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UP ENERGY

Up Energy Development Group Limited

優派能源發展集團有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 307)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

FINAL RESULTS

The board of Directors (the "Board") of Up Energy Development Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014, together with the comparative figures in previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Revenue	3	**152,836**	–
Cost of revenue		**(164,315)**	–
Gross loss		**(11,479)**	–
Other revenue		**4,602**	5,020
Other net income		**16,803**	4,347
Distribution costs		**(2,249)**	–
Administrative expenses		**(88,221)**	(70,597)
Loss from operations		**(80,544)**	(61,230)
Finance (costs)/income	4	**(54,024)**	1,938
Loss before taxation		**(134,568)**	(59,292)
Income tax	5	**10,967**	(1,084)
Loss for the year		**(123,601)**	(60,376)

* *for identification purpose only*

	Note	**2014**	2013
		$'000	*$'000*
Attributable to:			
Equity shareholders of the Company		**(98,617)**	(47,786)
Non-controlling interests		**(24,984)**	(12,590)
Loss for the year		**(123,601)**	(60,376)
Loss per share			
Basic and diluted	*7*	**(3.57) cents**	(2.97) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

(Expressed in Hong Kong dollars)

	2014	2013
	$'000	*$'000*
Loss for the year	**(123,601)**	(60,376)
Other comprehensive income for the year (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	**22,360**	2,026
Total comprehensive income for the year	**(101,241)**	(58,350)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**(78,033)**	(46,133)
Non-controlling interests	**(23,208)**	(12,217)
Total comprehensive income for the year	**(101,241)**	(58,350)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

(Expressed in Hong Kong dollars)

	Note	**2014**	2013
		$'000	*$'000*
Non-current assets			
Property, plant and equipment, net		**18,824,714**	15,547,552
Prepaid land lease payments		**74,952**	66,201
Goodwill		**25,623**	–
Deferred tax assets	*15(b)*	**13,474**	–
Restricted bank deposits		**23,923**	16,864
Other non-current assets	*9*	**119,166**	226,455
Total non-current assets		**19,081,852**	15,857,072
Current assets			
Trading securities		**4,750**	18,250
Inventories		**110,068**	297
Trade and bills receivable	*10*	**71,803**	–
Prepayments, deposits and other receivables		**107,453**	56,638
Restricted bank deposits		**42,350**	17,003
Cash and cash equivalents		**23,992**	881,932
Total current assets		**360,416**	974,120
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	*12*	**370,614**	–
Trade and bills payable	*13*	**196,391**	16,803
Other financial liabilities	*11*	**164,350**	114,792
Other payables and accruals	*14*	**383,500**	202,097
Current taxation	*15(a)*	**8,104**	3,110
Total current liabilities		**1,122,959**	336,802
Net current (liabilities)/assets		**(762,543)**	637,318
Total assets less current liabilities		**18,319,309**	16,494,390

	Note	2014 $'000	2013 $'000
Non-current liabilities			
Long-term borrowings	*12*	**199,500**	–
Convertible notes		**4,213,246**	4,108,282
Other financial liabilities	*11*	**673,898**	229,597
Deferred tax liabilities	*15(b)*	**3,918,863**	3,429,757
Provisions		**7,482**	–
Total non-current liabilities		**9,012,989**	7,767,636
NET ASSETS		**9,306,320**	8,726,754
CAPITAL AND RESERVES			
Share capital	*8*	**606,059**	509,337
Equity component of convertible notes		**1,311,693**	1,364,709
Reserves		**4,663,402**	4,205,740
Total equity attributable to equity shareholders of the Company		**6,581,154**	6,079,786
Non-controlling interests		**2,725,166**	2,646,968
TOTAL EQUITY		**9,306,320**	8,726,754

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and savings arrangements for Part 9 of Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 March 2014, the Group had net current liabilities of $762,543,000 (as at 31 March 2013: net current assets of $637,318,000) and current portion of outstanding bank borrowings of $370,614,000 (see note 12) (as at 31 March 2013: nil) and other financial liabilities of $164,350,000 (as at 31 March 2013: $114,792,000) was due for renewals or repayments within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group's 1.3 Mt Coking Project started its operation from October 2013. Other than this project, the Group's principal projects in Fukang, Xinjiang, namely three coal mines and the other two circulative business chain projects, are still under construction. In relation to the newly acquired projects in Baicheng, Xinjiang, they resumed production of coal from November 2013. Accordingly, the Group's principal projects in Fukang and Baicheng, Xinjiang, contributed a revenue amounting to approximately $152,836,000 to the Group for the year ended 31 March 2014. The Group is using its best endeavours in an attempt to bring the projects in Fukuang, Xinjiang, into commercial production according to the prevailing development plan of the Group's principal projects. The Directors anticipate that certain of these aforementioned projects will commence commercial production by the third quarter of 2014 which will then improve the liquidity position of the Group. However, the commencement of the projects is still subject to satisfaction of certain conditions, which represents a material uncertainty to the going concern of the Group.

