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 2015

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 2015, together with the comparative figures in previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015
(Expressed in Hong Kong dollars)

	Note	**2015** *$'000*	2014 *$'000*
Revenue	*3*	**245,314**	152,836
Cost of revenue		**(278,159)**	(164,315)
Gross loss		**(32,845)**	(11,479)
Other revenue		**13,430**	4,602
Other net (loss)/income		**(20,641)**	16,803
Distribution costs		**(22,971)**	(2,249)
Administrative expenses		**(120,410)**	(88,221)
Loss from operations		**(183,437)**	(80,544)
Net finance costs	*4(a)*	**(360,503)**	(54,024)
Loss before taxation	*4*	**(543,940)**	(134,568)
Income tax	*5*	**(4,469)**	10,967
Loss for the year		**(548,409)**	(123,601)

* *For identification purpose only*

	Note	**2015**	2014
		$'000	*$'000*
Attributable to:			
Equity shareholders of the Company		**(495,698)**	(98,617)
Non-controlling interests		**(52,711)**	(24,984)
Loss for the year		**(548,409)**	(123,601)
Loss per share			
Basic and diluted	*7*	**(15.19) cents**	(3.57) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

(Expressed in Hong Kong dollars)

	2015	2014
	$'000	*$'000*
Loss for the year	**(548,409)**	(123,601)
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	**4,392**	22,360
Total comprehensive income for the year	**(544,017)**	(101,241)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**(491,488)**	(78,033)
Non-controlling interests	**(52,529)**	(23,208)
Total comprehensive income for the year	**(544,017)**	(101,241)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment, net	8	**19,018,466**	18,824,714
Prepaid land lease payments		**72,443**	74,952
Goodwill		**25,623**	25,623
Deferred tax assets	16(b)	**13,474**	13,474
Restricted bank deposits		**24,820**	23,923
Other non-current assets	9	**15,194**	119,166
Total non-current assets		**19,170,020**	19,081,852
Current assets			
Trading securities		**–**	4,750
Inventories		**67,160**	110,068
Trade and bills receivable	10	**101,785**	71,803
Prepayments, deposits and other receivables	11	**432,334**	107,453
Restricted bank deposits		**222,269**	42,350
Cash and cash equivalents		**6,046**	23,992
Total current assets		**829,594**	360,416
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	12	**582,560**	370,614
Trade and bills payable	13	**255,796**	196,391
Other financial liabilities	14	**142,273**	164,350
Other payables and accruals	15	**438,977**	383,500
Current taxation	16(a)	**14,678**	8,104
Convertible notes	17	**1,311,727**	–
Total current liabilities		**2,746,011**	1,122,959
Net current liabilities		**(1,916,417)**	(762,543)
Total assets less current liabilities		**17,253,603**	18,319,309

	Note	2015 $'000	2014 $'000
Non-current liabilities			
Long-term borrowings	*12*	**158,916**	199,500
Convertible notes	*17*	**2,177,685**	4,213,246
Other financial liabilities	*14*	**632,530**	673,898
Deferred tax liabilities	*16(b)*	**3,916,764**	3,918,863
Provisions		**7,557**	7,482
Total non-current liabilities		**6,893,452**	9,012,989
NET ASSETS		**10,360,151**	9,306,320
CAPITAL AND RESERVES			
Share capital	*18*	**748,638**	606,059
Equity component of convertible notes		**2,092,103**	1,311,693
Reserves		**4,846,773**	4,663,402
Total equity attributable to equity shareholders of the Company		**7,687,514**	6,581,154
Non-controlling interests		**2,672,637**	2,725,166
TOTAL EQUITY		**10,360,151**	9,306,320

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. CORPORATE INFORMATION

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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**") and 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, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), continue to be those of the predecessor Companies Ordinance (Cap.32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules.

(b) Basic of preparation

As at 31 March 2015, the Group had net current liabilities of $1,916,417,000 (as at 31 March 2014: $762,543,000) and current portion of outstanding bank borrowings of $582,560,000 (see note 12) (as at 31 March 2014: $370,614,000), other financial liabilities of $142,273,000 (as at 31 March 2014: $164,350,000) and convertible notes of $1,311,727,000 which were 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 phase one of Group's 1.3 Mt Coking Project started its operation from October 2013. In relation to the acquired projects in Baicheng, Xinjiang, they resumed production of coal from November 2013. These projects contributed revenue amounting to $245,314,000 to the Group for the year ended 31 March 2015. Due to the impact of major coal mine accidents occurred in adjacent areas and requirements to temporarily suspend production and construction to ensure safety measures are implemented by the safety supervisory department of local government in the mining area, the projects (other than phase one of the 1.3 Mt Coking Projects) 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 of the Company (the "**Directors**") anticipate that certain of the Group's aforementioned projects will commence commercial production from the second half 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, including obtaining necessary government approval and permits, which continues to represent a material uncertainty to the going concern of the Group.

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

1) The Group is actively discussing with the Group's bankers located in the Mainland China and expects to obtain new banking facilities of approximately RMB500,000,000;

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

3) On 26 May 2015, the Group completed a placing of an aggregate of 303,832,000 new shares with net proceeds of approximately $158,252,000 to enhance its liquidity position;

4) As mentioned in note 17, the Group is actively discussing with the note-holders of the remaining former Tranche A and Tranche B convertible notes with total principal amount of $1,381,703,000 originally due on 18 January 2016 for the extension of maturity to 31 December 2018; and

5) The Group is also actively considering to raise new capital by carrying out fund raising activities including but not limited to open offer as alternative sources of funding.

Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

(c) 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 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

Impacts of the adoption of other new or amended HKFRSs are discussed below:

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 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 financial statements as the Group has not offsetted any financial assets nor financial liabilities.

