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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

INTERIM RESULTS

The board of directors (the "**Board**") of Up Energy Development Group Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013 as follows (all references to monetary amounts in this announcement, unless otherwise specified, are in Hong Kong dollars):

* *for identification only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 September 2014

(Expressed in Hong Kong dollars)

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

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

For the six months ended 30 September 2014

(Expressed in Hong Kong dollars)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2014

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2014** **$'000**	At 31 March 2014 *$'000*
Non-current assets			
Property, plant and equipment, net	*10*	**18,987,203**	18,824,714
Prepaid land lease payments		**74,089**	74,952
Goodwill		**25,623**	25,623
Deferred tax assets		**13,474**	13,474
Restricted bank deposits		**24,809**	23,923
Other non-current assets		**83,263**	119,166
Total non-current assets		**19,208,461**	19,081,852
Current assets			
Trading securities		**3,900**	4,750
Inventories	*11*	**90,948**	110,068
Trade and bills receivables	*12*	**52,291**	71,803
Prepayments, deposits and other receivables	*13*	**214,765**	107,453
Restricted bank deposits		**31,194**	42,350
Cash and cash equivalents		**343,597**	23,992
Total current assets		**736,695**	360,416
Current liabilities			
Short term borrowings and current portion of Long-term borrowings	*15(b)*	**327,056**	370,614
Trade and bills payables	*16*	**170,306**	196,391
Other financial liabilities	*14*	**151,758**	164,350
Other payables and accruals		**407,941**	383,500
Current taxation		**9,980**	8,104
Total current liabilities		**1,067,041**	1,122,959

	Note	At 30 September 2014 $'000	At 31 March 2014 $'000
Net current liabilities		**(330,346)**	(762,543)
Total assets less current liabilities		**18,878,115**	18,319,309
Non-current liabilities			
Long-term borrowings	*15(a)*	**305,307**	199,500
Convertible notes	*17*	**4,153,400**	4,213,246
Other financial liabilities	*14*	**557,848**	673,898
Deferred tax liabilities		**3,917,384**	3,918,863
Provisions	*18*	**7,520**	7,482
Total non-current liabilities		**8,941,459**	9,012,989
NET ASSETS		**9,936,656**	9,306,320
CAPITAL AND RESERVES			
Share capital		**747,678**	606,059
Equity component of convertible notes		**1,251,695**	1,311,693
Reserves		**5,236,443**	4,663,402
Total equity attributable to equity shareholders of the Company		**7,235,816**	6,581,154
Non-controlling interests		**2,700,840**	2,725,166
TOTAL EQUITY		**9,936,656**	9,306,320

1. CORPORATE INFORMATION

Up Energy Development Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company in Hong Kong is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Company and its subsidiaries (the "Group") are principally engaged in development and construction of coal mining and coke processing facilities.

2. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

HK(IFRIC) 21, *Levies*

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

4. SEGMENT REPORTING

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

5. REVENUE

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

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

6. OTHER REVENUE AND NET INCOME

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

7. LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September 2014 $'000	2013 $'000
Foreign exchange loss, net	**136**	2,358
Interest on borrowings	**34,923**	11,125
Unwinding interest of convertible notes *(note 17)*	**138,359**	134,174
Unwinding interest of other financial liabilities *(note 14)*	**22,996**	21,264
Other interest expenses	**414**	–
Less: interest expense capitalised into construction in progress and mining properties*	**(79,822)**	(149,526)
Finance costs	**117,006**	19,395

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

(b) Staff costs

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

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

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

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

(c) Other items

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

8. INCOME TAX

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

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

9. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

10. PROPERTY, PLANT AND EQUIPMENT, NET

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

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

11. INVENTORIES

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

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

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

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

12. TRADE AND BILLS RECEIVABLES

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

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

(a) Ageing analysis

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

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

(b) Trade and bills receivables that are not impaired

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

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

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

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

(iv) As at 30 September 2014, other receivables mainly represent the refundable deposit of $24,331,000 in relation to the proposed acquisition of the interest of Kafta Hona deposit in Tajikistan from Alpha Vision Energy Limited. This proposed acquisition was terminated after the mutual agreement reached between the parties during the six months ended 30 September 2014.