The Directors are confident that the Group will continue to obtain ongoing support from its bankers. This includes unused banking facilities as of 31 March 2014 of approximately RMB510,000,000 obtained from the Group's bankers located in Mainland China. In addition, the major shareholder has confirmed that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operation as a going concern for at least the next twelve months. The Group is also actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue and issuance of corporate bonds as alternative sources of funding. Accordingly, the Directors consider that it is appropriate to prepare these financial statements on the going concern basis. These 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual Improvements to *HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- HK(IFRIC) 20, *Stripping costs in the production phase of a surface mine*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the amendments to HKAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*, which modify the disclosure requirements for impaired non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014, but as permitted by the amendments, the Group has adopted the amendments early. Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

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

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

The adoption of the amendments does not have an impact on these financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HK(IFRIC) 20, Stripping costs in the production phase of a surface mine

HK(IFRIC) 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when one of the two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory or improved access to further quantities of material that will be mined in future periods.

Upon adoption of HK(IFRIC) 20, the Group assessed the previously recognised stripping activity asset on the statement of financial position as at 1 April 2012 and determined that there are identifiable components of the ore body with which this stripping activity asset can be associated. Accordingly, no opening consolidated statement of financial position as at 1 April 2012 was presented as no opening balance adjustment was recorded.

In addition, the Group assessed the effect of the adoption of HK(IFRIC) 20 and determined that the effects to the Group's results for the year ended 31 March 2013 and the Group's financial position as at 31 March 2013 are not material and does not require any restatement of the comparative figures in these financial statements.

3. 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 in revenue during the year is as follows:

	2014	2013
	$'000	*$'000*
Coke	**46,914**	–
Coal	**99,128**	–
Others	**6,794**	–
	152,836	–

During the year ended 31 March 2014, the Group had three customers that individually exceeded 10% of the Group's turnover. The revenue from sales to these three customers amounted to approximately $100,082,000 for the year ended 31 March 2014. The Group has no revenue or turnover during the year ended 31 March 2013.

4. LOSS BEFORE TAXATION

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

(a) Net finance costs/(income)

	2014	2013
	$'000	*$'000*
Foreign exchange loss/(gain), net	**1,901**	(1,938)
Interest on borrowing	**33,085**	–
Unwinding interest of convertible notes	**270,545**	270,317
Unwinding interest of other financial liabilities *(note 11)*	**46,270**	7,912
Other interest expense	**835**	–
Less: interest expense capitalised into construction in progress and mining properties*	**(298,612)**	(278,229)
Finance costs	**52,123**	–
Net finance costs/(income)	**54,024**	(1,938)

* The borrowing costs have been capitalised at a rate of 6.87% per annum for the year ended 31 March 2014 (2013: 6.75%)

(b) Staff costs

	2014	2013
	$'000	*$'000*
Salaries, wages, bonus and other benefits	17,378	9,186
Retirement scheme contributions	853	635
	18,231	9,821

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

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

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

(c) Other items

	2014	2013
	$'000	*$'000*
Amortisation of prepaid land lease payments	**2,393**	2,258
Depreciation of property, plant and equipment	**43,591**	9,674
Operating lease charges: minimum lease payments hire of property	**4,165**	5,118
Gain on sales of property, plant and equipment	**296**	47
Auditors' remuneration – audit services	**3,636**	2,315
Cost of inventories*	**164,315**	–

* Cost of inventories include $34,285,000 relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each types of expenses.

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2014	2013
	$'000	*$'000*
Current tax		
Provision for the year *(note 15(a))*	**3,625**	2,126
Deferred tax		
Origination and reversal of temporary differences *(note 15(b))*	**(14,592)**	(1,042)
	(10,967)	1,084

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 March 2014 and 2013.

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

6. SEGMENT REPORTING

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

7. 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 of $98,617,000 (2013: $47,786,000) and the weighted average of 2,765,566,070 ordinary shares (2013: 1,610,816,199) in issue during the year, as adjusted to reflect (1) the conversion of the Tranche A and Tranche B convertible notes; (2) shares purchased by share award scheme trusts; and (3) issuance of shares for acquisition of subsidiaries (see note 17).

(b) Diluted loss per share

The diluted loss per share for the years ended 31 March 2014 and 2013 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option (as defined in note 17) for the acquisition of subsidiaries during the years ended 31 March 2014 and 2013 have anti-dilutive effect to basic loss per share.