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 financial statements 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 financial statements as the guidance is consistent with the Group's existing accounting policies.

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:

	2015	2014
	$'000	*$'000*
Coke	**180,320**	46,914
Coal	**17,894**	99,128
Others	**47,100**	6,794
	245,314	152,836

During the year ended 31 March 2015, the Group had two (2014: three) customers that individually exceeded 10% of the Group's revenue. The revenue from sales to these two (2014: three) customers amounted to approximately $143,657,000 (2014: $100,082,000) for the year ended 31 March 2015.

4. LOSS BEFORE TAXATION

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

(a) Net finance costs

	2015	2014
	$'000	*$'000*
Foreign exchange loss, net	**533**	1,901
Interest on borrowing	**58,988**	33,085
Unwinding interest of convertible notes *(note 17)*	**287,969**	270,545
Unwinding interest of other financial liabilities *(note 14)*	**43,799**	46,270
Loss arising on the amendment of terms of convertible notes *(note 17)*	**48,053**	–
Other interest expense	**983**	835
Less: interest expense capitalised into construction in progress and mining properties*	**(79,822)**	(298,612)
Finance costs	**359,970**	52,123
Net finance costs	**360,503**	54,024

* The borrowing costs have been capitalised at a rate of 7.28% per annum for the year ended 31 March 2015 (2014: 6.87% per annum).

(b) Staff costs

	2015	2014
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**65,959**	17,378
Retirement scheme contributions	**2,550**	853
	68,509	18,231

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

Pursuant to the Hong Kong Mandatory Provident Fund 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

	2015	2014
	$'000	*$'000*
Amortisation of prepaid land lease payments	**2,543**	2,393
Depreciation of property, plant and equipment	**55,657**	43,591
Operating lease charges: minimum lease payments hire of property	**4,846**	4,165
Auditors' remuneration	**4,921**	3,636
Cost of inventories*	**278,159**	164,315

* Cost of inventories include $54,281,000 (2014: $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

	2015	2014
	$'000	*$'000*
Current tax		
Provision for the year *(note 16(a))*	**6,591**	3,625
Deferred tax		
Origination and reversal of temporary differences *(note 16(b))*	**(2,122)**	(14,592)
	4,469	(10,967)

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 2015 and 2014.

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

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 $495,698,000 (2014: $98,617,000) and the weighted average of 3,262,764,000 ordinary shares (2014: 2,765,566,000) 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; (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 years ended 31 March 2015 and 2014 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option and puttable shares arising from the acquisition of Champ Universe at 28 June 2013 during the years ended 31 March 2015 and 2014 have anti-dilutive effect to basic loss per share.

8 PROPERTY, PLANT AND EQUIPMENT, NET

Mine properties mainly represented costs to obtain the rights for the mining of coal reserves in Shizhuanggou coal mine, Quanshuigou coal mine, Xiaohuangshan coal mine and the coal mine at Baicheng located in the Xinjiang Uyghur Autonomous Region, the PRC.

As at 31 March 2015, ownership of equipment and machineries amounting to $214,510,000 (2014: $209,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda (see note 14).

As at 31 March 2015, mine properties of the Group of $8,370,418,000 (2014: $8,370,418,000) and construction in progress of the Group of $67,307,000 (2014: $100,776,000) have been pledged as collateral for the Group's borrowings (see note 12).

Consideration of impairment for mine properties

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

9. OTHER NON-CURRENT ASSETS

	2015	2014
	$'000	*$'000*
Deposits for acquisitions *(note (i))*	–	24,331
Deposits for financial liabilities *(note (ii))*	–	54,248
Prepayments to suppliers for property, plant and equipment	**15,194**	40,587
	15,194	119,166

Notes:

(i) As at 31 March 2014, deposits mainly represented the prepayment to Alpha Vision Energy Limited for the acquisition of West Glory Development Limited (the "**Acquisition**") of $24,331,000. During the year ended 31 March 2015, such deposits have been transferred to current assets after the mutual agreement reached for terminating the Acquisition between the parties.

(ii) The deposits represented deposits made by the Group as a security for the funds obtained from Cinda (see note 14). These deposits will be due within one year as at 31 March 2015 and have been transferred to current assets.

10. TRADE AND BILLS RECEIVABLE

	2015	2014
	$'000	*$'000*
Trade receivables	**100,396**	67,762
Bills receivable	**1,389**	4,041
	101,785	71,803

Trade and bills receivable are invoiced amounts due from the Group's customers which are due within 60 days 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:

	2015	2014
	$'000	*$'000*
Within 3 months	**78,062**	61,533
3 to 6 months	**22,378**	10,270
6 to 12 months	**1,345**	–
	101,785	71,803

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	$'000	*$'000*
Deposits and prepayments *(note (i))*	**114,760**	33,516
VAT and other tax receivables *(note (ii))*	**63,544**	58,090
Amount due from related parties	**129**	3,039
Loan to a third party *(note (iii))*	**213,271**	–
Other receivables *(note (iv))*	**40,630**	12,808
	432,334	107,453

Notes:

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

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

(iii) As part of the contemplated acquisition of Grande Cache Coal Corporation ("**GCC**") and Grande Cache Coal LP ("GCC LP") (collectively the "**Target**"), third-party companies, the Group signed a loan agreement with GCC LP on 6 September 2014 which was amended and restated on 17 December 2014. Pursuant to the amended and restated agreement, the Group has agreed to grant advances totalling US$50 million to GCC LP. As at 31 March 2015, the Group has made advances of US$27.5 million (approximately $213.27 million) to GCC LP. 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. The Directors are of the opinion that the Group can fully recover the loan receivable from GCC LP.