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

14. OTHER FINANCIAL LIABILITIES

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

(a) Other financial liabilities at amortised cost

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

Notes:

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

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

(b) Other financial liabilities at fair value

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

15. BORROWINGS

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

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

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

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

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

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

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

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

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

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

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

Note:

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

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

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

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

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

16. TRADE AND BILLS PAYABLES

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

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

17. CONVERTIBLE NOTES

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

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

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

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

18. PROVISIONS

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

19. NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed acquisition of GCC

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY REVIEW

Coke Market in China

In 2014, the coal prices in China have been in the low end because of the oversupply of steel, the drop of coking coal production and the low demand for coke. As at the end of August 2014, the selling prices of premium coking coal and premium coke in Shanxi dropped to RMB700/tonne and RMB900/tonne respectively, decreasing by approximately RMB300 per tonne when compared with those at the beginning of the year. The coking coal and coke market in Xinjiang enjoys regional advantages, and because the demand from steel and chemical enterprises in Xinjiang has been stable, the decrease in prices of coking coal and coke was relatively limited, maintaining at the level of RMB900/tonne and RMB1,300/tonne as at the end of August 2014. The prices of gas coal and gas coke were maintained at a relatively stable level of RMB360/tonne and RMB825/tonne respectively. Meanwhile, the established strategy regarding the "Silk Road Economic Belt" brings about plenty and yet unprecedented room for further development of the coal and coking industries in Xinjiang whereas middle Asia will become the area with the most promising potential for future growth, which will probably drive the consumer demand for basic raw materials.

International Seaborne Coke Market

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

BUSINESS REVIEW

(1) Coal Resources and Reserves

As at 30 September 2014, the Group had a total of approximately 377 Mt of JORC-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 potential coal resources and reserves are approximately 52 Mt. Details are as follows:

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

Note:

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

(2) Production Safety and Strategic Co-operation

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

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

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

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

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

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

Xiaohuangshan Coal Mine

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

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

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

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

Shizhuanggou Coal Mine

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

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

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

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

Quanshuigou Coal Mine

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

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

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

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

Baicheng Coal Mine

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

Coal Coking Project

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

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

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

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

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

Raw Coal Washing Project

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

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

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

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

Water Recycling Project

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

(4) Acquisition of Overseas Projects

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

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

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

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

BUSINESS PROSPECT

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

(1) Optimization and Modification of Coal Mine Design

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

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

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

Coal Coking Project

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

Raw Coal Washing Project

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

Water Recycling Project

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

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

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

DEVELOPMENT STRATEGIES

In recent years, the core development strategies of the Group have always been the enhancement of its competitiveness in the domestic market in Xinjiang area and the active exploration of the overseas coke market. Building on its belief of safeguarding production safety and identifying strategic co-operation partners, the Group will spare no effort in procuring merge and acquisitions and structural rationalization for the sake of strengthening its leading position in the coking coal industry in north western China and securing a foothold in the international market, so as to achieve its ultimate goal of becoming the leader in the coking coal industry in Asia.

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

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

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

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

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

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

CORPORATE VISION

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

RISK ANALYSIS

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Other Net Income/Loss

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

Results for the Period

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

Capital Expenditure

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

Charges on Assets

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

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

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

Treasury Policies

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

Foreign Exchange Risk

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

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources and Remuneration Policy

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2014 (2013: Nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

Code Provision A.2.1

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

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

Code Provision E.1.2

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

AUDIT COMMITTEE

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

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

The audit committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 September 2014 in conjunction with KPMG, the Company's independent auditor. Such review does not constitute an audit. The independent review report issued by KPMG is set out in interim report of the Company. An extract of the auditor's independent review report is set out below.

EXTRACT OF THE AUDITOR'S INDEPENDENT REVIEW REPORT

Conclusion

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

Emphasis of matter

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

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

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

Hong Kong, 24 November 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.