8. SHARE CAPITAL

	2014		2013	
	No. of share		No. of share	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.2 each	**6,000,000**	**1,200,000**	6,000,000	1,200,000
Convertible non-voting preference shares of $0.02 each	**2,000,000**	**40,000**	2,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 April	**2,546,687**	**509,337**	1,154,860	230,972
Conversion of convertible notes	**116,109**	**23,222**	542,931	108,586
Issuance of shares under rights issue	**–**	**–**	848,896	169,779
Issuance of shares for acquisition of subsidiaries *(note 17)*	**367,500**	**73,500**	–	–
At 31 March	**3,030,296**	**606,059**	2,546,687	509,337

9. OTHER NON-CURRENT ASSETS

	2014	2013
	$'000	*$'000*
Deposits for acquisitions *(note (i))*	**24,331**	108,662
Deposits for financial liabilities *(note 11)*	**54,248**	53,267
Prepayments to suppliers for property, plant and equipment	**40,587**	64,526
	119,166	226,455

Notes:

(i) As at 31 March 2014, deposits mainly represent the prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited of $24,331,000 (2013: $98,662,000). During the year ended 31 March 2014, an amount of $74,331,000 has been refunded by Alpha Vision Energy Limited pursuant to the negotiation between the Group and the seller.

10. TRADE AND BILLS RECEIVABLE

	2014	2013
	$'000	*$'000*
Trade receivables	**67,762**	–
Bills receivable	**4,041**	–
	71,803	–

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

(a) Ageing analysis

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

	2014	2013
	$'000	*$'000*
Within 3 months	**61,533**	–
3 to 6 months	**10,270**	–
	71,803	–

11. OTHER FINANCIAL LIABILITIES

	2014	2013
	$'000	*$'000*
Other financial liabilities:		
– At amortised cost *(note (a))*	**514,242**	344,389
– At fair value *(note (b))*	**324,006**	–
	838,248	344,389
Among which:		
– Current portion	**164,350**	114,792
– Non-current portion	**673,898**	229,597

(a) Other financial liabilities at amortised cost

	For finance lease	**For puttable shares**	**Total**
	$'000	***$'000***	***$'000***
	(note (i))	*(note (ii))*	
At 1 April 2012	–	–	–
Addition	344,462	–	344,462
Unwinding interests	7,912	–	7,912
Repayment	(7,999)	–	(7,999)
Exchange adjustments	14	–	14
At 31 March 2013	**344,389**	**–**	**344,389**
Among which:			
– Current portion	114,792	–	114,792
– Non-current portion	229,597	–	229,597
At 1 April 2013	**344,389**	**–**	**344,389**
Addition from acquisition of subsidiaries	–	225,907	225,907
Unwinding interests *(note 4(a))*	28,067	18,203	46,270
Repayment	(107,937)	–	(107,937)
Exchange adjustments	5,613	–	5,613
At 31 March 2014	**270,132**	**244,110**	**514,242**
Among which:			
– Current portion	164,350	–	164,350
– Non-current portion	105,782	244,110	349,892

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 amounted 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 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 $45,207,000 and $9,041,000 made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 31 March 2014, ownership of equipment and machineries amounting to $209,000,000 (31 March 2013: $122,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

(ii) 140,000,000 ordinary shares of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of subsidiaries (see note 17). The financial liabilities was amortised at a rate of 10.47% per annum.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of Top Up Option arising from acquisition of subsidiaries (see note 17). The fair value of derivative financial liabilities as at 31 March 2014 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

12. BORROWINGS

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

	2014	2013
	$'000	*$'000*
Bank loans		
– secured	**444,505**	–
Less: current portion	**245,005**	–
	199,500	–

As at 31 March 2014, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong (as defined below) and ICBC Fukang (as defined below), were repayable as follows:

	2014	2013
	$'000	*$'000*
Within 1 year or on demand	**245,005**	–
After 1 year but within 2 years	**199,500**	–
	444,505	–

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

Payable on	**Principal and management fee payable**
	$'000
30 June 2014	76,834
29 September 2014	61,714
29 December 2014	61,714
30 March 2015	61,714
29 June 2015	68,194
29 September 2015	61,714
28 December 2015	61,714
	453,598

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

On 5 March 2014, UE Xinjiang as Borrower constructed in the form of a long-term facility loan agreement of RMB250 million (equivalent to $315 million) and RMB270 million (equivalent to $340 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 31 March 2014, RMB10,000,000 (equivalent to $12,610,000) has been drawn down under this loan facility. The loan period is 2 years, and the interest rate is the prime loan rate of People's Bank of China plus 10%. Mine properties with an aggregate carrying value of $8,370,418,000 were pledged to ICBC Fukang as security. UE China also pledged its equity interests in UE Xinjiang as security. In addition, Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of ICBC Fukang for, including but not limited to, all amounts payable by the Group under RMB250 million and RMB270 million loan facility.

(b) The short-term borrowings comprise:

	2014	2013
	$'000	*$'000*
Unsecured loans	**63,050**	–
Secured bank loans *(note (i))*	**62,559**	–
Current portion of long-term borrowings		
– Bank loan	**245,005**	–
	370,614	–

Note:

(i) As at 31 March 2014, bank loans amounting to $6,305,000 were secured by prepaid land lease with aggregate carrying value of $32,517,000 (2013: nil).

As at 31 March 2014, bank loans amounting to $15,650,000 were guaranteed by a third party (2013: nil).

As at 31 March 2014, bank loans amounting to $27,994,000 were secured by bank deposits with an aggregate carrying value of $29,473,000 (2013: nil).