(iv) As at 31 March 2015, other receivables mainly represent the refundable deposit of $24,331,000 in relation to the Acquisition (see note 9).

All other receivables except the loan receivable from GCC LP were expected to be recovered or expensed off within one year.

12. BORROWINGS

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

	2015	2014
	$'000	*$'000*
Bank loans		
– secured	**492,341**	444,505
– guaranteed	**166,441**	–
Less: current portion	**499,866**	245,005
	158,916	199,500

As at 31 March 2015, the long-term interest-bearing borrowings, including loans from China Minsheng Banking Corp., Ltd., Hong Kong Branch ("Minsheng Bank Hong Kong") and ICBC Fukang (as defined below), were repayable as follows:

	2015	2014
	$'000	*$'000*
Within 1 year or on demand	**499,866**	245,005
After 1 year but within 2 years	**95,206**	199,500
After 2 year but within 3 years	**63,710**	–
	658,782	444,505

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

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

On 29 December 2014, UE Resources as borrower constructed in the form of a long-term facility loan agreement of $232 million with Minsheng Bank Hong Kong. As at 31 March 2015, $169,100,000 has been drawn down under this loan facility. This loan is repayable in 8 instalments from 29 February 2016 to 24 March 2018, and the interest rate is 5.5% per annum. The Company and Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Minsheng Bank Hong Kong for, including but not limited to, all amounts payable by the Group under the loan facility.

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 2015, RMB193,591,000 (equivalent to $244,409,000) 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 People's Bank of China. 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 facilities.

(b) The short-term borrowings comprise:

	2015	2014
	$'000	*$'000*
Unsecured loans	**25,250**	63,050
Secured bank loans *(note (i))*	**46,081**	46,909
Guaranteed bank loans *(note (ii))*	**11,363**	15,650
Current portion of long-term borrowings		
– Bank loan	**499,866**	245,005
	582,560	370,614

Note:

(i) As at 31 March 2015, bank loans amounting to $27,143,000 (2014: $27,994,000) were secured by bank deposits with an aggregate carrying value of $29,473,000 (2014: $29,473,000).

As at 31 March 2015, banks loans amounting to $18,938,000 (2014: $12,610,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $27,166,000 (2014: $27,870,000) and $67,307,000 (2014: $100,776,000) respectively.

As at 31 March 2015, bank loans amounting to $nil (2014: $6,305,000) were secured by prepaid land lease with aggregate carrying value of $nil (2014: $32,517,000).

(ii) As at 31 March 2015, bank loans amounting to $11,363,000 (2014: $nil) were guaranteed by a related party of the Group.

As at 31 March 2015, bank loans amounting to $nil (2014: $15,650,000) were guaranteed by a third party.

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 2015, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	2015	2014
	$'000	*$'000*
Within 2 months	**28,593**	125,850
Over 2 months but within 3 months	**88,866**	49,104
Over 3 months but within 6 months	**37,803**	21,437
Over 6 months but within 1 year	**97,261**	–
Over 1 year but within 2 years	**3,273**	–
	255,796	196,391

14. OTHER FINANCIAL LIABILITIES

	2015	2014
	$'000	*$'000*
Other financial liabilities:		
– At amortised cost *(note (a))*	**428,185**	514,242
– At fair value *(note (b))*	**346,618**	324,006
	774,803	838,248
Among which:		
– Current portion	**142,273**	164,350
– Non-current portion	**632,530**	673,898

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

	For finance lease $'000 *(note (i))*	For puttable shares $'000 *(note (ii))*	Corporate bond $'000 *(note (iii))*	Total $'000
At 1 April 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	–	–	15,200	15,200
Unwinding interests *(note 4(a))*	17,197	26,573	29	43,799
Repayment	(145,306)	–	–	(145,306)
Exchange adjustments	250	–	–	250
At 31 March 2015	**142,273**	**270,683**	**15,229**	**428,185**
Among which:				
– Current portion	142,273	–	–	142,273
– Non-current portion	–	270,683	15,229	285,912

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 deemed to be used for the purchase of equipment and machineries as specified in the Agreements. Pursuant to the Agreements, the ownership of equipment and machineries purchased under the Agreements are in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of $45,261,000 and $9,052,000 made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the Chairman and Chief Executive Officer of the Company provided an irrevocable guarantee for the Group's performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 31 March 2015, ownership of equipment and machineries amounting to $214,510,000 (31 March 2014: $209,000,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

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

(iii) On 13 February 2015, Up Energy Development Group issued unlisted corporate bonds with principal amount of $20 million. The corporate bonds bear a coupon of 7.5% per annum and have a term of 8 years.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of top up option (the "**Top Up Option**") in relation to the 227,500,000 shares (the "**Issued Shares**") issued to Hao Tian for the acquisition of Champ Universe. Pursuant to the Top Up Option, the Group will allot and issue additionally new shares or pay cash to Hao Tian if the average closing price of ordinary shares of the Company for the trading days immediately preceding and including 28 June 2016 is less than $2. The fair value of derivative financial liabilities as at 31 March 2015 has been determined by the Group by referring to a valuation report prepared by a third party valuation firm.

15. OTHER PAYABLES AND ACCRUALS

	2015	2014
	$'000	*$'000*
Payables for construction work and equipment purchases	**263,034**	299,196
Security deposits on construction work	**28,079**	29,778
Amounts due to related parties	**64,757**	7,764
Other taxes payables	**9,486**	7,847
Others	**73,621**	38,915
	438,977	383,500

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.

