having experienced adjustment for four years, a common view is that the market will undergo significant recovery in the next two to three years. However, such recovery is subject to demand, especially demand from China. In the second half of 2014, the central government began its vigorous promotion of the "Belt and Road" national development strategy. This is China's long-term economic policy, which will bring about continued investment demand over the next 10 years or even longer. With the increase of fixed asset investment, infrastructure and real estate will gradually recover, and there will be significant growth in market demand for steel, coking coal, and other basic raw materials. With the "Belt and Road" national development strategy in the planning stage, institutions such as AIIB and the Silk Road Fund established, and the preparatory work has been completed. It is expected that, beginning from the next year, many of the "Belt and Road" projects will be implemented one after another, bringing unprecedented development opportunities to areas in Xinjiang and Central and West Asia that have geographical advantages. If the central government's measures are successfully implemented, coupled with continuous economic growth in India, Brazil, and other emerging economies that keep strengthening their investment in infrastructure, the Group believes that the coking coal price will likely rebound within a year or two, gradually returning to a reasonable level.

In the next two to three years, the global coking coal industry may still remain in the doldrums. On the other hand, the Group will continue to work practically in an effort to improve the fundamentals of the Company. Details are stated below. (1) The Group will continue to improve resource distribution through low-cost acquisitions by using the platform of a listed company, to more effectively reach to the international seaborne market and the “Belt and Road” regional markets. The Group currently has high-quality coking coal assets in Canada and the Xinjiang region of China and is pushing for the acquisition of the Liulin Project in Shanxi while continuing to look for quality coking coal projects currently in operation in leading supply areas including Australia and Canada. The Group’s investment projects cover the major regions of coking coal resources in the world, which have resulted in the formation of a strategic and complementary relationship. On the one hand, Canada’s GCC and other potential projects overseas supply to the international seaborne market and the Xinjiang project serves the “Belt and Road” regional markets, while the Liulin Project in Shanxi, which is being proposed for acquisition, will satisfy the needs of the Central China and East China markets. (2) The Group is engaged in proper financing to improve the capital structure and to attract sovereign funds such as CCGRF and the Silk Road Fund, as well as some long-term institutional investors, to increase its cash reserves. This will not only satisfy our own funding needs but also make it ready for more acquisitions and growth. During the Period under Review, the Group has carried out various financing activities. In the capital market, it is difficult for a company in the coal industry to raise funds or obtain refinancing, but the Group is among the few industry players which have been able to do so. This serves as proof that the market has recognized its development strategies. (3) The Group will actively look for quality, good-sized downstream companies as its partners to strengthen relationships in the industrial chain. (4) The Group will continue to study the development and establishment of an internet-based cross-border electronic commodity trading platform in the markets of the “Belt and Road” region, in an attempt to grasp the opportunities brought about by the “Belt and Road” policy introduced by the central government.

Overall, the Group is optimistic about the long-term development of the coking coal industry and the Group itself. Though in the short run, the business is still under great pressure and the industry is operating with much difficulty, it is a company’s good time of preparation for its long-term and sustainable development. The Group believes that, as long as it has the courage to take up market challenges, adjust development strategies, seize the opportunities brought about by the cyclical downturn of the industry through low-cost acquisitions, improve distribution of resources, and wait for coking coal prices to rise again in the future, the Group will certainly bring reasonable rewards to the Company and investors.

RISK ANALYSIS

The Group's business may be subject to a variety of uncertainties and challenges, and may subject to risks arising from our operation and market, government policy, regional social stability, etc:

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

The sales revenue for the Period under Review including 28 days ended 30 September 2015 for GCC was HK$82,901,000. GCC's sales revenue for these 28 days contributed HK$13,539,000 to our total sales revenue for Period under Review. The sale revenue from Xinjiang was HK$69,362,000 for the Period under Review and HK$161,800,000 for those in the same period last year. Our sales revenue in Xinjiang decreased HK$92,438,000, by 57.1%. The main reasons for the decrease in sales revenue was in part due to weak demand and lower average selling price of coke and coal.

Cost of Revenue

The cost of revenue for the Period under Review was HK$106,969,000 which including HK$20,778,000 for the consolidation of cost of revenue from GCC. The cost of revenue from Xinjiang was HK$86,191,000 for the Period under Review and HK$185,569,000 for those in the same period last year. The cost of revenue from Xinjiang decreased HK$99,378,000, by 53.6% which basically in line with the decrease in sale revenue.

Other Net Loss/Income

In the six months ended 30 September 2015, the other net loss was HK$46,559,000 (2014: gain HK$59,972,000), which mainly comprised net unrealized loss in fair value change in other financial liability with fair value through profit or loss of HK$42,157,000 (2014: unrealized gain of HK$60,494,000) and the net loss on trading securities of HK$4,239,000 (2014: HK$850,000).

Administrative Expenses

Administrative expenses increased by 46.1% to HK$68,409,000 for the six months ended 30 September 2015 from HK$46,823,000 for the corresponding period in 2014. Apart from HK$1,399,000 for the consolidation of administrative expenses from GCC, the increase was primarily due to the increase in professional fee incurred in acquisition of GCC Project and depreciation charges.

Finance Costs

Finance costs increased by 125% to HK$263,275,000 for the six months ended 30 September 2015 from HK$117,006,000 for the corresponding period in 2014. Apart from HK$21,057,000 for the consolidation of finance costs from GCC, the increase in finance costs was mainly due to the introduction of new bank loan for acquisition of GCC Project and the increase in unwinding interest of convertible notes.

Income Tax Expense

The Group recorded current income tax expenses of HK$3,044,000 (2014: HK$1,889,000) and a deferred income tax credit of HK$572,000 (2014: HK$1,479,000) for the six months ended 30 September 2015.

Loss for the period

The Group's result for the six months ended 30 September 2015 recorded a loss of HK$393,395,000 comparing to a loss of HK$135,648,000 for the corresponding period in 2014.

Capital Expenditure

During the six months ended 30 September 2015, the additional property, plant and equipment mainly for mine development and processing facilities construction of the Group approximately amounted to HK$34,707,000 (2014: HK$198,381,000) which comprised by mining properties HK$29,597,000 (2014: HK$177,365,000) and other capital expenditures HK$5,110,000 (2014: HK21,016,000).

Liquidity and Financial Resources

As at 30 September 2015, the Group's current ratio was 0.08 (31 March 2015: 0.30), with current assets of approximately HK$543,689,000 (31 March 2015: HK$829,594,000) against current liabilities of approximately HK$6,460,050,000 (31 March 2015: HK$2,746,011,000). Cash and cash equivalents were approximately HK$23,969,000 (31 March 2015: HK$6,046,000). The Group's gearing ratio was 73% as at 30 September 2015 (31 March 2015: 67%). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. The Group had long-term borrowings and short-term borrowings of HK$267,571,000 (31 March 2015: HK$158,916,000) and HK$3,790,800,000 (31 March 2015: HK$582,560,000) respectively. The majority of the increase in short-term borrowings was the result from the completion for the acquisition of GCC Project. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 20 to the financial statements disclosed in this interim financial report.

Treasury Policies

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

Foreign Exchange Risk

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for the GCC and in Xinjiang are mainly denominated in USD and RMB respectively, which is the same currency as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

Cash Flow and Fair Value Interest Rate Risk

As at 30 September 2015, the Group's bank borrowings almost all were charged at floating interest rate. Except for cash and cash equivalents and bank borrowings, the Group has no other significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate significant impact on interest-bearing assets and liabilities resulting from changes in interest rates because the interest rates of its bank deposits and bank borrowings are not expected to change significantly.

Human Resources and Remuneration Policy

During the Period under Review, the Group optimized its human resources structure according to the market conditions. As at 30 September 2015, the Group had a total of 729 employees (31 March 2015: 641) in the PRC, Hong Kong and Canada. Employees' remuneration packages are reviewed and determined with reference to the market pay and individual performance. Staff benefits include contributions to the mandatory provident fund, medical schemes and share option schemes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2015 $'000	2014 $'000
Revenue	5	**82,901**	161,800
Cost of revenue		**(106,969)**	(185,569)
Gross loss		**(24,068)**	(23,769)
Other revenue	6	**16,289**	1,087
Other net (loss)/income	6	**(46,559)**	59,972
Distribution costs		**(4,901)**	(8,699)
Administrative expenses		**(68,409)**	(46,823)
Loss from operations		**(127,648)**	(18,232)
Finance costs	7(a)	**(263,275)**	(117,006)
Loss before taxation	7	**(390,923)**	(135,238)
Income tax	8	**(2,472)**	(410)
Loss for the period		**(393,395)**	(135,648)
Attributable to:			
Equity shareholders of the Company		**(361,394)**	(111,204)
Non-controlling interests		**(32,001)**	(24,444)
Loss for the period		**(393,395)**	(135,648)
Loss per share (basic and diluted)	10	**(9.30) cents**	(3.74) cents

The notes on pages 26 to 63 form part of this interim financial report.

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

For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Loss for the period	**(393,395)**	(135,648)
Other comprehensive income for the period (after tax adjustments):		
Items that may be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of financial statements of subsidiaries outside of Hong Kong	**(111,416)**	1,906
Total comprehensive income for the period	**(504,811)**	(133,742)
Attributable to:		
Equity shareholders of the Company	**(471,670)**	(109,416)
Non-controlling interests	**(33,141)**	(24,326)
Total comprehensive income for the period	**(504,811)**	(133,742)

The notes on pages 26 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2015
(Expressed in Hong Kong dollars)

	Note	At 30 September 2015 $'000	At 31 March 2015 $'000
Non-current assets			
Property, plant and equipment, net	11	**23,620,363**	19,018,466
Prepaid land lease payments	12	**70,297**	72,443
Goodwill	13	**44,693**	25,623
Deferred tax assets		**13,474**	13,474
Restricted bank deposits	19	**200,573**	24,820
Other non-current assets	14	**30,398**	15,194
Total non-current assets		**23,979,798**	19,170,020
Current assets			
Trading securities	15	**16,232**	–
Inventories	16	**188,006**	67,160
Trade and bills receivables	17	**86,559**	101,785
Prepayments, deposits and other receivables	18	**227,288**	432,334
Restricted bank deposits	19	**1,635**	222,269
Cash and cash equivalents	19	**23,969**	6,046
Total current assets		**543,689**	829,594
Current liabilities			
Short term borrowings and current portion of long-term borrowings	20	**3,790,800**	582,560
Trade and bills payables	21	**218,485**	255,796
Other financial liabilities	22	**810,798**	142,273
Obligations under finance leases		**59,957**	–
Other payables and accruals	23	**605,036**	438,977
Current taxation		**17,195**	14,678
Convertible notes	24	**957,779**	1,311,727
Total current liabilities		**6,460,050**	2,746,011

The notes on pages 26 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2015
(Expressed in Hong Kong dollars)

	Note	At 30 September 2015 $'000	At 31 March 2015 $'000
Net current liabilities		**(5,916,361)**	(1,916,417)
Total assets less current liabilities		**18,063,437**	17,253,603
Non-current liabilities			
Long-term borrowings	20	**267,571**	158,916
Convertible notes	24	**2,308,094**	2,177,685
Other financial liabilities	22	**31,746**	632,530
Obligations under finance leases		**39,900**	–
Other non-current liabilities		**92,301**	–
Deferred tax liabilities		**4,638,931**	3,916,764
Provisions	25	**223,086**	7,557
Total non-current liabilities		**7,601,629**	6,893,452
NET ASSETS		**10,461,808**	10,360,151
CAPITAL AND RESERVES			
Share capital	27(b)	**893,216**	748,638
Equity component of convertible notes	24	**2,025,321**	2,092,103
Reserves		**4,782,611**	4,846,773
Total equity attributable to equity shareholders of the Company		**7,701,148**	7,687,514
Non-controlling interests		**2,760,660**	2,672,637
TOTAL EQUITY		**10,461,808**	10,360,151

The notes on pages 26 to 63 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000 (note 27(b))	Share premium $'000 (note 27(d)(i))	Other reserve $'000 (note 27(d)(ii))	Contributed surplus $'000 (note 27(d)(iii))	Exchange reserve $'000 (note 27(d)(iv))	Capital reserve $'000 (note 27(d)(v))	Equity component of convertible notes $'000 (note 24)	Share award scheme trusts $'000 (note 27(d)(vi))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2014		606,059	4,243,550	(606,665)	385,168	40,630	3,490	1,311,693	(14,885)	612,114	6,581,154	2,725,166	9,306,320
Loss for the period		–	–	–	–	–	–	–	–	(111,204)	(111,204)	(24,444)	(135,648)
Other comprehensive income for the period		–	–	–	–	1,788	–	–	–	–	1,788	118	1,906
Total comprehensive income for the period		–	–	–	–	1,788	–	–	–	(111,204)	(109,416)	(24,326)	(133,742)
Issuance of shares under placing		115,020	450,853	–	–	–	–	–	–	–	565,873	–	565,873
Conversion of convertible notes		26,599	231,604	–	–	–	–	(59,998)	–	–	198,205	–	198,205
Balance at 30 September 2014		747,678	4,926,007	(606,665)	385,168	42,418	3,490	1,251,695	(14,885)	500,910	7,235,816	2,700,840	9,936,656
Balance at 30 September 2014 and 1 October 2014		747,678	4,926,007	(606,665)	385,168	42,418	3,490	1,251,695	(14,885)	500,910	7,235,816	2,700,840	9,936,656
Loss for the period		–	–	–	–	–	–	–	–	(384,494)	(384,494)	(28,267)	(412,761)
Other comprehensive income for the period		–	–	–	–	2,422	–	–	–	–	2,422	64	2,486
Total comprehensive income for the period		–	–	–	–	2,422	–	–	–	(384,494)	(382,072)	(28,203)	(410,275)
Conversion of convertible notes		960	8,408	–	–	–	–	(2,161)	–	–	7,207	–	7,207
Amendment of terms of convertible notes		–	–	–	–	–	–	842,569	–	–	842,569	–	842,569
Contributions to share award scheme trusts		–	–	–	–	–	–	–	(16,006)	–	(16,006)	–	(16,006)
Balance at 31 March 2015		748,638	4,934,415	(606,665)	385,168	44,840	3,490	2,092,103	(30,891)	116,416	7,687,514	2,672,637	10,360,151
Balance at 1 April 2015		**748,638**	**4,934,415**	**(606,665)**	**385,168**	**44,840**	**3,490**	**2,092,103**	**(30,891)**	**116,416**	**7,687,514**	**2,672,637**	**10,360,151**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(361,394)**	**(361,394)**	**(32,001)**	**(393,395)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**(110,276)**	**-**	**-**	**-**	**-**	**(110,276)**	**(1,140)**	**(111,416)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(110,276)**	**-**	**-**	**-**	**(361,394)**	**(471,670)**	**(33,141)**	**(504,811)**
Issuance of shares under placing	27(c)	**60,766**	**97,806**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**158,572**	**-**	**158,572**
Conversion of convertible notes	24	**83,812**	**310,306**	**-**	**-**	**-**	**-**	**(168,290)**	**-**	**-**	**225,828**	**-**	**225,828**
Amendment of terms of convertible notes		**-**	**-**	**-**	**-**	**-**	**-**	**101,508**	**-**	**-**	**101,508**	**-**	**101,508**
Contribution to share award scheme trust		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(604)**	**-**	**(604)**	**-**	**(604)**
Acquisition of subsidiaries	28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**121,164**	**121,164**
Balance at 30 September 2015		**893,216**	**5,342,527**	**(606,665)**	**385,168**	**(65,436)**	**3,490**	**2,025,321**	**(31,495)**	**(244,978)**	**7,701,148**	**2,760,660**	**10,461,808**

The notes on pages 26 to 63 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2015 $'000	2014 $'000
Operating activities			
Cash (used in)/generated from operations		**(283,544)**	11,048
Tax paid		**(29)**	–
Net cash (used in)/generated from operating activities		**(283,573)**	11,048
Investing activities			
Payments for acquisition of property, plant and equipment		**(10,481)**	(130,588)
Loan to Grande Cache Coal LP before the completion of the acquisiton		**(97,735)**	(77,669)
Decrease in restricted bank deposits		**222,091**	–
Other cash flows (used in)/arising from investing activities		**(3,622)**	11,357
Net cash generated from/(used) in investing activities		**110,253**	(196,900)
Financing activities			
Proceeds from new loans		**335,404**	282,390
Repayment of bank loans		**(169,255)**	(220,139)
Instalments of financial liabilities		**(3,967)**	(81,701)
Interest paid		**(78,972)**	(41,093)
Proceeds from issuance of shares under placing, net of issuing expenses		**158,572**	565,873
Others		**(50,916)**	–
Net cash generated from financing activities		**190,866**	505,330
Net increase in cash and cash equivalents		**17,546**	319,478
Cash and cash equivalents at 1 April		**6,046**	23,992
Effect of foreign exchange rate changes		**377**	127
Cash and cash equivalents at 30 September	19	**23,969**	343,597

The notes on pages 26 to 63 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Up Energy Development Group Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company in Hong Kong is Room 3201, 32/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Company and its subsidiaries (the "**Group**") are principally engaged in development, construction and operation of coal mining and coke processing facilities.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 27 November 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

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

In the auditors' report dated 23 June 2015, the auditors expressed an unqualified opinion on 2015 annual financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

As at 30 September 2015, the Group had net current liabilities of $5,916,361,000 (31 March 2015: $1,916,417,000) and current portion of outstanding bank borrowings of $3,790,800,000 (see note 20) (31 March 2015: $582,560,000), other financial liabilities of $810,798,000 (31 March 2015: $142,273,000) and convertible notes of $957,779,000 (31 March 2015: $1,311,727,000) which were due for renewals or repayments within the next twelve months. As at 30 September 2015, the current portion of outstanding bank borrowings included a long-term loan amounting to $3,165,517,000 which was classified as current liabilities due to the Group defaulted on the scheduled interest payment. The commencement of operation of the projects (other than phase one of the 1.3 Mt Coking Projects) in Fukang, Xinjiang, is postponed to the end of 2016 due to currently unfavorable market environment. In addition, the mining operations of Grande Cache Coal LP, the newly acquired mining entity in Canada, are also expected to be suspended in 2016. These conditions continue to indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

2 BASIS OF PREPARATION *(continued)*

Certain measures have been and are being taken to manage the Group's liquidity needs and to improve its financial position which include, but are not limited to, the following:

1) The Group has obtained a new banking facility of approximately RMB400,000,000 from a bank in Mainland China in October 2015;

2) The Group has signed supplemental agreement with the bank concerned for the extension of loan principal payments of $154,286,000 beyond next twelve months in November 2015;

3) The major shareholder of the Company has confirmed in writing that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months;

4) The Group has been actively discussing with several potential investors for the issuance of new convertible notes with total principal amount of $2,050,000,000;

5) The Group has been actively discussing with the bank concerned for the waiver of the Group's default on interest payment and for the suspension of the originally scheduled interest payments for a twelve-month period; and

6) The Group has been also actively considering to dispose of certain non-core assets to generate funds to supplement the future liquidity requirement.

Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis. However, if the Group were unable to successfully implement the measures described above, the Group may not have sufficient working capital to finance its operations and its financial liquidity may be adversely impacted. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2 BASIS OF PREPARATION *(continued)*

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by HKICPA.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 March 2015 are available from the Company's principal place of business.

3 CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Canada		China and other countries		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
For the six months ended 30 September						
Reportable segment revenue/ revenue from external customers	**13,539**	–	**69,362**	161,800	**82,901**	161,800
Reportable segment (loss)/profit	**(1,555)**	–	**(95,533)**	10,728	**(97,088)**	10,728
As at 30 September/31 March						
Reportable segment assets	**5,103,189**	–	**19,964,833**	19,986,140	**25,068,022**	19,986,140
Reportable segment liabilities	**4,285,704**	–	**5,677,859**	5,708,021	**9,963,563**	5,708,021

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings/(loss) before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets.

Segment assets include all tangible assets, intangible assets, goodwill and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables, bank and other borrowings, obligations under finance leases, provisions, convertible notes and other financial liabilities managed directly by the segments.

4 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	Six months ended 30 September 2015 $'000	2014 $'000
Profit or loss		
Reportable segment (loss)/profit	**(97,088)**	10,728
Depreciation and amortisation	**(30,560)**	(28,960)
Finance costs	**(263,275)**	(117,006)
Consolidated loss before taxation	**(390,923)**	(135,238)

	At 30 September 2015 $'000	At 31 March 2015 $'000
Assets		
Reportable segment assets	**25,068,022**	19,986,140
Deferred tax assets	**13,474**	13,474
Elimination of inter-segment receivables	**(558,009)**	–
Consolidated total assets	**24,523,487**	19,999,614
Liabilities		
Reportable segment liabilities	**9,963,563**	5,708,021
Income tax payable	**17,195**	14,678
Deferred tax liabilities	**4,638,930**	3,916,764
Elimination of inter-segment payables	**(558,009)**	–
Consolidated total liabilities	**14,061,679**	9,639,463

5 REVENUE

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

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Coke	**44,540**	135,301
Coal	**28,341**	10,463
Others	**10,020**	16,036
	82,901	161,800

6 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Other revenue		
Interest income arising from:		
– Loan to a third party	**6,943**	892
– Bank deposits	**5,483**	195
Others	**3,863**	–
	16,289	1,087
Other net (loss)/income		
Net loss on trading securities	**(4,239)**	(850)
Net unrealised fair value change in other financial liabilities at fair value (note 29)	**(42,157)**	60,494
Others	**(163)**	328
	(46,559)	59,972

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Foreign exchange loss, net	**1,446**	136
Interest on borrowings	**51,562**	34,923
Unwinding interest of convertible notes (note 24)	**232,571**	138,359
Gain arising on the amendment of terms of convertible notes	**(47,706)**	–
Unwinding interest of other financial liabilities (note 22)	**19,426**	22,996
Other interest expenses	**5,976**	414
Less: interest expense capitalised into construction in progress and mining properties*	**–**	(79,822)
Finance costs	**263,275**	117,006

* The borrowing costs have been capitalised at a rate of 7.28% per annum for the six months ended 30 September 2014. No borrowing costs have been capitalized for six months ended 30 September 2015.

7 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Salaries, wages, bonus and other benefits	**43,260**	28,333
Retirement scheme contributions	**1,195**	1,562
	44,455	29,895

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes ("**the Schemes**") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2014: 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

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

7 LOSS BEFORE TAXATION *(continued)*

(c) Other items

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Amortisation of prepaid land lease payments	**1,271**	1,210
Depreciation of property, plant and equipment	**29,289**	27,750
Operating lease charges: minimum lease payments hire of property	**2,137**	1,702

8 INCOME TAX

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

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Current tax:		
Provision for the period*	**3,044**	1,889
Deferred tax		
Origination and reversal of temporary differences	**(572)**	(1,479)
Total income tax charge for the period	**2,472**	410

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

8 INCOME TAX *(continued)*

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

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 2015 and 2014.

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

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Loss before taxation	**(390,923)**	(135,238)
Notional tax on loss before taxation, calculated at the rates applicable to results in the jurisdictions concerned	**(93,199)**	(31,274)
Tax effect of non-deductible expenses	**82,948**	13,006
Tax effect of non-taxable income	**(687)**	–
Tax effect of tax losses not recognised	**13,410**	18,678
Actual tax expenses	**2,472**	410

9 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 September 2015 and 2014.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2015 of $361,394,000 (six months ended 30 September 2014: $111,204,000) and the weighted average of 3,884,276,000 ordinary shares (six months ended 30 September 2014: 2,969,714,000) in issue during the interim period, as adjusted to reflect (1) the conversion of the Tranche A and Tranche B convertible notes; (2) shares purchased by share award scheme trusts (see note 27(d)(vi)); (3) puttable shares arising from the acquisition of Champ Universe Limited ("**Champ Universe**"); and (4) issuance of shares under placing (see note 27(c)).

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 September 2015 and 2014 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option and puttable shares arising from the acquisition of Champ Universe on 28 June 2013 during the six months ended 30 September 2015 and 2014 have anti-dilutive effect to basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 September 2015, the Group added property, plant and equipment of $4,738,881,000 through acquisition of subsidiaries (see note 28) and other additions of $34,707,000 (six months ended 30 September 2014: $198,381,000), mainly representing the increase in the Group's construction in progress of $29,597,000 (six months ended 30 September 2014: $177,365,000).

Items of office equipment and others with a net book value of $5,000 were disposed of during the six months ended 30 September 2015 (six months ended 30 September 2014: $48,000), resulting in a loss on disposal of $1,000 (six months ended 30 September 2014: gain on disposal of $160,000).

Consideration of impairment for mine properties

The Directors have assessed whether there are any impairment in respect of mine properties. In making this assessment they are considering the Group's preliminary economic assessment which includes reserve estimates, production start date, future mining and processing capacity and the longer term price outlook for coking coal. The Directors do not consider that there are any indicators that mine properties are impaired at the end of the reporting period.

12 PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC. As at 30 September 2015, prepaid land lease payments of the Group of $26,814,000 (31 March 2015: $27,166,000) have been pledged to certain banks for the Group's borrowings (see note 20).

13 GOODWILL

	At 30 September 2015 $'000	At 31 March 2015 $'000
Cost		
1 April	**25,623**	25,623
Acquisition of subsidiaries (note 28)	**19,085**	–
Exchange adjustments	**(15)**	–
At 30 September/31 March	**44,693**	25,623

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

14 OTHER NON-CURRENT ASSETS

	At 30 September 2015 $'000	At 31 March 2015 $'000
Prepayments to suppliers for property, plant and equipment	**14,663**	15,194
Derivative assets	**15,735**	–
	30,398	15,194

15 TRADING SECURITIES

	At 30 September 2015 $'000	At 31 March 2015 $'000
Listed equity securities at fair value – in Hong Kong	**16,232**	–

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

16 INVENTORIES

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

	At 30 September 2015 $'000	At 31 March 2015 $'000
Raw materials	**16,344**	17,740
Work in progress	**596**	2,166
Goods in transit	**7,035**	11,766
Finished goods	**82,530**	32,448
Materials and supplies	**101,099**	15,284
	207,604	79,404
Less: provision for diminution in value of inventories	**19,598**	12,244
	188,006	67,160

16 INVENTORIES *(continued)*

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

	Six months ended 30 September 2015 $'000	2014 $'000
Carrying amount of inventories sold	**87,371**	183,026
Write down of inventories	**19,598**	2,543
	106,969	185,569

17 TRADE AND BILLS RECEIVABLES

	At 30 September 2015 $'000	At 31 March 2015 $'000
Trade receivables	**86,559**	100,396
Bills receivable	**–**	1,389
	86,559	101,785

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

17 TRADE AND BILLS RECEIVABLES *(continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date, is as follows:

	At 30 September 2015 $'000	At 31 March 2015 $'000
Within 3 months	**29,419**	78,062
3 to 6 months	**15,083**	22,378
6 months to 1 year	**42,057**	1,345
	86,559	101,785

(b) Trade and bills receivables that are not impaired

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

	At 30 September 2015 $'000	At 31 March 2015 $'000
Current	**21,927**	60,241
Within 1 month	**7,411**	32,503
1 to 3 months overdue	**4,587**	7,629
3 to 6 months overdue	**13,052**	1,412
6 months to 1 year overdue	**39,582**	–
	86,559	101,785

As at 30 September 2015, the Group had no impairment losses on trade and bills receivables (31 March 2015: nil).

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

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

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2015 $'000	At 31 March 2015 $'000
Prepayments and deposits (note (i))	**125,794**	114,760
VAT and other tax receivables (note (ii))	**66,701**	63,544
Amounts due from related parties	**124**	129
Loan to a third party (note (iii))	**–**	213,271
Other receivables	**34,669**	40,630
	227,288	432,334

Notes:

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

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

(iii) As part of the contemplated acquisition of Grande Cache Coal Corporation ("**GCC**") and GCC LP, third-party companies, the Group signed a loan agreement with GCC LP on 6 September 2014 which was amended and restated on 17 December 2014. Pursuant to the amended and restated agreement, the Group has agreed to grant advances totalling US$50 million to GCC LP. As at 31 March 2015, the Group has made advances of US$27.5 million (approximately $213.27 million) to GCC LP. After the completion of the acquisition of GCC LP on 2 September 2015, these advances have been eliminated in the consolidated financial statements.

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

19 CASH AND CASH EQUIVALENTS

	At 30 September 2015 $'000	At 31 March 2015 $'000
Cash at bank and in hand	**226,177**	253,135
Less: restricted bank deposits	**(202,208)**	(247,089)
Cash and cash equivalents	**23,969**	6,046

As at 30 September 2015, the Group's bank balances of approximately $24,326,000 (31 March 2015: $24,820,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 30 September 2015, the Group's bank balances of $176,247,000 were deposited at banks as security to cover the anticipated costs of restoration for Group's mining area in Canada.

As at 30 September 2015, the Group's bank balances of approximately $nil (31 March 2015: $12,625,000) were deposited at banks as a bank acceptance notes margin with a term of six months.

As at 30 September 2015, the Group's bank balances of approximately $nil (31 March 2015: $29,473,000) were deposited at banks as secured deposit for borrowings (see note 20).

As at 30 September 2015, the Group's bank balances of approximately $nil (31 March 2015: $655,000) were deposited at banks as rural migrant worker salary protection guarantee fund pursuant to the relevant local government regulations.

As at 30 September 2015, the Group's bank balances of approximately $201,000 (31 March 2015: $201,000) were deposited at banks as secured deposit for guarantee issued.

As at 30 September 2015, the Group's bank balances of approximately $1,434,000 were frozen due to law suits in PRC.

20 BORROWINGS

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

	At 30 September 2015 $'000	At 31 March 2015 $'000
Bank loans		
– Secured	**3,597,545**	492,341
– Guaranteed	**313,341**	166,441
Less: current portion	**3,643,315**	499,866
	267,571	158,916

As at 30 September 2015, the long-term interest-bearing borrowings, were repayable as follows:

	At 30 September 2015 $'000	At 31 March 2015 $'000
Within 1 year or on demand	**3,643,315**	499,866
After 1 year but within 2 years	**168,152**	95,206
After 2 years but within 3 years	**99,419**	63,710
	3,910,886	658,782

On 28 June 2013, Up Energy Mining Limited ("**UE Mining**"), a wholly owned subsidiary of the Group, obtained a loan facility, amounting to $480,000,000, from China Minsheng Bank Corporation Limited Hong Kong Branch ("**Minsheng Bank Hong Kong**").

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

20 BORROWINGS *(continued)*

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

On 29 December 2014, Up Energy Resources Company Limited as borrower constructed in the form of a long-term facility loan agreement of $232 million with Minsheng Bank Hong Kong. This loan facility was increased to $317,000,000 in July 2015. As at 30 September 2015, $317,000,000 had been drawn down under this loan facility. This loan is repayable in 8 instalments from 29 March 2016 to 13 July 2018, and the interest rate is 5.5% per annum. The Company and Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Minsheng Bank Hong Kong for, including but not limited to, all amounts payable by the Group under the loan facility.

At 30 September 2015, bank loans amounting to $11,828,000 were secured by property, plant and equipment of GCC LP with an aggregate carrying value of $5,168,000.

As at 30 September 2015, bank loans amounting to $3,165,517,000 were secured by total assets of GCC LP with an aggregate carrying value of $5,084,120,000. This loan was reclassified to current portion of long-term borrowings due to the default of interest payment on the due date, which triggered the acceleration term and the bank has right to declare all or part of the loan, together with accrued interest be immediately due and payable.

On 5 March 2014, Up Energy (Xinjiang) Mining Limited ("**UE Xinjiang**") as Borrower entered into a long-term facility loan agreement of RMB250 million (equivalent to $315 million) and RMB270 million (equivalent to $341 million), respectively with Industrial and Commercial Bank of China Limited Fukang Branch ("**ICBC Fukang**") for the construction of the Shizhuanggou Mine and Quanshuigou Mine. As at 30 September 2015, RMB193,591,000 (equivalent to $235,852,000) had been drawn down under this loan facility. The loan period is 2 years, and the interest rate is 110% of the prime loan rate of the People's Bank of China. Mine properties with an aggregate carrying value of $8,370,418,000 were pledged to ICBC Fukang as security. Up Energy Investment (China) Limited also pledged its equity interests in UE Xinjiang as security. In addition, Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of ICBC Fukang for, including but not limited to, all amounts payable by the Group under the RMB250 million and RMB270 million loan facilities.

20 BORROWINGS *(continued)*

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

	At 30 September 2015 $'000	At 31 March 2015 $'000
Unsecured loans	**13,879**	25,250
Secured bank loans (note (i))	**18,275**	46,081
Guaranteed bank loans (note (ii))	**115,331**	11,363
Current portion of long-term borrowings		
– Bank loan	**3,643,315**	499,866
	3,790,800	582,560

Notes:

(i) As at 30 September 2015, bank loans amounting to $nil (31 March 2015: $27,143,000) were secured by bank deposits with an aggregate carrying value of $nil (31 March 2015: $29,473,000) (see note 19).

As at 30 September 2015, banks loans amounting to $18,275,000 (31 March 2015: $18,938,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $26,814,000 (31 March 2015: $27,166,000) and $58,244,000 (31 March 2015: $67,307,000) respectively.

(ii) As at 30 September 2015, bank loans amounting to $115,331,000 (31 March 2015: $11,363,000) were guaranteed by a related party of the Group.

21 TRADE AND BILLS PAYABLES

At 30 September 2015, the ageing analysis of trade creditors and bills payables, based on invoice date, is as follows:

	At 30 September 2015 $'000	At 31 March 2015 $'000
Within 2 months	**12,964**	28,593
Over 2 months but within 3 months	**32,557**	88,866
Over 3 months but within 6 months	**12,370**	37,803
Over 6 months but within 1 year	**72,507**	97,261
Over 1 year but within 2 years	**88,087**	3,273
	218,485	255,796

22 OTHER FINANCIAL LIABILITIES

	At 30 September 2015 $'000	At 31 March 2015 $'000
Other financial liabilities:		
– At amortised cost (note (a))	**453,769**	428,185
– At fair value (note (b))	**388,775**	346,618
	842,544	774,803
Among which:		
– Current portion	**810,798**	142,273
– Non-current portion	**31,746**	632,530

22 OTHER FINANCIAL LIABILITIES *(continued)*

(a) Other financial liabilities at amortised cost

	For finance lease (note (i)) $'000	For puttable shares (note (ii)) $'000	Corporate bond (note (iii)) $'000	Total $'000
At 1 April 2014	**270,132**	**244,110**	**–**	**514,242**
Addition	–	–	15,200	15,200
Unwinding interests	17,197	26,573	29	43,799
Repayment	(145,306)	–	–	(145,306)
Exchange adjustments	250	–	–	250
At 31 March 2015	**142,273**	**270,683**	**15,229**	**428,185**
Among which:				
– Current portion	142,273	–	–	142,273
– Non-current portion	–	270,683	15,229	285,912
At 1 April 2015	**142,273**	**270,683**	**15,229**	**428,185**
Addition	–	–	16,230	16,230
Unwinding interests (note 7(a))	3,659	14,351	1,416	19,426
Repayment	(3,967)	–	–	(3,967)
Interest payables	–	–	(1,129)	(1,129)
Exchange adjustments	(4,976)	–	–	(4,976)
At 30 September 2015	**136,989**	**285,034**	**31,746**	**453,769**
Among which:				
– Current portion	136,989	285,034	–	422,023
– Non-current portion	–	–	31,746	31,746

22 OTHER FINANCIAL LIABILITIES *(continued)*

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

Notes:

(i) On 19 December 2012, the Group entered into agreements and supplemental agreements (collectively referred to as the "**Agreements**") with Cinda Financial Leasing Company Limited ("**Cinda**"). Pursuant to the Agreements, Cinda provided funds amounting to $296,000,000 and $59,000,000 to two subsidiaries of the Company, respectively. The annual interest of both funds is 9.204%. The funds were deemed to be used for the purchase of equipment and machineries as specified in the Agreements. Pursuant to the Agreements, the ownership of equipment and machineries purchased under the Agreements are in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of $45,261,000 and $9,052,000 made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payables by the Group under the Agreements. As at 30 September 2015, ownership of equipment and machineries amounting to $197,296,000 (31 March 2015: $214,510,000), which were recorded as property, plant and equipment, was in possession of Cinda.

(ii) 140,000,000 ordinary shares (the "**Puttable Shares**") of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of Champ Universe. Pursuant to the put option, Hao Tian Resources Group Limited ("**Hao Tian**") has the right to request the Group to repurchase the Puttable Shares at $2.2 per share with 20 business days after 28 June 2016. The financial liabilities was amortised at a rate of 10.47% per annum.

(iii) As at 30 September 2015, the Group issued unlisted corporate bonds with principal amount of $40.5 million. The corporate bonds bear coupon rates of 7% to 7.5% per annum and have terms of 5 to 8 years.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of top up option (the "**Top Up Option**") in relation to the 227,500,000 shares (the "**Issued Shares**") issued to Hao Tian for the acquisition of Champ Universe. Pursuant to the Top Up Option, the Group will allot and issue additionally new shares or pay cash to Hao Tian if the average closing price of ordinary shares of the Company for the trading days immediately preceding and including 28 June 2016 is less than $2. The fair value of derivative financial liabilities as at 30 September 2015 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

23 OTHER PAYABLES AND ACCRUALS

	At 30 September 2015 $'000	At 31 March 2015 $'000
Payables for construction work and equipment purchases	**291,144**	263,034
Security deposits on construction work	**26,433**	28,079
Amounts due to related parties	**14,441**	64,757
Other taxes payable	**12,888**	9,486
Interests payable	**142,233**	12,298
Advances from customers	**18,060**	13,627
Others	**99,837**	47,696
	605,036	438,977

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

24 CONVERTIBLE NOTES

	Liability component $'000	Equity component $'000	Total $'000
Carrying amount at 1 April 2015	3,489,412	2,092,103	5,581,515
Amendment of terms of certain convertible notes	(149,214)	101,508	(47,706)
Interest charged during the period (note 7(a))	232,571	–	232,571
Interests payable	(81,068)	–	(81,068)
Conversion of convertible notes	(225,828)	(168,290)	(394,118)
Carrying amount at 30 September 2015	3,265,873	2,025,321	5,291,194
Current portion	957,779	–	957,779
Non-current portion	2,308,094	2,025,321	4,333,415

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

All Tranche C convertible notes have been converted into ordinary shares before 31 March 2012. As at 31 March 2015 and 30 September 2015, no Tranche C convertible notes were outstanding.

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

On 13 February 2015, the shareholders of the Company approved the amendment of certain terms and conditions of Tranche A and Tranche B convertible notes at a special general meeting. After the deed of amendment signed by the note-holders and the Company, the convertible notes bear interest rate of 5% per annum and have a maturity date of 31 December 2018 and a conversion price of $0.75 per share, subject to adjustments.

24 CONVERTIBLE NOTES *(continued)*

During the six months ended 30 September 2015, Tranche A convertible notes with principal amount of $50,000,000 and Tranche B convertible notes with principal amount of $355,618,000 have been amended to the above terms. This amendment was accounted for as extinguishment of the relevant former Tranche A and Tranche B convertible notes with new convertible notes issued. Gain of $47,706,000 was charged into the profit or loss for the difference between carrying amounts of the liability component of relevant former convertible notes and the fair values (after deducting the fair values of the equity component of relevant former convertible notes at the amendment date) of the new convertible notes issued at the amendment date.

25 PROVISIONS

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

26 SHARE OPTION SCHEME

(a) Share option scheme

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

During the six months ended 30 September 2015, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the Scheme.

(b) Share award scheme

Pursuant to a written resolution of the board of director passed on 28 October 2013, the Company adopts a share award scheme ("**Share Award Scheme**"). The Share Award Scheme shall be subject to the administration of an executive committee and the trustee in accordance with the scheme rules and trust deed. As at 30 September 2015, no award has been made under the Share Award Scheme.

27 CAPITAL,RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of interim dividend in respect of the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

(b) Share capital

	At 30 September 2015		At 31 March 2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Authorised:				
Ordinary shares of $0.2 each	**6,000,000**	**1,200,000**	6,000,000	1,200,000
Convertible non-voting preference shares of $0.02 each	**2,000,000**	**40,000**	2,000,000	40,000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	**3,743,188**	**748,638**	3,030,296	606,059
Conversion of convertible notes	**419,061**	**83,812**	137,792	27,559
Issuance of shares under placing (note c)	**303,832**	**60,766**	575,100	115,020
At the end of the period/year	**4,466,081**	**893,216**	3,743,188	748,638

(c) Issuance of shares under placing

On 15 May 2015, 303,832,000 ordinary shares were issued under placing to several new investors at $0.55 per share. Total consideration amounting to $158,572,000 of which $60,766,000 was credited to share capital and the remaining proceeds of $97,806,000 (net of the share issuance costs of $8,536,000) were credited to the share premium account.

27 CAPITAL,RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Other reserve

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

(iii) Contributed surplus

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

(iv) Exchange reserve

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

(v) Capital reserve

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

27 CAPITAL,RESERVES AND DIVIDENDS *(continued)*

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

(vi) Share award scheme trusts

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

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

(e) Distributability of reserves

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

28 ACQUISITION OF SUBSIDIARIES

On 2 September 2015, the Group completed the acquisition of 85.31% interests in GCC and GCC LP, a Canadian coking coal mining entity, from 0925165 B.C. Ltd. ("**Winsway seller**") and Marubeni Coal Canada Ltd. ("**Marubeni seller**").

The consideration for the acquisition include: (1) cash consideration of $1 paid to each of Winsway seller and Marubeni seller; (2) certain buy back right granted to Winsway seller in respect of up to 16.86% interests in GCC and GCC LP ("**Winsway buy-back right**") and (3) certain buy back right granted to Marubeni seller in respect of up to 15.78% interests in GCC and GCC LP ("**Marubeni buy-back right**").

In connection with the acquisition, transaction costs of approximately $2,811,000 were incurred, which have been included in the Group's administrative expenses for the six months ended 30 September 2015.

28 ACQUISITION OF SUBSIDIARIES *(continued)*

Identifiable assets acquired and liabilities assumed as at 2 September 2015:

	Fair value
	$'000
Property, plant and equipment, net	1,030,239
Mining properties	3,708,642
Cash and cash equivalents	10,422
Restricted bank deposits	177,210
Inventories	115,013
Trade and bills receivable	24,117
Prepayments, deposits and other receivables	25,790
Trade and bills payable	(139,788)
Other payables and accruals	(630,185)
Short term borrowings	(3,165,679)
Finance lease obligations	(103,933)
Long-term borrowings	(11,282)
Deferred tax liabilities	(722,730)
Provisions	(215,757)
Total identifiable assets acquired net of liabilities assumed	102,079

The initial fair value/acquisition accounting for GCC LP was determined provisionally. In accordance with HKFRS 3, adjustments to the fair value of the consideration and the assets acquired and liabilities assumed can be made during the 12 months from the date of acquisition.

28 ACQUISITION OF SUBSIDIARIES *(continued)*

Consideration transferred as at 2 September 2015:

	Fair value
	$'000
Cash	0
Fair value of Winsway buy-back right	–
Fair value of Marubeni buy-back right	–
Fair value of total consideration	0

Goodwill at the acquisition date arising from the acquisition has been recognised as follows:

	$'000
Total consideration transferred	–
Non-controlling interest	121,164
Net identifiable assets acquired	(102,079)
Goodwill	19,085

An analysis of the cash flow effect for the acquisition of subsidiaries is as follows:

	2 September 2015
	$'000
Cash consideration paid	–
Add: transaction costs in relation to the acquisition	2,811
Less: cash and cash equivalents acquired	(10,422)
	(7,611)

29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

		Fair value measurements as at 30 September 2015 using		
	Fair value at 30 September 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Trading securities	**16,232**	**16,232**	**–**	**–**
Financial liabilities:				
Derivative liability for Top Up Option	**388,775**	**–**	**–**	**388,775**

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

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

	Fair value at 31 March 2015	Fair value measurements as at 31 March 2015 using		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Trading securities	–	–	–	–
Financial liabilities:				
Derivative liability for Top Up Option	346,618	–	–	346,618

During the six months ended 30 September 2015 and the year ended 31 March 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Value
Top Up Option	Black-Scholes model	Expected volatility	58.267%

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

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

(b) Information about Level 3 fair value measurements *(continued)*

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

	$'000
Top Up Option	
At 1 April 2015	346,618
Changes in fair value recognised in profit or loss during the period (note 6)	42,157
At 30 September 2015	388,775

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

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

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

In respect of borrowings and the liability component in respect of the convertible notes, the carrying amounts are not materially different from their fair values as at 30 September 2015. The fair values of borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The fair values of the convertible notes are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

The aggregate carrying values of other financial liabilities carried on the consolidated statement of financial position are not materially different from their fair values as at 30 September 2015.

30 COMMITMENTS

(a) Capital commitments

	At 30 September 2015 $'000	At 31 March 2015 $'000
Contracted for	**346,903**	357,991

(b) Operating lease commitments

At 30 September 2015, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	At 30 September 2015 $'000	At 31 March 2015 $'000
Within 1 year	**6,063**	4,889
After 1 year but within 5 years	**2,434**	4,377
	8,497	9,266

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

31 CONTINGENCIES

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

32 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the six months ended 30 September 2015:

(a) Key management personnel remuneration

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

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

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Salaries and other emoluments	**5,284**	4,845
Retirement scheme contributions	**18**	18

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

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions

During the six months ended 30 September 2015, the Group entered into the following material related party transactions:

	Six months ended 30 September	
	2015	2014
	$'000	$'000
Payments on behalf of the Group by related parties	**–**	27,829
Cash advance from related parties (note (1))	**34,717**	181,223
Repayments of advances to related parties (note (2))	**74,060**	–

Notes:

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

(2) During the six months ended 30 September 2015, a total amount of $74,060,000 was transferred from the subsidiaries in Hong Kong to certain related parties or their designated third parties in Hong Kong. These payments to the related parties or their designated third parties in Hong Kong are in substance to settle the Group's payables due to the affiliate of these related parties in mainland China.

(c) Related party balances

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

	At 30 September 2015	At 31 March 2015
	$'000	$'000
Other receivables	**124**	129
Other payables and accruals	**14,441**	64,757

33 MAJOR NON-CASH TRANSACTION

$162,500,000 Tranche A convertible notes and $150,000,000 Tranche B convertible notes were converted by note-holders into ordinary shares from 1 April 2015 to 30 September 2015 on the basis of one ordinary share for every $0.7455 convertible note held.

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

As at 30 September 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

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

		Number of Shares/underlying Shares held in the Company			
Name of Director	**Capacity**	**Number of Shares**	**Number of underlying Shares**	**Total number of Shares and underlying Shares**	**Approximate percentage of issued share capital**
Qin Jun	Beneficiary Interest of Trust	1,321,636,885 (L)	3,146,905,359 (L)	4,468,542,244 (L)	100.06%
	Corporate Interest	32,938,000 (L)	318,578,135 (L)	351,516,135 (L)	7.87%
	Beneficiary Interest of Trust	1,310,931,166 (S)	2,648,222,669 (S)	3,959,153,835 (S)	88.65%

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

Notes:

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

2. 32,938,000 Shares and 318,578,135 derivatives interests are beneficially owned by Up Energy Capital Limited. Up Energy Capital Limited is a company wholly owned by Mr. Qin. Mr. Qin is therefore taken to be interested in the relevant Shares by virtue of the SFO.

3. As at 30 September 2015, the number of issued Shares of the Company was 4,466,080,804 Shares.

Save as disclosed above, as at 30 September 2015, none of the Directors or the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2015, so far as is known to the Directors, the following persons, not being a Director or the chief executive of the Company, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and Underlying Shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Up Energy Group Ltd	Beneficiary Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	2
Up Energy Holding Ltd	Corporate Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	2
Perfect Harmony Holdings Limited	Corporate Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	2
Seletar Limited	Corporate Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	2
Serangoon Limited	Corporate Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	2
Credit Suisse Trust Limited	Trustee	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	3
Liu Huihua	Spouse Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	4
Wang Mingquan	Founder of Trust	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	4

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital	Notes
Wang Jue	Beneficiary Interest of Trust/Spouse Interest	1,321,636,885 (L) 1,310,931,166 (S)	3,146,905,359 (L) 2,648,222,669 (S)	4,468,542,244 (L) 3,959,153,835 (S)	100.06% 88.65%	5
Up Energy Capital Limited	Corporate Interest	32,938,000 (L)	318,578,135 (L)	351,516,135 (L)	7.87%	6
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	343,309,317 (L)	344,865,742 (L)	7.72%	7
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	343,309,317 (L)	344,865,742 (L)	7.72%	7
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	343,309,317 (L)	344,865,742 (L)	7.72%	7
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	343,309,317 (L)	344,865,742 (L)	7.72%	7
Central Huijin Investment Ltd.	Corporate Interest	55,556,425 (L)	806,613,113 (L)	862,169,538 (L)	19.30%	7 to 10
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	–	517,303,796 (L)	517,303,796 (L)	11.58%	8
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	–	517,303,796 (L)	517,303,796 (L)	11.58%	8
CCB Financial Holdings Limited	Corporate Interest	–	517,303,796 (L)	517,303,796 (L)	11.58%	8
CCB International Group Holdings Limited	Corporate Interest	–	517,303,796 (L)	517,303,796 (L)	11.58%	8
China Construction Bank Corporation	Corporate Interest	–	517,303,796 (L)	517,303,796 (L)	11.58%	8
Yun Dahui	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	6.72% 6.72%	11
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	– –	300,000,000 (L) 300,000,000 (S)	6.72% 6.72%	11
Wong Ben Koon	Beneficiary Interest	291,116,000 (L)	–	291,116,000 (L)	6.52%	
Hao Tian Development Group Limited	Beneficiary Interest	367,500,000 (L) 140,000,000 (S)	– –	367,500,000 (L) 140,000,000 (S)	8.23% 3.13%	
	Corporate Interest	4,000,000 (L)	134,138,162 (L)	138,138,162 (L)	3.09%	
Asia Link Capital Investment Holdings Limited	Beneficiary Interest	367,500,000 (L) 140,000,000 (S)	– –	367,500,000 (L) 140,000,000 (S)	8.23% 3.13%	
	Corporate Interest	4,000,000 (L)	134,138,162(L)	138,138,162 (L)	3.09%	
Li Shao Yu	Beneficiary Interest	367,500,000 (L) 140,000,000 (S)	– –	367,500,000 (L) 140,000,000 (S)	8.23% 3.13%	
	Corporate Interest	4,000,000 (L)	134,138,162(L)	138,138,162 (L)	3.09%	

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

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "**DI Forms**") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company as of 30 September 2015. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms. Therefore, some substantial shareholders' interests in Shares or short positions may not have breakdown in their relevant interests.

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

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

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

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

9. CCB Corp is in turn 57.26% beneficially owned by Central Huijin Investment Ltd. ("**Central Huijin**"). By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.

10. ICBC is in turn 35% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which ICBC was interested.

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

12. As at 30 September 2015, the number of issued Shares of the Company was 4,466,080,804 Shares.

Save as disclosed above, as at 30 September 2015, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2015, except for code provisions A.2.1 and C.1.2 as explained below:

Code Provision A.2.1

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

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

Code Provision C.1.2

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Listing Rules 3.08 and Chapter 13.

During the six months ended 30 September 2015, management experienced delay in receiving financial information from overseas subsidiaries as a result of shortage of manpower. The Board will implement processes and endeavour to provide timely information to all directors to discharge their duties in due course.

CHANGE OF DIRECTORS' INFORMATION

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

(i) Mr. Jiang Hongwen has been appointed as an independent director of Xinjiang Bai Hua Cun Co., Ltd. (stock code: 600721) on 13 May 2015.

(ii) Mr. Chau Shing Yim, David ("**Mr. Chau**") has retired from office as an independent non-executive Director and did not offer himself for re-election at the annual general meeting held on 25 September 2015.

Following the change of Director, Mr. Chau has ceased to be a member of Audit Committee with effect from 25 September 2015.

(iii) Mr. Zhang Xudong, Alan ("**Mr. Zhang**") has been appointed as an independent non-executive Director and a member of Audit Committee to fill the casual vacancy that arise from the retirement of Mr. Chau with effect from 25 September 2015.

Save as disclosed above, as at 30 September 2015, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. At present, the audit committee comprises four members, namely Mr. Lien Jown Jing, Vincent (Chairman), Mr. Li Bao Guo, Dr. Shen Shiao-Ming and Mr. Zhang Xudong, Alan, all of whom are independent non-executive Directors.

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

The audit committee of the Company, together with the management, have reviewed the accounting principles and practice adopted by the Group, and also discussed issues related to financial reporting, including the review of the Group's unaudited interim results for the Period under Review. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board

Qin Jun
Chairman

Hong Kong, 27 November 2015