As at 31 March 2014, banks loans amounting to $12,610,000 were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $27,870,000 (2013: nil) and $100,776,000 (2013: nil) respectively.

13. TRADE AND BILLS PAYABLE

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

At 31 March 2014, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	2014	2013
	$'000	*$'000*
Over 1 month but within 2 months	**125,850**	–
Over 2 months but within 3 months	**49,104**	8,191
Over 3 months but within 6 months	**21,437**	8,612
	196,391	16,803

14. OTHER PAYABLES AND ACCRUALS

	2014	2013
	$'000	*$'000*
Payables for construction work and equipment purchases	**299,196**	164,970
Payables for professional services	**11,054**	9,151
Security deposits on construction work	**29,778**	23,155
Amount due to related parties	**7,764**	–
Other taxes payables	**7,847**	2,263
Others	**27,861**	2,558
	383,500	202,097

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.

15. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2014	2013
	$'000	*$'000*
At the beginning of the financial year	**3,110**	989
Acquisition of subsidiaries *(note 17)*	**1,431**	–
Provision for the year *(note 5)*	**3,625**	2,126
Exchange adjustments	**(62)**	(5)
At the end of the financial year	**8,104**	3,110

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	**Fair value adjustment arising from acquisition of a subsidiary**	**Depreciation allowance in excess of related depreciation**	**Tax losses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
At 1 April 2012	3,427,857	2,942	–	3,430,799
Charged to profit or loss *(note 5)*	(336)	(706)	–	(1,042)
At 31 March 2013	3,427,521	2,236	–	3,429,757
At April 2013	3,427,521	2,236	–	3,429,757
Acquisition of subsidiaries *(note 17)*	495,300	–	(3,988)	491,312
Charged to profit or loss *(note 5)*	(4,235)	(862)	(9,495)	(14,592)
Exchange adjustments	(1,097)	–	9	(1,088)
At 31 March 2014	3,917,489	1,374	(13,474)	3,905,389

Reconciliation to the consolidated statement of financial position

	2014	2013
	$'000	*$'000*
Deferred tax assets recognised in the consolidated statement of financial position	**(13,474)**	–
Deferred tax liabilities recognised in the consolidated statement of financial position	**3,918,863**	3,429,757
	3,905,389	3,429,757

At 31 March 2014, the Group did not recognise deferred tax assets in respect of cumulative tax losses of $186,852,000 (2013: $173,495,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are available indefinitely or not more than five years (depending on the jurisdiction in which tax losses were incurred).

16. CONTINGENCIES

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except for amounts incurred pursuant to the environment compliance protection and precautionary measures in China, the Group has not incurred any other significant expenditure for environmental remediation, is currently not involved in any other environmental remediation, and has not accrued any other amounts for environmental remediation relating to its operations except for the Target Mine (as defined in note 17). 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.

17. ACQUISITION OF SUBSIDIARIES

On 12 October 2012, the Group entered into a share purchase agreement with Hao Tian Resources Group Limited ("Vendor") in relation to the acquisition of Champ Universe. Champ Universe through its directly and indirectly wholly-owned subsidiaries, owns 100% interests of Baicheng Wenzhou Mining Development Co., Ltd. (the "Target Mine"), which is located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China. The acquisition was completed on 28 June 2013.

The consideration for the Acquisition includes:

(i) $845,000,000 immediately paid by the Group to the Vendor on 28 June 2013;

(ii) $455,000,000 by way of issue and allotment to Vendor or its nominees of 227,500,000 ordinary shares of the Company at an issue price of $2 per share (the "Issued Shares");

(iii) A right was granted to the Vendor or its nominees for the Issued Shares. If average closing price of ordinary shares of the Company for the 5 trading days immediately preceding and including 28 June 2016 is less than $2, the Group will allot and issue additionally new shares or pay cash to the Vendor (the "Top Up Option");

(iv) $280,000,000 by way of issue and allotment to Vendor or its nominees of 140,000,000 ordinary shares of the Company at an issue price of $2 per share. A put option was attached to these shares. Vendor has right to request the Group to repurchase the shares at $2.2 per share with 20 business days after 28 June 2016 (the "Puttable Shares").

As at 28 June 2013, $1,650,191,000 of intercompany loans were transferred to the Group, which were previously owed by Champ Universe to the Vendor.