16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015	2014
	$'000	*$'000*
At 1 April	**8,104**	3,110
Acquisition of subsidiaries	**–**	1,431
Provision for the year *(note 5)*	**6,591**	3,625
Income tax paid	**(36)**	–
Exchange adjustments	**19**	(62)
At 31 March	**14,678**	8,104

(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 subsidiaries** *$'000*	**Depreciation allowance in excess of related depreciation** *$'000*	**Tax losses** *$'000*	**Total** *$'000*
At 1 April 2013	3,427,521	2,236	–	3,429,757
Acquisition of subsidiaries	495,300	–	(3,988)	491,312
Credited 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
At 1 April 2014	3,917,489	1,374	(13,474)	3,905,389
Credited to profit or loss *(note 5)*	(1,318)	(804)	–	(2,122)
Exchange adjustments	23	–	–	23
At 31 March 2015	3,916,194	570	(13,474)	3,903,290

Reconciliation to the consolidated statement of financial position

	2015 *$'000*	2014 *$'000*
Deferred tax assets recognised in the consolidated statement of financial position	**(13,474)**	(13,474)
Deferred tax liabilities recognised in the consolidated statement of financial position	**3,916,764**	3,918,863
	3,903,290	3,905,389

At 31 March 2015, the Group did not recognise deferred tax assets in respect of cumulative tax losses of $354,611,000 (2014: $186,852,000), 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 jurisdictions in which tax losses were incurred).

17. CONVERTIBLE NOTES

	Liability component $'000	Equity component $'000	Total $'000
At 1 April 2014	4,213,246	1,311,693	5,524,939
Amendment of terms of certain convertible notes	(794,516)	842,569	48,053
Interest charged during the year *(note 4(a))*	287,969	–	287,969
Interests payable	(11,875)	–	(11,875)
Conversion of convertible notes	(205,412)	(62,159)	(267,571)
At 31 March 2015	3,489,412	2,092,103	5,581,515
Among which:			
– Current portion	1,311,727	–	1,311,727
– Non-current portion	2,177,685	2,092,103	4,269,788

As at 31 March 2015, two tranches of convertible notes of the Company are outstanding, namely Tranche A and Tranche B convertible notes.

Tranche A and Tranche B

Tranche A convertible notes with a principal amount of $3,480,000,000 and Tranche B convertible notes with a principal amount of $4,300,000,000 were issued as part of the consideration of $7.8 billion for the acquisition of Up Energy Investment (China) Limited ("UE China").

Tranche A and Tranche B convertible notes are convertible at the option of the note-holders into ordinary shares on the basis of 10 ordinary shares for every $1 convertible note held. The conversion period for Tranche A and Tranche B convertible notes commences on 18 January 2011 (the issue date) and 19 July 2011 (the day following the end of six months after the issue date) respectively, and expiring on 11 January 2016 (five business days preceding the maturity date). The maturity date for these convertible notes is 18 January 2016 (the business day falling on the fifth anniversary of their issue date). These convertible notes are non-interest-bearing and may be redeemed by the Company on the maturity date at their respective principal amounts outstanding.

An aggregate amount of $747,867,000 Tranche A convertible notes were converted by note-holders into ordinary shares during the period from 18 January 2011 (the date of issuance) to 12 May 2011 on the basis of 10 ordinary shares for every $1 convertible note held. On 12 May 2011, the Company had a share consolidation for its ordinary shares. After that, $445,282,000 Tranche A convertible notes and $574,241,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 13 May 2011 to 31 March 2012 on the basis of one ordinary share for every $2 convertible note held.

$856,000,000 and $229,862,934 Tranche B convertible notes were converted by note-holders into ordinary shares on 27 April 2012 and 4 January 2013 respectively on the basis of one ordinary share for every $2 convertible note held.

$117,000,000 Tranche A convertible notes and $74,395,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 1 April 2013 to 31 March 2014 on the basis of one ordinary share for every $1.6484 convertible note held.

$10,000,000 Tranche A convertible notes and $17,600,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 1 April 2014 to 31 August 2014 on the basis of one ordinary share for every $1.6484 convertible note held.

$189,000,000 Tranche A convertible notes and $7,800,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 1 September 2014 to 31 March 2015 on the basis of one ordinary share for every $1.6258 convertible note held.

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

On 13 February 2015, the shareholders of the Company approved the amendment of certain terms and conditions of Tranche A and Tranche B convertible notes at a special general meeting. After the deed of amendment signed by the note-holders and the Company, the convertible notes bear interest rate of 5% per annum and have a maturity date of 31 December 2018 and a conversion price of $0.75 per share, subject to adjustments. As at 31 March 2015, Tranche A convertible notes with principal amount of $1,503,000,000 and Tranche B convertible notes with principal amount of $1,626,250,000 have been amended to the above terms. This amendment was accounted for as extinguishment of the relevant former Tranche A and Tranche B convertible notes with new convertible notes issued. Loss of $48,053,000 was charged into the profit or loss for the difference between carrying amounts of the liability component of relevant former convertible notes and the fair values (after deducting the fair values of the equity component of relevant former convertible notes at the amendment date) of the new convertible notes issued at the amendment date. The Company has been discussing with relevant note-holders for the same amendment of terms of the remaining former Tranche A and Tranche B convertible notes with principal amounts of $467,851,000 and $913,852,000, respectively which is pending on the signing of relevant deeds of amendment between the Company and the note-holders.

18. SHARE CAPITAL

	2015		2014	
	No. of share ***'000***	***$'000***	No. of share *'000*	*$'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	**3,030,296**	**606,059**	2,546,687	509,337
Conversion of convertible notes	**137,792**	**27,559**	116,109	23,222
Issuance of shares under placing	**575,100**	**115,020**	–	–
Issuance of shares for acquisition of subsidiaries	**–**	**–**	367,500	73,500
At 31 March	**3,743,188**	**748,638**	3,030,296	606,059

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the company residual asset.

