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**ANNOUNCEMENT IN RESPECT OF
(1) WINDING UP PETITION;
(2) DEMAND LETTERS FROM THE CONTROLLING SHAREHOLDERS;
AND
(3) RESUMPTION OF TRADING**

This Announcement is made by the Company pursuant to Rule 13.09(2), Rule 13.19, Rule 13.25 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements of the Company dated 19 January 2016, 19 February 2016, 29 February 2016, 7 March 2016 and 29 March 2016 (the “**Announcements**”) in which, among other things, the Board announced that the Company did not settle the Subject 2016 Convertible Notes and Cross Default Indebtedness on the Maturity Date and within the Remedial Period. Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements unless the context requires otherwise.

WINDING UP PETITION

On 29 March 2016, the Board received a winding up petition dated 29 March 2016 filed by HEC Securities Limited (the “**Petitioner**”) against the Company (the “**Winding Up Petition**”) in the Court of First Instance of the High Court of Hong Kong for the outstanding balance of principal, with interest accrued, of the matured Convertible Notes in the principal amount of HK\$230,000,000.

The hearing of the Winding Up Petition was scheduled to be heard on 6 July 2016.

The Company is currently seeking legal advice in respect of the Winding Up Petition with a view to defend the Winding Up Petition and challenge the title and rights of the Convertible Notes; and/or reach a settlement with the Petitioner on this matter; and/or implement the Reorganization Plan by way of a Scheme. The Company will keep its shareholders and potential investors informed of any further significant development when appropriate. Shareholders of the Company and potential investors should accordingly exercise caution when dealing in the securities of the Company.

* For identification purpose only

DEMAND LETTERS FROM THE CONTROLLING SHAREHOLDERS

The Company received demand letters (the “**Demand Letters**”) from Up Energy Group Ltd and Up Energy Capital Limited on 24 March 2016, the controlling shareholders of the Company as defined under the Listing Rules (the “**Controlling Shareholders**”), to demand repayment of the principal amount of the 2018 Convertible Notes (the “**Outstanding Indebtedness**”) of HK\$2,289,250,000 and HK\$237,500,000, respectively, together with all interest and default interests due and incurred to date forthwith triggering by the cross-default of the 2016 Convertible Notes of the Company. The due and punctual payment of the Outstanding Indebtedness are secured by way of first legal mortgage of the shares of each of Up Energy Investment (China) Ltd, Up Energy (Hong Kong) Limited and Up Energy International Ltd. as continuing security. Accrued interest for the Outstanding Indebtedness of Up Energy Group Ltd up to 31 December 2015 amounted to approximately HK\$57,955,000.

Up Energy Capital Limited is a company wholly-owned by Mr. Qin Jun (“**Mr. Qin**”), who is also an executive Director, chairman and chief executive officer of the Company. Up Energy Group Ltd is a company incorporated in the British Virgin Islands with limited liability and is 100% beneficially held in trust by J&J Trust, of which Mr. Qin and his wife are the beneficiaries.

As confirmed by the Controlling Shareholders, given the Company has resolved to proceed with a Reorganization Plan and will implement a Scheme in the court(s) in the relevant jurisdiction(s) for sanction, the Controlling Shareholders intend to support the Scheme once it has been finalized.

The Company is in the course of seeking legal advice in respect of the above matter. The Company will keep its shareholders and potential investors informed of any further significant development when appropriate. Shareholders of the Company and potential investors should accordingly exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 23 March 2016 pending the release of the announcement published on 29 March 2016 and this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 31 March 2016.

By Order of the Board
Up Energy Development Group Limited
Leung Wai Shun Wilson
Company Secretary

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Mr. Qin Jun and Mr. Wang Chuan as Executive Directors; Mr. Liu Yongshun as Non-executive Director; and Mr. Li Bao Guo, Mr. Wang Dayong and Mr. Zhang Xudong Alan as Independent Non-executive Directors.