In connection with the Acquisition, transaction costs of approximately $2,710,000 were incurred, which have been included in the Group's administrative expenses for the year ended 31 March 2014.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identifiable assets acquired and liabilities assumed as at 28 June 2013:

	Carrying value *$'000*	**Fair value adjustments** *$'000*	**Fair value** *$'000*
Property, plant and equipment, net	32,614	2,805	35,419
Construction in progress	9,333	–	9,333
Mining properties	1,580,202	405,798	1,986,000
Deferred tax assets *(note 15(b))*	–	3,988	3,988
Restricted bank deposits	7,489	–	7,489
Prepaid land lease payments	1,903	–	1,903
Inventories	465	–	465
Prepayments, deposits and other receivables	46	–	46
Cash and cash equivalents	50,345	–	50,345
Trade and bills payable	(3,404)	–	(3,404)
Other payables and accruals	(26,536)	–	(26,536)
Current taxation *(note 15(a))*	(1,431)	–	(1,431)
Short term borrowings	(33,796)	–	(33,796)
Deferred tax liabilities *(note 15(b))*	–	(495,300)	(495,300)
Provisions	(6,889)	–	(6,889)
Total identifiable assets acquired net of liabilities assumed	1,610,341	(82,709)	1,527,632

Consideration transferred as at 28 June 2013:

	Fair value *$'000*
Cash	845,000
Fair value of Issued Shares	109,200
Fair value of Top Up Option	354,013
Fair value of Puttable Shares	245,042
Fair value of total consideration	1,553,255

The initial fair value/acquisition accounting for Champ Universe 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.

An analysis of the payment for the acquisition of subsidiaries is as follows:

	28 June 2013 *$'000*
Cash consideration paid	845,000
Add: transaction costs in relation to the acquisition	2,710
Less: cash and cash equivalents acquired	50,345
	797,365

FINAL DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2014 ("2014 Fiscal Year" or "Review Period"), the Group continued to focus on developing three mines in Xinjiang Uygur Autonomous Region ("Xinjiang") and three circulative business chain projects, and commenced production successively in the fourth quarter of 2013. In addition, the Group has completed a major acquisition project in relation to Xinjiang Baicheng Coal Mine by June 2013, while the acquisition of Kaftar Hona Coal Mine in Tajikistan, Xinjiang is still ongoing. Upon completion of these acquisitions and commencement of operation of the five mines, the Group's planned annual production capacity may reach 6 to 8 million tonnes, ranking No. 1 in the coking coal industry in northwestern China, and its expected revenue and profit will also increase sharply, further strengthening its leading position in the coking coal industry in northwestern China.

Industry Review

Xinjiang is the key region of sales for coking coal and coke products. The Group owns four coal mines, namely the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine and the Baicheng Coal Mine, which are all located in Xinjiang, while the Kaftar Hona Coal Mine in Tajikistan which is being acquired is also located relatively close to the Kashgar Prefecture of Xinjiang. Thus, the operating environment in Xinjiang area will have direct impact on the Group's coal business.

At the end of the first quarter of 2013, with the arrival of summer procurement seasons of domestic coking coal enterprises, the demand for coking coal was not strong because the majority of steel enterprises started to control the production capacity of their own and the steel industry was busy in clearing its winter steel stock, resulting in a decline of coking coal purchasing. On the other hand, since coal mines across China have resumed production gradually, the coking coal market was becoming saturated. Accordingly, coal prices started to drop at the end of March 2013. By the end of August 2013, the average prices of quality coking coal and coke in Shanxi were RMB1,100/tonne and RMB1,400/tonne respectively, decreasing by RMB300 and RMB200 per tonne when compared with the prices at the beginning of the year. In September 2013, coupled with a new round of coal storage for winter, the domestic coking coal market experienced a price surge again, with a sharp increase of RMB200/tonne. Such an upward trend continued until spring of 2014.

The prices of coking coal and coke in Xinjiang were less affected by the domestic coal supply and demand since it is a relatively closed market. In March 2013, coking coal and coke prices in Xinjiang still remained at RMB950/tonne and RMB1,400/tonne respectively. However, starting from July, stimulated by a price increase in steel in Xinjiang, the coking coal and coke have witnessed a price escalation in Xinjiang. By the end of September, the price of coking coal was RMB1,100/tonne while the coke price was RMB1,580/tonne in Xinjiang, delivering a stabilized price trend throughout the year.

In 2014, the basic trend of domestic coking coal and coke prices will still be highlighted by seasonal movements with the lower end in spring and summer and the higher end in autumn and winter. As a result, a high volatility is expected.

Business Review

(1) Coal Resources and Reserves

As at 31 March 2014, the Group had a total of approximately 377 Mt of JORC-compliant measured, indicated and inferred coal resources and a total of approximately 151 Mt of JORC-compliant proved and probable marketable coal reserves. In addition, the aggregate potential coal resources and reserves of the Shizhuanggou Coal Mine and the Quanshuigou Coal Mine are approximately 52 Mt. (Note: Since the acquisition of the Kaftar Hona Coal Mine has not been completed, the coal resource and reserve of which are not included.)

The estimated coal resources and reserves of the Baicheng Coal Mine in Xinjiang are approximately 126 Mt and 81 Mt respectively; while the Kaftar Hona Coal Mine in Tajikistan has a minimum of 158 Mt anthracite reserve according to the JORC technical report being prepared.