19. 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 the PRC, 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 mine at Baicheng. 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.

FINAL DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2015 (the "**year under review**"), the Group continued to closely monitor the development of the regional coking coal market in Xinjiang and the international seaborne coking coal market. For Xinjiang market, the Group focused on developing four mines and three circulative business chain projects within the area, and some of them are in operation and the others will also commence production successively in near term. Regarding the seaborne coking coal market, the Group actively sought opportunities in overseas. We speeded up the acquisition of Grande Cache Coal, a well-known coking coal corporation in Canada, in the second half of the year. Agreements for acquisition were signed on 14 November 2014 and the acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

INDUSTRY REVIEW

Coking Coal Market in China and Xinjiang

Over the past year, China was still undergoing industrial restructuring. As the steel industry was suffering from overcapacity and adversely affected by various macroeconomic factors, the downward trend of coking coal prices in the country remained, sliding gradually from RMB1,590/tonne in the fourth quarter of 2011 to RMB750/tonne in the first quarter of 2015. However, Xinjiang enjoys geographical advantages which make it an isolated and independent market, the decline in coking coal prices in the region during the year was relatively small. In coal industry, quality is a major determinant of sales performance, the higher qualities the coking coal and coke have the higher of their prices and the more stable of their sales. Some mines with premium coking coal resources might still be profitable even though the industry was in the toughs. The currently low capacity utilization made the metallurgical coke market in Xinjiang attains a faint overall supply and demand equilibrium, and yet, taking the overall scale of the downstream businesses into consideration, the segment still has a very large demand-supply gap; on the contrary, gas coke segment was in a steady upward trend.

From 2012 onwards, due to the stringent requirement of the national environmental policy, blue carbon businesses in Xinjiang, whose outputs are low quality, cheap in prices and very contaminating, are gradually weeding out and their market share has been gradually captured by gas coke sector. By 2020, gas coke will completely replace blue carbon. Unlike the steel industry in Xinjiang with markets mainly confined within the locality and parts of Central Asian region, products of coal chemical industry players in the region penetrate into the nationwide market. Therefore, the aggregate market demand and market size of gas coke are increasing and gas coke prices rise steadily.

At the same time, benefiting from the national strategic development initiative, "One Belt One Road", Xinjiang's economic growth is above the national level. In 2014, Xinjiang had a GDP growth rate of 10.8%, compared with 7.4% for the whole country, which was the fifth consecutive year of economic growth higher than the national level. During 2015, overall demand for coking coal in major areas of Xingjiang was relatively stable, and demand and supply balance was reached.

In early 2015, China government clearly positioned Xinjiang as the core zone of the Silk Road Economic Belt. This signifies a new, huge room for Xinjiang's infrastructure growth and further stimulates customer demand for basic raw materials, unveiling an encouraging new chapter for coal and coking industries in the region.

International Seaborne Coking Coal Market

Due to the gradual decline of the international hard coking coal benchmark price (Platts Hard Coking Coal Index) to US$110/tonne in the first quarter of 2015 after reaching its historical peak of US$330/tonne in the second quarter of 2011, prices in international of coking coal market tended to be determined by cost of products instead of demand-driven. Quite a number of businesses were forced to suspend production, as the market price of coking coal was extremely close to its cost price (including mining cost, washing cost and transportation cost of raw coal). It is generally believes that room for a further drop of the coking coal price is very limited, the supply squeezed and the demand for production capacity of steel in the international market sees a moderate increase. As a result, the Group believes it is a right time to roll out the plan of securing a foothold in the overseas coking coal market, to initiate acquisitions of overseas production projects of coking coal and to increase the coal reserves and resources.

BUSINESS REVIEW AND PROSPECT

(1) Coal Resources and Reserves

As at 31 March 2015, the Group had a total of approximately 534 Mt of JORC Code-compliant measured, indicated and inferred coal resources, while there were approximately 377 Mt of coal resources within mining right control of which a total of approximately 151 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 31 March 2015, the JORC-compliant measured, indicated and inferred coal resources as well as the proved and probable marketable coal reserves of the Group are categorized as follows:

	Coal Resources (approximate) (within mining right control) *(Mt)*			**Marketable Coal Reserves (approximate)** *(Mt)*	
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.

In addition, the potential coal reserves are approximately 52 Mt, with details as follows:

Name of Coal Mine	**Coal Resources** *(Mt)*	**Coal Resources (within mining right control)** *(Mt)*	**Coal Reserves** *(Mt)*	**Potential Reserves** *(Mt)*
Xiaohuangshan Coal Mine	119	107	26	–
Quanshuigou Coal Mine	142	71	21	27
Shizhuanggou Coal Mine	147	73	24	25
Baicheng Coal Mine	126	126	80	–
Total	**534**	**377**	**151**	**52**

Note:

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 Code.

(2) Production and Operation Review of Circulative Business Chain

The Group has been committed to the development of circulative business chain projects for maximizing its profits through enhancing added values to its products. Production and operation of the circulative business chain in Xinjiang during the year under review were as follows:

Construction and Operation of Coal Mines

Xinjiang experienced social unrest in the year under review, and for the sake of public safety, the local government imposed severe restrictions over blasting works. Further, in response to a coal mine accident in an adjacent area, regulatory authorities required all coal mines to suspense construction and production for inspection. The Group accommodated fully with the relevant social security measures and safety requirements of and from the local government, as a result, the construction of three mines in Fukang was affected and the production commencement was delayed. The situation has been back to normal basically for those measures were only of temporary nature. During the year under review, the Group continuously engaged in gas drainage and flood control in related to coal mining, making progress on testing of relevant systems and installing part of the equipment. There was no substantial capital expenditure incurred in the second half of Review Year. The Group expects that the relevant projects will begin production successively in the second half of 2015.

Baicheng Mine

The State and the Xinjiang Uygur Autonomous Region Development and Reform Commission has granted an approval for the master planning of mining areas in Baicheng, Xinjiang with a planned annual output of 900,000 tonnes in August 2014. Relevant procedures are being processed, and the construction will begin in the first quarter of 2016. Currently, besides maintaining its normal production open-pit mining has been started in near surface in the eastern area of the mines. Production capacity and raw coal product output of underground mining and open-pit mining are expected to reach 400,000 tonnes and 200,000 tonnes in 2015, respectively.

Operation of Coal Coking Plant

The Group has continued to improve in the areas of management optimization, energy and resources conservation and sales and marketing, and a positive cycle was formed in its production and operation of coal coking business. Steel industry in Xinjiang is currently contracting, and there is a sharp decline of metallurgical coke demand. The Group is actively exploring gas coke market and succeeding in this move and gradually expanding its market share. In March of this year, the market price of gas coke market price was RMB780 per tonne, and the market prices of chemical products such as coal tar and crude benzene prepaid in cash were RMB1,800 per tonne and RMB3,600 per tonne, respectively. With a smoothly running operation system, coal coking business will contribute to the Group's operating results.

The Group will accelerate the subsequent construction work for coking coal production facilities, and the completion of installation no. 2 coking oven and auxiliary facilities. After its full completion, the project has an annual production of coke of 1.3 million tonnes, recovery tar of 65,000 tonnes, sulfur and ammonia of 19,750 tonnes, crude benzene of 19,500 tonnes and gas for external supply of 350 million cubic meters. The coking oven model and coal coking capacity of the Group are superior in Xinjiang, and this will foster better results for the Group.

Operation of Coal Washing Plant

The Group's construction of production facilities suited its coal production requirement in a timely manner. 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. A production line entered the commissioning phase in the year under review. Upon completion of all production facility construction, the Group's coking coal washing plant will be the largest in Xinjiang in terms of single line production, making it a new profit driver of the Group.

Operation of Water Recycling Plant

For the Group's water recycling project, construction works of $50m^3$ high level buffering tanks and 10.2km of coal mine water pipes have been completed.

The project makes full use of waste water resulting from mining activities. Waste water is purified and then re-used for production in the operational purposes. This promotes the effort of environment protection in the Group's business and facilitates 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. As water resources are depleting, the government has stepped up its efforts in promoting conservation of water usage. In March of this year, the water tariff in the region was increased from RMB2.8/cubic metres to RMB3.9/cubic metres. Upon completion of construction of the water recycling facilities, the profitability of the Group's circulative economy business model will be enlarged.

(3) Acquisition Project

Acquisition of GCC in Canada

On 14 November 2014, the Group, Winsway Enterprises Holdings Limited ("**Winsway**") and Marubeni Corporation ("**Marubeni**") entered into the Sale and Purchase Agreement for acquisition of an aggregate of 82.74% interest in the total issued share capital of Grande Cache Coal Corporation ("**GCC**") and an aggregate of 82.74% partnership interest in Grande Cache Coal LP ("**GCC LP**"). The acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

GCC is a company incorporated in Alberta, Canada and is engaged in the production and sales of premium hard coking coal. It is an exporter of premium low volatile hard coking coal, and is 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. GCC coal mines are situated in Smoky River Coal Field and commenced production in 2004. With 25 mines held totaling over 29,000 hectares, it has abundant reserves position for surface mining and underground mining. The raw coal resources, prepared in accordance with the Canadian Standard NI 43-101, amounted to 664 million tonnes, and the total saleable coal reserves amounted to 148 million tonnes, with a mine life over 40 years. GCC produces low volatile hard coking coal with low ash content, and it is classified as world class premium types of coal. Currently, the reserves of high-quality and low volatile hard coking coal in the world are very limited. There is no medium to low volatile coal reserve required for coking coal mixtures in each of the major markets demanding for coking coal including China, thus, GCC's competitive advantage is obvious. Besides, GCC possesses well-established infrastructure and logistics facilities, and it has direct access to Canadian National Railway with connection to the east-west line. Also, a favourable agreement has been signed with Westshore Terminals, with valid until 2021. There are also excellent on-site infrastructure, including two-lane paved highways, railway load-out, office facilities, coal-washing plant and nearby natural gas and coal-fired power stations. Except the above, GCC has a long operation history with stable customer bases all around China, Brazil, Korea, Japan and India. The coking coal is successfully sold to Asia, Europe and America for supply to major steel plants. The Group estimates that the annual production capacity of GCC in 2015 will amount to 1 million tonnes of clean coal, with a possibility to increase to 4 million tonnes in 2017. During the transitional period of acquisition, the Group will offer a maximum amount of US$74 million of transitional fund subsidy for GCC. As of 31 March 2015, such amount reached US$51.50 million.

The management believes that the Group will be able to obtain high-quality coal resources and reserves through acquiring such project and extend its business to seaborne coking coal market. The rise of coal price in the future will ensure a profit contribution to the Group in a short period of time, and thus it is in the interests of the Shareholders as a whole.

Kaftar Hona Project in Tajikistan

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 was drawing near, both parties had 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.

(4) Production Safety Management and Strategic Co-operation

The Group has focused on the production safety of mining activities and endeavoured to provide a safe working environment, and relevant coal mines 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 observed state 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 its mines harmless from any potential risk. The Group considers the safety of its employees is of the first priority. The Group has been co-operating with a number of third-party professional safety institutes and has entered into various cooperation agreements with reputable universities and research institutions for procuring a safe and efficient environment for shaft construction and production activities in a later stage. In the year under review, the Group continuously increased its investment and promoted production safety so as to make itself a model in the coal mining industry in the region.

In the year under review, 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 financing access to overseas capital markets for funding the business development of both parties; (iii) the appointment of Longmei by the Group 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, production and operational periods of coal mines.

BUSINESS STRATEGIES

Since its establishment, the Group has been insisting on its philosophy of "increased value in circulation" by extending its production chain from coal exploration, mining, washing to coking. With its active and steady role in the procurement of projects in the upstream and downstream circulative economy industry chain in connection with coking coal resources, the Group will realize an effective utilization of coal resources, increase the added value of coal products and enhance its profitability. The Group sticks to its basic development strategies of enhancing its regional market advantage in Xinjiang and explorating seaborne coking coal market, and is always be committed to putting efforts on integration, merger and acquisition and undertaking structural adjustment on a basis of enabling safety production and seeking strategic cooperation partners. The Group actively achieves internationalization while strengthening its top position in Xinjiang regional coking coal market, aiming at becoming leading enterprise in coking coal industry in China and even in Asia.

Recently, the steel industry in China has experienced excess production capacity which led to a decline in demand for coking coal, resulting in an imbalance between supply and demand in coking coal industry. However, the coal price has approximated to the lowest level from the market's point of view. The central government has implemented various adjustment and regulatory policy in respect of coal industry as a whole since the second half of 2014, including: a decrease in exports tax rate of all coal types from 10% to 3% from 2015; revocation of zero import tax of various types of coal and resumption of most-favored nation treatment tax rate of 3% to 5% from 15 October 2014; a change of calculation basis of coal resources tax from prices rather than quantities from 1 December 2014; with the tax rate determined by the provincial government within the prescribed range; measures regarding the restrictions on overproduction of coal mines jointly issued by the State Administration of Coal Mine Safety, NDRC and National Energy Administration on 15 August 2014 for stringent requirements of annual production capacity and safety production. From the market's point of view, the Chinese government will continue to promote relief for addressing difficulties in coal industry in 2015 and concentrate on strengthening the governance on illegal construction and production, unsafe production and low-quality coal production of coal mines, whereas the local government in Xinjiang will also continue to abolish small-scale coal mines with annual production capacity below 600,000 tonnes in the region. Recently, the National Energy Administration stated that it will deepen reform, raise the concentration level of the coal industry, and put more efforts on financial support to the key coal enterprises which are in compliance with industry policies. It is noted that the state will contribute to establish a fund for integration in the coal industry in the future in order to speed up further integration of coal industry. Such measures will be beneficial to the balance between market demand and supply, will stabilize the coal price and will be conducive to the sound development of the entire coal industry in long run.

Actually, the recent national development strategy "One Belt, One Road" implemented by the central government provided critical support in promoting the demand for domestic coking coal industry, and Xinjiang region is the most beneficial area. On 28 March 2015, the NDRC, Ministry of Foreign Affairs, Ministry of Commerce of China jointly issued "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", which stated that the unique regional advantages of Xinjiang and its important role as an access to the development of western areas make it as the core zone of the Silk Road Economic Belt. Xinjiang targets railway construction as a breakthrough with a focus on China and Pakistan railway in the mid-term. It will further expand trade cooperation with countries in South Asia, West Asia and East Europe, and accelerate free and convenient trade and investment in the region in order to basically build an important international financial center on the Silk Road Economic Belt. The management team considers that such long-term and macroscopic policy shall promote the fixed assets investment including infrastructure and public utilities, which will gradually raise the demand for natural resources in the market. Also, China recently canvassed other countries for collaboration to establish the Asian Infrastructure Investment Bank in an active manner. Currently, over 50 countries around the world participate and support such event with an expectation of increasing expansion of social capital contribution to the investment in western areas in the future. From the publicly available statistics, the total amount regarding the infrastructure investment projects of "One Belt, One Road" stated in the government work report of the "two sessions" of each of the provinces in China in 2015 exceeds RMB1 trillion with a focus on the investment projects such as railways, roads, airports, water conservancy construction, etc.

Besides, the Group continues to focus on the development of seaborne coking coal market. Due to the effects of environmental issues and overproduction capacity, the iron and steel industry in China will see structural adjustment and gradually transfer to coastal areas from which seaborne coking coal will be benefited, while steel industry in emerging economies such as India and Brazil will bloom and create a huge opportunity for such industry based on seaborne coke market. Acquisition of the GCC project will be marked the first and also the vital step for Up Energy to develop in the overseas market. The Group will continue to seek quality projects in operation in the major areas of coking supply and conduct research for the probability for resources integration. China and Australia signed a free trade agreement pursuant to which a consensus of revoking the tariff on refined coking coal was reached and the tariff on refined coking coal imports from Australia has been adjusted to zero. The Group will keep an eye on the potential for development in such market with a goal to develop Up Energy as an international enterprise.

As a leading listed non-state owned coking coal enterprise in China, the Group possesses the unique locational advantages of Xinjiang and abundant quality coal resources. Also, characterized by its scarcity of resources, irreplaceability, and non-renewability, coking coal has been the key raw material in the iron and steel industry other than iron ore for a long time. The management team believes that the coking coal industry and the business of the Group still have plenty room for development. It is confident to seize the opportunity and face the challenges. The Group will actively seek projects of high quality and in operation in Xinjiang and overseas countries during market downturn, undertake acquisition in a relatively low cost and conduct the parallel development in both Xinjiang regional market and seaborne coking coal market. Meanwhile, the Group will actively conduct research to explore and establish an internet cross-border electronic trading platform for bulk commodities in the "One Belt, One Road" regions, by which it could seize the opportunities from the central government's "One Belt, One Road" layout so as to prepare for its long-term and sustainable development.

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:

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

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

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 coking 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 technical issues may delay the production and delivery schedules of coal products, cause suspension or closure in stages in respect of production, and increase the cost of mining activities or result in coal mine accidents;

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

During the year ended 31 March 2015, the Group recorded a revenue of approximately HK$245,314,000, representing an increase of HK$92,478,000 or 60.5% as compared with that of approximately HK$152,836,000 for the same period of 2014. The increase in revenue was mainly due to the full year operation of coking plant for the year ended 31 March 2015 comparing to just around six months of operation of coking plant in the same period last year.

Cost of Revenue

During the year under review, cost of revenue was approximately HK$278,159,000, representing an increase of approximately HK$113,844,000 or 69.3%, as compared with that of approximately HK$164,315,000 for the same period of 2014. The increase in cost of sales was mainly due to the increase in sale volume of coke and the depreciation and direct labour costs in relation to coking plant.

Gross Loss

As a result of the reasons above, gross loss was approximately HK$32,845,000 for the year ended 31 March 2015, representing an increase of loss approximately HK$21,366,000 as compared with that of approximately HK$11,479,000 for the same period of 2014. During the year under review, the increase in gross loss was mainly due to the drop in average selling prices of coke compared with the same period of 2014.

Other Revenue

During the year under review, other revenue was approximately HK$13,430,000, representing an increase of approximately HK$8,828,000 or 191.8% as compared with approximately HK$4,602,000 of the same period in 2014. The increase was mainly due to the increase in interest income from the loan to a third party.

Other Net Income/Loss

During the year under review, other net loss was approximately HK$20,641,000, which mainly represented by a net unrealized loss on the other financial liabilities with fair value through profit or loss of approximately HK$22,612,000. For the same period in 2014, other net income was approximately HK$16,803,000, which mainly represented by net unrealized loss on trading securities of approximately HK$13,500,000 and net unrealized gain on the other financial liabilities with fair value through profit or loss of approximately HK$30,007,000. The net change from other net income for the year ended 2014 to other net loss for the same period in 2015 was approximately HK$37,444,000.

Distribution costs

During the year under review, distribution costs were approximately HK$22,971,000, representing a significant increase of approximately HK$20,722,000 as compared with that of approximately HK$2,249,000 for the same period of 2014. The increase was mainly as a result of the substantial increase in transportation costs arising from the significant increase in sales volume of coke.

Administrative Expenses

During the year under review, administrative expenses were approximately HK$120,410,000, representing an increase of approximately HK$32,189,000 or 36.5% as compared with that of approximately HK$88,221,000 for the same period of 2014. The increase in administrative expenses was mainly due to the significant increase in staff costs which were approximately HK$45,746,000 (2014: HK$28,227,000) and depreciation and amortization which were approximately HK$34,433,000 (2014: HK$20,321,000) during the year.

Loss from Operations

For the aforementioned reasons, the loss from operation during the year under review was approximately HK$183,437,000 while the loss from operation was approximately HK$80,544,000 for the same period of 2014.

Finance Costs

During the year under review, finance costs were approximately HK$360,503,000 representing a significant increase of approximately HK$306,479,000 or 567.3% as compared with that of approximately HK$54,024,000 for the same period of 2014. The increase in finance costs was mainly due to the increase in interest on borrowing which were approximately HK$58,988,000 (2014: HK$33,085,000) and increase in the interest expenses charged into profit or loss on the unwinding interest of convertible notes, which were approximately HK$219,303,000 (2014: HK$Nil) and the loss arising on the amendment of terms of convertible notes which were approximately HK$48,053,000 (2014: Nil).

Income Tax

During the year under review, the income tax expenses during the year under review was approximately HK$4,469,000, which comprised with the current income tax expenses of HK$6,591,000 and deferred tax credit of HK$2,122,000, while income tax credit was approximately HK$10,967,000 for the same period of 2014, which comprised with the current income tax expenses of HK$3,625,000 and deferred tax credit of HK$14,592,000,

Loss for the Year

By reasons of the foregoing, the Group recorded a loss of approximately HK$548,409,000, during the year under review, representing an increase of 343.7% as compared with that of approximately HK$123,601,000 for the same period of 2014.

Liquidity and Financial Resources

As at 31 March 2015, the Group's current ratio was 0.30 (2014: 0.32), with current assets of approximately HK$829,594,000 (2014: HK$360,416,000) against current liabilities of approximately HK$2,746,011,000 (2014: HK$1,122,959,000). Cash and cash equivalents were approximately HK$6,046,000 (2014: HK$23,992,000). The Group's gearing ratio was 67% as at 31 March 2015 (2014: 97%). 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$158,916,000 (2014: HK$199,500,000) and HK$582,560,000 (2014: HK$370,614,000) 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, RMB 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 and Remuneration Policy

During the year under review, the Group optimized its human resources structure according to the market conditions. As at 31 March 2015, the Group had a total of 641 employees (2014: 1,169) 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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2015, 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 of directors (the "**Board**") and the Chief Executive Officer (the "**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 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 2015.

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 2015 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 HK$1,916,417,000 as at 31 March 2015 and that the current portion of outstanding bank borrowings of HK$582,560,000, other financial liabilities of HK$142,273,000 and convertible notes of HK$1,311,727,000 were due for renewals or repayments within the next twelve months. Note 2(b) also 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 the Group's 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 2015

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.