As of 31 March 2014, the JORC-compliant measured, indicated and inferred coal resources as well as the JORC-compliant proved and probable marketable coal reserves of the Group are categorized as follows:

Unit: Million Tonnes

Name	**Coal Resources (approximate)**			**Marketable Coal Reserves (approximate)**	
Category	Measured	Indicated	Inferred	Proved	Probable
Amount	244	91	42	112	39
Total		**377**		**151**	

Note:

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

The table below shows the coal resources and reserves of the four mines owned by the Group:

Unit: Million Tonnes

Coal Mine	**Coal Resources**	**Coal Reserves**
Xiaohuangshan Coal Mine	107.0	26.1
Quanshuigou Coal Mine	70.6	20.6
Shizhuanggou Coal Mine	73.2	23.5
Baicheng Coal Mine	125.9	80.5

The data of coal reserves and resources of the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine and the Quanshigou Coal Mine is extracted from the qualified person report prepared by John T. Boyd Company ("Boyd") in October 2010. Recently, Boyd completed investigation jobs for the three mines, including an independent technical review in November 2009 and an updated technical report in November 2009, both were proceeded in accordance with National Instrument NI143-101 of Canada. In order to estimate the quantity of coal resources and reserves, Boyd's technical experts in respect of coal mining (underground), coal processing, geology, reserve and environment stationed in the United States and China had completed a series of on-site investigation.

Since the release of Boyd reports in 2011, the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine and the Quanshigou Coal Mine have been in construction, so there is no change in the quantities of resources and reserves.

In respect of the Baicheng Coal Mine, the estimation on coal reserves is provided by Roma Oil & Mining Associates Ltd after considering the feasibility report prepared by the Exploration Design Institute of Hami Mining Administration Bureau in 2012 on measured and indicated coal resources.

(2) *Exploration and Construction Activities*

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

Expenses incurred during the Review Period were as follows:

Unit: RMB

Name of Coal Mine	Drilling	Exploitation and Construction	Trial Production	Mining	Major Development
Xiaohuangshan Mine	0	77,670,000.00	0	0	shaft sinking and drifting projects, power transmission projects, lift system, aboveground main building
Shizhuanggou Mine	0	63,180,000.00	0	0	Shaft sinking and drifting projects, hoisting system, gas drainage engineering equipment, 110KV electricity transmitting and transforming projects, 110KV electricity transforming equipment, administrative and welfare zone projects, rescue centers

Name of Coal Mine	Drilling	Exploitation and Construction	Trial Production	Mining	Major Development
Quanshuigou Mine	0	57,600,000.00	0	0	shaft sinking and drifting projects, hoisting system, gas ventilation engineering equipment, 35KV electricity transmitting and transforming projects, 35KV electricity transforming equipment, administrative and welfare zone projects, training centers
Baicheng Mine	0	2,300,000.00	0	0	refuge chambers, dual circuit engineering, materials for mine construction

(3) *Safety Production*

The Group has entered into a comprehensive cooperation agreement with Pingan Coal Mine and Gas (Methane) Engineering Research Limited ("Pingan Gas") which is managed and held by Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining"). Huainan Mining is responsible for supervising the production safety of the Group's Quanshuigou Coal Mine, Shizhuanggou Coal Mine and Xiaohuangshan Coal Mine. Management teams have been sent by Huainan Mining to the above three mines successively since the end of 2012 to oversee production safety and provide technical services. Pingan Gas contributed to the capital of Up Energy (Fukang) Coal Mining Ltd. in the form of patent using rights and non-patent technology using rights, and procedures for the registration of change of shareholdings, etc. were completed in September 2013.

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

During the Review Period, the construction progress of the three mines and three downstream ancillary projects was delayed due to the impact of major coal mine accidents occurred in adjacent areas, major festivals and holidays, requirements to stop production to ensure safety by the safety supervisory department in the mining area and continuous terrorist incidents in Xinjiang. The Group anticipates that they will start production successively in the third and fourth quarter of 2014.

Xiaohuangshan Coal Mine

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

Ground-level infrastructure: Construction works of material warehouses, equipment repair houses, hoist rooms of main and auxiliary inclined shafts, boiler rooms, main buildings at shaft entrance, pipelines on surface level and plant area hardening have been completed. The projects of aboveground gas pumping station and others are still in the final stage.

Equipment installation: Installation and testing of hoists of main and auxiliary inclined shafts have been completed. Construction, installation and testing of lifting hoists and shaft equipment of main and auxiliary inclined shafts as well as testing and tuning of underground equipment are still in progress.

Shizhuanggou Coal Mine

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

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

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

Quanshuigou Coal Mine

Shaft sinking and drifting project: Construction works of a vertical ventilation shaft with a depth of 534 meters, main ventilation drifts, +680-meter shaft bottom stations, underground chamber and haulage crosscuts have been completed. The district rise construction project is still in progress.

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

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

As for the three downstream ancillary projects:

Construction Progress of 1.3 Mt./year Coking Project

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

(ii) The basic roofs, resisting walls, flues and others of the no. 2 oven have been completed.

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

(iv) The final stage of installation of pipelines for biochemical sewage treatment facilities and coking coal oven ground dust removal station is being coordinated.

Production activities are safe and in order.

Raw Coal Washing Project

The project is expected to be ready for production in August 2014.

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

(ii) Works for drainage, fire control, heating and lighting are being organized and processed.

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

Water Recycling Project

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

(5) Acquisition of Coal Mine in Xinjiang

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

On 12 October 2012, the Company and Up Energy Mining Limited (as the purchaser) entered into a sale and purchase agreement with Hao Tian Resources Group Limited ("Hao Tian Resources", as the vendor) in relation to the acquisition of the entire issued share capital of Champ Universe Limited (冠宇有限公司) ("Champ Universe"). All conditions precedent of the sale and purchase agreement have been fulfilled or waived and the agreement has been completed on 28 June 2013.

Champ Universe, through its direct and indirect wholly-owned subsidiaries, operate and owns 100% interests in the Xinjiang Baicheng County Kueraken Mine Field No. 3 Pit of No. 1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China (the "Baicheng Coal Mine"). The Baicheng Coal Mine produces predominantly gas coal, along with 1/3 coking coal, 1/2 caking coal, and weakly caking coal. Based on the technical report relating to the Baicheng Coal Mine as at 31 March 2012, the Baicheng Coal Mine has a coal field area of approximately 5.9178 square kilometres, with estimated coal resources and coal reserves of approximately 126 Mt and 81 Mt respectively. According to the mining licence dated 28 October 2009 granted by the Department of Land and Resources Office of Xinjiang Uygur Autonomous Region and the approval of productivity issued by the Coal Industry Administration Bureau of Xinjiang Uygur Autonomous Region on 12 September 2013, the annual output of Baicheng Coal Mine is 210,000 tonnes. The Group believes that in addition to helping us achieving the aforesaid target, the Group will also be benefited from the synergies resulting from the operation of the Baicheng Coal Mine with its existing mines in the region in terms of management, distribution and transportation.

(6) Acquisition of Overseas Coal Mine

Although our Group is based in Xinjiang, China, we have always been looking for opportunities to expand our business overseas.

On 19 December 2012, the Company and Up Energy Resources Company Limited (as the purchaser) entered into an agreement with Kaisun Energy Group Limited and its wholly-owned subsidiary Alpha Vision Energy Limited (as the vendor) in relation to the acquisition of 52% equity interest in Kamarob held by West Glory Development Limited (a wholly-owned subsidiary of the vendor) (the "Acquisition"). The completion of the sale and purchase agreement is still subject to the fulfillment of various conditions precedent. For details, please refer to the Company's announcement dated 8 January 2013.

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

Due to the continuous extreme weather conditions of the Kaftar Hona region in Tajikistan, the exploration and drilling activities are postponed and more time is needed to fulfill the conditions precedent of the agreement mentioned above accordingly. Both of the purchaser and vendor signed a supplementary letter on 18 October 2013 to postpone the long stop date from 31 December 2013 to 30 June 2015 or such later date as may be agreed in writing by both parties. Both parties are paying close attention to the progress for the sake of launching drilling works in a safe and reliable way.

Business Prospect

(1) Baicheng Coal Mine

The inspection and acceptance procedures for the resuming of production of coal for the coal mine were completed in early November 2013. Works for ground level restoration were started on 1 October 2013. It is expected that the monthly output of coal depletion resulted from ground level restoration will be maintained at the level of approximately 100,000 tonnes. The designer of the improvement project of the west end of the mines is confirmed and the project has been commenced in 2013. Upon completion, the realized output will be 450,000 tonnes per year. As to the mine improvement/expansion project with an annual output of 900,000 tonnes, all procedures for changes have been completed, and its technological upgrading and transformation has already been started. Now it is undertaking design modification, and construction works will commence once the modifications are completed and examined.

(2) Construction of 1.3 Mt/Year Coking Project

The coking oven has been put to operation since 20 October 2013.

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

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

(4) Construction Progress and Scheduled Date for Trial Production

The Group's three mines and three downstream ancillary projects in Fukang have been partially completed and commenced production in the fourth quarter of 2013. The rest are expected to be completed and commence production successively in the third quarter of 2014.

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

(5) Enhancement of Strategic Co-operation

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

Business Strategies

(1) Production Safety

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

In addition, in December of 2012, the Group entered into a comprehensive cooperation agreement with Huainan Mining, pursuant to which Huainan Mining will be responsible for supervising the production safety of the Quanshuigou Coal Mine, the Shizhuanggou Coal Mine and the Xiaohuangshan Coal Mine of the Group.

(2) Merger and Acquisition in Xinjiang and Overseas Countries

Upon completion of the acquisition of the Baicheng Coal Mine, the Group has further reinforced its leading position in northwestern China, bringing a significant increase in coal reserves as well as an expansion of operating scale to the Group. Moreover, the State's policy of eliminating small coal mines will be beneficial to the Group. In addition, the Group is actively identifying merger and acquisition opportunities for overseas resources, and overseas visits will be made from time to time. Depending on the circumstances, the Group's merger and acquisition activities may involve North America, Australia, Russia and other regions.

(3) Challenges

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

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

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, due to the impact of geographical, historical, human and developmental factors specific to multiracial population in Xinjiang, economic development in Xinjiang is still lag behind the average level of China as a whole. Also, under the influence of overseas factors, racial and religious issues are getting more serious in recent years, making the relationship between interested parties within the region more complicated. Accordingly, the management and operation of the Group in the future may be affected to a certain extent. Meanwhile, the social stability is subject to a number of factors, which make security, stability and development issues more prominent.

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

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

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

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

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

FINANCIAL REVIEW

Revenue

After the coking oven has been put to operation and completion of the acquisition of Coal Mine in Xinjiang Baicheng, the Group recorded a revenue of HK$152,836,000 (2013: Nil) from its coking and coal mining business.

Other Revenue

Other revenue for the FY of 2014 was HK$4,602,000 (2013: HK$5,020,000), a 8.3% decrease compared with last year. Other revenue was mainly derived from bank interest income of HK$4,602,000 (FY2013: HK$4,846,000).

Other Net Income

In FY2014, other net income was HK$16,803,000 (FY2013: HK$4,347,000), which mainly comprised net realized and unrealized gain on financial liability with fair value through profit or loss and net gain on sales of property, plant and equipment of HK$30,007,000 (FY2013: Nil) and HK$296,000 (FY2013: HK$47,000) respectively and net-off with the net unrealized loss on trading securities for HK$13,500,000 (FY2013: Gains HK$4,300,000).

Administrative Expenses

Administrative expenses for the FY2014 was HK$88,221,000 (FY2013: HK$70,597,000) which was a 25.0% increase compared with last year, the increase in administrative expenses was mainly due to the significant increase in staff costs and depreciation and amortization during the year.

Results for Operation

For the aforementioned reasons, the Group's loss from operations increased by 31.5% from HK$61,230,000 in FY2013 to HK$80,544,000 in FY2014.

Finance Income/Costs

Finance costs increased to HK$54,024,000 for FY2014 from finance income HK$1,938,000 recorded in FY2013. The increase in finance costs was mainly due to the introduction of new bank loan and issue of put option upon completion of acquisition of subsidiaries.

Income Tax Expense

The Group recorded current income tax expenses of HK$3,625,000 (FY2013: HK$2,126,000) and a deferred tax credit of HK$14,592,000 (FY2013: HK$1,042,000) for the year.

Results for the Year

For the financial year ended 31 March 2014, the Group recorded a loss of HK$123,601,000 (FY2013: HK$60,376,000), representing an increase of 105% as compared with last year.

Liquidity and Financial Resources

As at 31 March 2014, the Group's current ratio was 0.32 (2013: 2.9), with current assets of approximately HK$360,416,000 (2013: HK$974,120,000) against current liabilities of approximately HK$1,122,959,000 (2013: HK$336,802,000). Cash and cash equivalents were approximately HK$23,992,000 (2013: HK$881,932,000). The Group's gearing ratio was 97% as at 31 March 2014 (2013: 89%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. The Group had long-term borrowings and short-term borrowings of HK$199,500,000 (2013: Nil) and HK$370,614,000 (2013: Nil) respectively. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 12 to the financial statements disclosed in this announcement.

Treasury Policies

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

Foreign Exchange Risk

The Group's assets and liabilities are mainly denominated in HKD and USD, in order to minimize the foreign currency exchange risk, the Group manages its transactions and balances that are denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources

As at 31 March 2014, the Group had a total of 1,169 employees (2013: 989) in the PRC and Hong Kong. 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.

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 year ended 31 March 2014, except for code provisions A.2.1 and A.6.7 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 of directors (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 A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Several independent non-executive Directors were unable to attend the special general meeting and annual general meeting held during the year ended 31 March 2014 owing to other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code for directors' securities transactions (the "Model Code"). All the Directors have confirmed their compliance with the required standards set out in the Model Code during the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual reports and interim reports to provide advice and comments thereon to the Board. The audit committee comprises four members, namely Mr. Lien Jown Jing, Vincent (chairman), Mr. Chau Shing Yim, David, Mr. Li Bao Guo and Dr. Shen Shiao-Ming.

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2014.

AUDIT OPINION

The auditor of the Group will issue an opinion with emphases of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 2(b) to the financial statements which describes that the Group had net current liabilities of approximately $762,543,000 as at 31 March 2014 and current portion of outstanding bank borrowings of $370,614,000 and other financial liabilities of $164,350,000 was due for renewals or repayments within the next twelve months and explains that there are uncertainties about the commencement of the commercial production of the Group's projects in Fukang and that consequently for the foreseeable future the Group is dependent upon the financial support from its bankers and major shareholder and its ability to raise proceeds from existing and new investors. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

Hong Kong, 23 June 2014

As of the date of this announcement, the executive Directors are Mr. Qin Jun, Mr. Jiang Hongwen and Mr. Wang Chuan whilst the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming.