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 2016

FINAL RESULTS

The board of directors (the "**Board**") of Up Energy Development Group Limited (In Provisional Liquidation (For Restructuring Purposes)) (the "**Company**") announces herewith the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2016, together with the comparative figures in previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Revenue	3	**131,860**	245,314
Cost of sales		**(185,123)**	(278,159)
Gross loss		**(53,263)**	(32,845)
Other revenue		**1,080**	13,430
Other net loss		**(45,914)**	(20,641)
Distribution costs		**(5,431)**	(22,971)
Administrative expenses		**(640,547)**	(120,410)

* *For identification purposes only*

	Note	2016 $'000	2015 $'000
Loss from operations		**(744,075)**	(183,437)
Net finance costs	*4(a)*	**(557,842)**	(360,503)
Loss before taxation	*4*	**(1,301,917)**	(543,940)
Income tax	*5*	**(10,999)**	(4,469)
Loss for the year		**(1,312,916)**	(548,409)
Attributable to:			
Equity shareholders of the Company		**(1,260,530)**	(495,698)
Non-controlling interests		**(52,386)**	(52,711)
Loss for the year		**(1,312,916)**	(548,409)
Loss per share	*6*		
Basic and diluted		**(30.68) cents**	(15.19) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	Note	**2016**	2015
		$'000	*$'000*
Loss for the year		**(1,312,916)**	(548,409)
Other comprehensive income for the year (after tax adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside of Hong Kong		**(79,333)**	4,392
Total comprehensive income for the year		**(1,392,249)**	(544,017)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(1,332,561)**	(491,488)
Non-controlling interests		**(59,688)**	(52,529)
Total comprehensive income for the year		**(1,392,249)**	(544,017)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Non-current assets			
Property, plant and equipment	*7*	**16,864,263**	19,018,466
Prepaid land lease payments		**67,052**	72,443
Goodwill		**–**	25,623
Interests in deconsolidated subsidiaries		**1,564,389**	–
Deferred tax assets	*13(b)*	**–**	13,474
Restricted bank deposits	*10*	**16,520**	24,820
Other non-current assets		**48,473**	15,194
		18,560,697	19,170,020
Current assets			
Trading securities		**17,354**	–
Inventories		**28,227**	67,160
Trade and bills receivables	*8*	**118,855**	101,785
Prepayments, deposits and other receivables	*9*	**276,566**	432,334
Restricted bank deposits	*10*	**1,412**	222,269
Cash and cash equivalents	*10*	**884**	6,046
		443,298	829,594
Current liabilities			
Borrowings		**901,673**	582,560
Trade and bills payables	*11*	**227,732**	255,796
Other financial liabilities		**822,196**	142,273
Other payables and accruals	*12*	**675,086**	438,977
Current taxation	*13(a)*	**15,425**	14,678
Convertible notes		**2,912,369**	1,311,727
		5,554,481	2,746,011
Net current liabilities		**(5,111,183)**	(1,916,417)
Total assets less current liabilities		**13,449,514**	17,253,603

	Note	2016 $'000	2015 $'000
Non-current liabilities			
Borrowings		**–**	158,916
Convertible notes		**444,182**	2,177,685
Other financial liabilities		**32,215**	632,530
Deferred tax liabilities	*13(b)*	**3,426,513**	3,916,764
Provisions	*14*	**–**	7,557
		3,902,910	6,893,452
NET ASSETS		**9,546,604**	10,360,151
CAPITAL AND RESERVES			
Share capital	*15(b)*	**907,703**	748,638
Equity component of convertible notes		**968,825**	2,092,103
Reserves		**5,057,127**	4,846,773
Total equity attributable to equity shareholders of the Company		**6,933,655**	7,687,514
Non-controlling interests		**2,612,949**	2,672,637
TOTAL EQUITY		**9,546,604**	10,360,151

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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 trading in shares of the Company has been suspended since 30 June 2016. 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 29/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong. The Group is principally engaged in development and construction of coal mining and coke processing facilities.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Except for the matters referred to in note 2(b), these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(1) Going concern basis

These consolidated financial statements are prepared on a going concern basis in accordance with the requirements of HKAS 1, *Presentation of financial statements*, on the basis that as at the date of approval of these financial statements the Joint Provisional Liquidators (the "**JPLs**") of the Company have not resolved to liquidate the Company or to cease trading, and the JPLs and the directors consider that there are realistic alternatives to liquidation and cessation of trading which could enable the Group to continue as a going concern.

In preparing these consolidated financial statements, the JPLs and the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term. In making this assessment the JPLs and the directors are aware that there are material multiple uncertainties related to events and conditions which cast significant doubt upon the Company and the Group's ability to continue as a going concern. These events and circumstances which give rise to material uncertainties are disclosed below, together with information concerning the proposed restructuring plans, which, if successful, may enable the Company and the Group to continue as a going concern for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Suspension of Trading in Shares of the Company

Reference is made to the Company's announcement dated 19 June 2016, in relation to the delay in the publication of annual results and the possible delay in the dispatch of the annual report of the Company for the year ended 31 March 2016. At the request of the Company, the trading of the shares of the Company on the Stock Exchange has been suspended since 30 June 2016.

Listing Status

On 18 October 2016, the Company received the first delisting letter under Practice Note 17 of the Listing Rules. In placing the Company into the first delisting stage, the Stock Exchange has taken the below issues into account:

(i) On 19 September 2016, the Supreme Court of Bermuda (the "**Bermuda Court**") ruled that an application to appoint the JPLs is granted. On 7 October 2016, the Bermuda Court appointed Mr Osman Mohammed Arab and Mr Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, as the JPLs. There is another winding-up petition against the Company to be heard in the Court of First Instance of the High Court of Hong Kong (the "**Hong Kong Court**"), with the hearing scheduled for 28 November 2016. The Company (together with its subsidiaries) has submitted that over $8 billion of indebtedness has become due as a result of a cross default.

(ii) The scale of the Company's operation is insufficient to justify the continuing listing of its shares. The Company has substantially reduced its operation due to financial difficulties and the drop in coal price.

(iii) Based on the Company's management accounts as at 31 March 2016, the Company (together with its subsidiaries) had total assets of $24 billion, which mainly consists of its mining assets. However, the Company has failed to substantiate such carrying value with an updated valuation and, in particular, has not performed any impairment test on such assets.

(iv) The Company has recorded gross loss and net loss in the past three years.

On 19 April 2017, the Stock Exchange issued a letter to inform the Company that the Stock Exchange has placed the Company in the second delisting stage under Practice Note 17 to the Listing Rules. The Company is required to submit a viable resumption proposal at least 10 business days before 18 October 2017, the expiry of the second delisting stage, i.e. 29 September 2017, to address the following resumption conditions:

(i) demonstrate the Company has sufficient level of operations or assets of sufficient value under Rule 13.24;

(ii) publish all outstanding financial results and address audit qualifications (if any); and

(iii) have the winding up petitions against the Company (and its subsidiaries), where applicable, withdrawn or dismissed and the provisional liquidator discharged.

The draft resumption proposal of the Company was submitted to the Stock Exchange on 29 September 2017, and modified on 9 November 2017. On 17 November 2017, the Listing Department of the Stock Exchange informed the Company, inter alia, that the draft resumption proposal submitted was not viable and the Company was placed in the third stage of delisting under Practice Note 17 of the Listing Rules.

On 28 November 2017, the Company, with the assistance of the JPLs, applied to the Listing Committee of the Stock Exchange for a review of the decision of Listing Department to place the Company into third delisting stage. The review hearing was held on 22 March 2018.

On 3 April 2018, the Listing Committee informed the Company that the decision of the Listing Department was upheld. On 13 April 2018, the Company, with the assistance of the JPLs, lodged a written request to the Listing (Review) Committee of the Stock Exchange for a review of such decision. The review hearing was held on 22 August 2018.

On 28 August 2018, the Listing (Review) Committee informed the Company that the decision of Listing Committee was upheld.

By a letter dated 31 August 2018 issued by the Stock Exchange, the Stock Exchange informed the Company that the Company would be placed in the third stage of delisting under Practice Note 17 of the Listing Rules on 11 September 2018 and the Company must submit a viable resumption proposal at least 10 Business Days before the third delisting stage expires, i.e. 25 February 2019. A fresh resumption proposal of the Company was submitted to the Stock Exchange on 25 February 2019. The Company is in the course of providing additional information and clarification in relation to the resumption proposal to the Stock Exchange.

Winding up petitions

On 29 March 2016, Satinu Markets Limited (previously known as HEC Securities Limited) filed a winding-up petition against the Company in the Hong Kong Court under HCCW 91 of 2016 based on the matured convertible notes which amounted to an outstanding debt of $230,000,000 (plus interest).

On 6 May 2016, Credit Suisse AG, Singapore Branch presented a petition before the Bermuda Court to wind up the Company under Companies (Winding-up) 2016 No. 183 based on a purported debt of at least $150,000,000 due under certain convertible notes issued by the Company.

Appointment of the JPLs

Mr Osman Mohammed Arab and Mr Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, together with Mr Roy Bailey of EY Bermuda Limited were appointed the JPLs pursuant to the Order of the Bermuda Court dated 7 October 2016 and amended on 28 October 2016. The then appointment was on a "soft-touch" approach and the executive management power of the Company still rested with the directors of the Company at the time while the key role of the JPLs were to consult with the Company in respect of and review all issues relating to the feasibility of the restructuring proposal.

On 28 April 2017, the JPLs were given the full powers as provisional liquidators of the Company by the Bermuda Court and the powers of the directors of the Company ceased, the JPLs have and may exercise such powers as are available to them as a matter of Bermuda law and would be available to them under the laws of Hong Kong as if they had been appointed provisional liquidators of the Company under the laws of Hong Kong, in particular, to enter into any agreements necessary or desirable effectively to restructure the affairs of the Company.

The appointment and the powers of the JPLs were recognised by the Hong Kong Court pursuant to the Order granted by the Honourable Mr Justice Harris dated 16 August 2017 in HCMP 1570 of 2017.

The JPLs are working with the Company's financial and legal advisors to prepare a latest resumption proposal to the Stock Exchange. In this connection, the JPLs have taken steps to prepare the outstanding financial statements for the financial years ended 31 March 2016, 2017 and 2018 in order to meet one of the resumption conditions as required by the Stock Exchange. However, previous management and many of the staff members, including key accounting personnel, have left the Group since the Group encountered liquidity issues in early 2016 and are now not contactable. Given these circumstances, the JPLs have relied on the books and records which are available to them in preparing these financial statements.

Financial performance and position

During the year ended 31 March 2016, the Group had incurred a loss of approximately $1,313 million. As at 31 March 2016, the Group's current liabilities exceeded its current assets by $5,111 million. The financial performance and financial position have not improved significantly subsequently in the financial years ended 31 March 2017 and 2018.

Borrowings and bonds default

As certain loan principal repayments and interest payments were overdue, the Group breached the default clauses of the lending agreements of borrowings with carrying amount of $847 million which are included in the Group's interest-bearing borrowings and convertible notes with carrying amount of $2,912 million as at 31 March 2016. The default continued to exist subsequently to the financial year ended 31 March 2018. Up to the date of the approval of the consolidated financial statements, the Group is facing a significant number of legal actions from creditors demanding immediate repayments.

Expiration of mining licenses

The Group's mining licenses of Shizhuanggou coal mine and Quanshuigou coal mine expired on 28 December 2015 and renewed licenses have not been obtained as at the approval date of the financial statements. In addition, the Group's mining license of Xiaohuangshan coal mine will expire on 31 December 2019.

The management of the Company are actively communicating with the relevant government authorities, preparing the application documents and undertaking actions, including engaging constructors to complete the construction of relevant mine properties, as required by government authorities to obtain the renewed mining licenses of Shizhuanggou, Quanshuigou and Xiaohuangshan coal mines for the foreseeable future. As a result of these efforts, in April 2019, the local authority announced that it had approved the extension of license period for Xiaohuangshan coal mine, which had expired on 30 November 2018, until 31 December 2019 as noted above. However, because of the liquidity issues faced by the Group, the Group might not meet the requirements for the renewal of mining licenses, or the further extension of the license period for Xiaohuangshan coal mine, including, among others, the ability to complete the construction of relevant mine properties and proceed the mining activities as outlined in the mining plan previously submitted to government authority for the obtaining of the mining licenses. In view of these, there is a heightened risk that the relevant authorities may not approve the application for the renewal of the mining licenses.

These facts and circumstances indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Proposed restructuring of the Company

The planned restructuring of the Company mainly consist of: (i) debt-to-equity swap (ii) financing opportunities (iii) placement of new shares and (iv) renewal of mining licenses.

(i) Debt-to-equity swap

Under the proposed restructuring, upon completion of the scheme of arrangement, all the existing debts of the creditors of the Company (the "**Creditors**") will be converted to the corresponding proportion of the Company's common stock. The key principles are: (1) all admitted debts owed to the financial creditors and contingent liability creditors (subject to adjudication) will convert at the same conversion price; (2) all existing debts of the Creditors will participate in the conversion voluntarily and/or compulsorily pursuant to a scheme to be approved by the Bermuda Court and the Hong Kong Court and all the liabilities of the Company due to the Creditors will be compromised and discharged in full by arrangements contemplated under the scheme of arrangement.

From the completion of implementation of the scheme of arrangement, each of the Creditors will discharge and waive all its claims in consideration for the right to participate with each of the other Creditors in the distribution of the dividends pursuant to the terms of the Scheme.

(ii) Financing opportunities

On 6 March 2018, a credit facility agreement, which is subject to the approval being granted by the Bermuda Court and/or the Hong Kong Court (where applicable), was entered into between the lender, namely Integrated Capital (Asia) Limited ("**ICA**"), the Company and the JPLs on behalf of the Company (the "**Facility**" or the "**Facility Agreement**"). Subsequently on 14 January 2019, ICA, the Company and the JPLs entered into a deed of variation and addendum to the Facility Agreement (the "**Deed**").

Pursuant to the Facility Agreement and the Deed, ICA agreed to provide a credit facility of up to $800 million to the Company for a period of 3 years upon the approval of the Facility Agreement being granted by the relevant Court(s). Subsequently on 1 February 2019, the Facility Agreement and the Deed were approved and sanctioned by the Bermuda Court. It is considered that the availability of the Facility would enable the Company to ease the Group's liquidity challenge and facilitate the restructuring of the Company.

(iii) Placement of new shares

As part of the proposed restructuring, the Company entered into a placing agreement with a placing agent, being an independent third party. The placing agent conditionally agreed, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 2,000,000,000 placing shares at the placing price of $0.129 per placing share. Such placement of new shares has not yet been executed as at the approval date of the financial statements.

(iv) Renewal of mining licenses

The management of the Company are actively communicating with the relevant government authorities, preparing the application documents and undertaking actions, including engaging contractors to complete the construction of relevant mine properties, as required by government authorities to obtain the renewed mining licenses of Shizhuanggou, Quanshuigou and Xiaohuangshan coal mines. In April 2019, the local authority announced that it approved the extension of license period for Xiaohuangshan coal mine to 31 December 2019. The management of the Company are contacting the local authority to obtain the renewed license for Xiaohuangshan coal mine and intend to renew the license for a further period when it expires on 31 December 2019.

In preparing these consolidated financial statements, the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term, assuming the success of the abovementioned proposed restructuring plans.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(2) De-consolidation of Subsidiaries

*(i) De-consolidation of Up Energy (Canada) Limited and its subsidiaries (collectively "**GCC Group**")*

Reference is made to the announcements of the Company dated 8 December 2014, 9 December 2014, 30 December 2014, 2 January 2015, 31 March 2015, 8 April 2015, 13 May 2015, 17 July 2015, 21 July 2015 and 7 September 2015 to the acquisition of shares and/or interests of Grande Cache Coal Corporation ("**GCC**") and Grande Cache Coal LP ("**GCC LP**") which operates a mine that produces metallurgical coal for the steel industry from its coal leases covering over 29,000 hectares in the Smoky River Coalfield located in West Central Alberta, Canada.

On 14 November 2014, the Group, Winsway Enterprises Holdings Limited ("**Winsway**") and Marubeni Corporation ("**Marubeni**") entered into the Sale and Purchase Agreement conditionally for acquisition of 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**"). The Acquisition and related transaction were then approved by the shareholders of the Company in the special general meeting of the Company convened on 17 July 2015. Subsequently, on 2 September 2015, all conditions precedent to the Acquisition were either satisfied or waived and the parties to the Acquisition proceeded to closing. After the completion, Up Energy (Canada) Limited became the parent company of GCC and GCC LP and formed the GCC Group.

Prior to the Acquisition, GCC LP has entered into a senior facilities agreement dated 1 March 2012 (as amended and restated by six amendment deeds) ("**Senior Facility**") with, among others, China Minsheng Bank Corporation ("**CMBC**") as administrative agent and security agent. To secure GCC LP's obligations under the Senior Facility, each of GCC LP, GCC and Up Energy (Canada) Limited ("**UE Canada**") (collectively "**GCC Group**") has granted security interests in favour of Computershare Trust Company of Canada, Canadian collateral agent under the Senior Facility, by entering into a general security agreement or security pledge agreement, among other security (collectively, the "**Security Documents**").

On 28 September 2016, the solicitor who acts on behalf of CMBC issued a letter to, among others, GCC Group demanding immediate payment due to the failure to pay by GCC LP and an event of default under the Senior Facility had therefore occurred and was continuing. Thereafter, the demand had not been satisfied and hence CMBC and others took actions to enforce or preserve the security granted accordingly.

Upon the application of, among others, CMBC, in respect of GCC Group and the other equity holder that holds the remaining interests in GCC and GCC LP, an Order of the Court of Queen's Bench of Alberta dated 3 February 2017 was granted to appoint Deloitte Restructuring Inc. ("**Deloitte**") as receiver and manager of all of the current and future assets, undertakings and properties of GCC Group and the other equity holder of GCC and GCC LP.

Subsequent to the appointment of receivership, the Company considered that it is appropriate to deem that the control over GCC Group had been lost since 3 February 2017. In addition, as there is insufficient access to the books and records of the GCC Group for the period from the completion of the acquisition to 3 February 2017, GCC Group were not included in the consolidated financial statements of the Group from the acquisition completion date (2 September 2015). Furthermore, no disclosure in respect of the acquisition of GCC and GCC LP was made in the consolidated financial statements of the Group for the year ended 31 March 2016.

On 22 December 2017, Sonicfield Global Limited ("**Sonicfield**") and Deloitte, in its capacity as the receiver, entered into an asset purchase agreement, pursuant to which Sonicfield agreed to purchase the assets of GCC, among other conditions, with the following consideration:

(i) USD410,000,000 being payable in cash for the settlement of the facility made by CMBC to GCC under a facility agreement;

(ii) an amount which shall not exceed USD15,000,000 being repayment of the Receiver's Borrowings Charge; and

(iii) USD5,910,000 being a repayment of an assigned loan by Sonicfield to GCC Maple Holdings Ltd.

This transaction was completed on 18 July 2018.

In light of the above, it was noted that the proceeds from the disposal had not fully covered the outstanding liabilities due to CMBC, the senior creditor of GCC Group, therefore there are no assets left to cover GCC Group's liabilities to the Group. In the circumstances, the Company is of the view that the recovery from the amounts due from GCC Group is remote and therefore has made full provisions for the amounts due from GCC Group in preparing the consolidated financial statements for the year ended 31 March 2016.

*(ii) De-consolidation of Champ Universe Limited and its subsidiaries (collectively the "**Champ Universe Group**")*

Reference is made to the announcements of the Company dated 1 November 2012, 21 December 2012, 28 January 2012, 28 March 2013 and the circular dated 11 June 2013 in relation to the acquisition by the Company of Champ Universe Limited.

On 12 October 2012, the Group (through its subsidiary Up Energy Mining Limited ("**UE Mining**")) and Hao Tian Resources Company Limited ("**Hao Tian**") entered into a Sale and Purchase Agreement conditionally of the entire issued share capital of Champ Universe Limited, the then wholly owned subsidiary of Hao Tian and which, through its direct and indirect wholly owned subsidiaries, operate and owned 100% interests in Xinjiang Baicheng County Kueraken Mine Field No.3 Pit of No.1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China ("**Baicheng Mine**").

According to the sale and purchase agreement, the consideration for the sale and purchase of sale shares and the transfer of all rights, title, benefit and interest of and in the shareholder's loan was $1.58 billion, subject to adjustments as set out in the sale and purchase agreement, of which $735 million shall be paid by way of an issuance and allotment to the vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company free from all encumbrances and credited as fully paid upon completion at an issue price of $2.00 per share; while the balance of $845 million shall be paid to the vendor in cash. Pursuant to the sale and purchase agreement, Hao Tian was entitled to a top-up consideration shares mechanism and a put option to protect Hao Tian from the Company's share price fluctuation.

Hao Tian initiated a claim against the Company and UE Mining in the Hong Kong Court in September 2016 under the High Court Action No. 2111 of 2016 (the "**Hao Tian Action**") claiming against the Company and UE Mining for a purported outstanding amount due under the sale and purchase agreement in relation to the Baicheng Mine.

The management has however been of the view that Hao Tian has not been fully satisfied due to the failure of Hao Tian to obtain all necessary licenses, permits, approvals and consents required in connection with and necessary for mining of the coal mines constituting the mining rights of the Baicheng Mine and all prior approvals, consents, permits and permissions required in connection with and necessary for the application of project verification and approval in relation to the coal mines constituting the mining rights in that the relevant authorities have still not approved of the Baicheng Mine's proposed increase in annual production to 900,000 tonne per annum. The Company and UE Mining then filed a defence and counterclaim against Hao Tian in relation to the alleged breach of the said agreement in December 2016 and thereafter Hao Tian filed a Reply and Defence to Counter-claim in January 2017. Currently, Hao Tian and the Company and UE Mining are having an ongoing mediation and had mutually agreed to adjourn the Case Management Summons hearing sine die with liberty to restore. The Hao Tian Action is still on-going.

Subsequently, the Baicheng Mine was then listed as one of the 109 mines in Xinjiang to be closed down by the Government of the Autonomous Region of Xinjiang (the "**Xinjiang Government**") according to a notice of the Xinjiang Government dated 16 February 2017. Pursuant to the said notice, the coal mines having annual capacity below 300,000 metric tonnes have to be closed down. Soon after the said notice, Baicheng Ministry of Natural Resources had revoked the mining license of Baicheng Mine unilaterally.

Given the above-mentioned circumstances, the operation of the Champ Universe Group (consisting of Champ Universe Limited, Venture Path Limited, West China Coal Mining Holdings Limited and Up Energy (Baicheng) Coal Mining Limited), which were established solely for the business of the Baicheng Mine, ceased and it is appropriate to deem that the control over these subsidiaries had been lost and therefore the Group deconsolidated these subsidiaries from 1 April 2015.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

— trading securities.

— derivative financial instruments.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 REVENUE

(a) 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 is as follows:

	2016	2015
	$'000	*$'000*
Coke	**93,910**	180,320
Coal	**–**	17,894
Others	**37,950**	47,100
	131,860	245,314

During the year ended 31 March 2016, the Group had one (2015: two) customer that individually exceeded 10% of the Group's revenue. The revenue from sales to this customer amounted to approximately $15,661,000 (2015: $143,657,000) for the year ended 31 March 2016.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016 *$'000*	2015 *$'000*
(a) Finance costs		
Foreign exchange loss, net	**42**	533
Interest on borrowings	**80,003**	58,988
Gain from amendment of terms of the convertible notes	**(47,707)**	–
Unwinding interest of convertible notes	**442,052**	287,969
Default interest of other financial liabilities	**16,698**	–
Default interest of convertible notes	**29,283**	–
Unwinding interest of other financial liabilities	**37,242**	43,799
Loss arising on the amendment of terms of convertible notes	**–**	48,053
Other interest expense	**229**	983
Less: interest expense capitalised into construction in progress and mine properties	**–**	(79,822)
Finance costs	**557,800**	359,970
Net finance costs	**557,842**	360,503

Loss before taxation is arrived at after charging:

	2016 *$'000*	2015 *$'000*
(b) Staff costs		
Salaries, wages and other benefits	**51,911**	65,959
Retirement scheme contributions	**2,065**	2,550
	53,976	68,509

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% (2015: 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 Mandatory Provident Funds ("**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.

	2016	2015
	$'000	*$'000*

(c) Other items

	2016	2015
	$'000	*$'000*
Amortisation of prepaid land lease payments	**2,431**	2,543
Depreciation of property, plant and equipment	**47,986**	55,657
Operating lease charges: minimum lease payments hire of property	**5,377**	4,846
Auditors' remuneration	**1,433**	4,921
Cost of inventories#	**185,123**	278,159
Bad debt provision on trade and other receivables	**537,785**	–

\# Cost of inventories includes $38,909,000 (2015: $54,281,000) relating to staff costs, depreciation and amortisation expenses, which the amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2016	2015
	$'000	*$'000*
Current tax		
Provision for the year	**2,862**	6,591
Deferred tax		
Origination and reversal of temporary differences	**8,137**	(2,122)
	10,999	4,469

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 2016 and 2015.

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.

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

	2016	2015
	$'000	*$'000*
Loss before taxation	**(1,301,917)**	(543,940)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(320,885)**	(127,957)
Tax effect of non-deductible expenses	**291,778**	96,930
Tax effect of non-taxable income	**(157)**	(3,170)
Tax effect of unused tax losses not recognised	**40,263**	38,666
Actual income tax	**10,999**	4,469

6 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 $1,260,530,000 (2015: $495,698,000) and the weighted average of 4,109,222,000 ordinary shares (2015: 3,262,764,000) 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 2016 and 2015 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 Share arising from the acquisition of Champ Universe at 28 June 2013 during the years ended 31 March 2016 and 2015 have anti-dilutive effect to basic loss per share.

7 PROPERTY, PLANT AND EQUIPMENT

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

The Group's mining licenses of Shizhuanggou coal mine and Quanshuigou coal mine were expired on 28 December 2015 and renewed licenses have not been obtained as at the approval date of the financial statements. The Group's mining license of Xiaohuangshan coal mine, which expired on 30 November 2018, was subsequently extended in April 2019, when the local authority announced that it approved the extension of license period for Xiaohuangshan coal mine to 31 December 2019.

As disclosed in note 2(b), the management of the Company are actively communicating with the relevant government authorities, preparing the application documents and undertaking actions, including engaging constructors to complete the construction of relevant mine properties, as required by government authorities to obtain the renewed mining licenses of Shizhuanggou, Quanshuigou and Xiaohuangshan coal mines for the foreseeable future. However, because of the liquidity issues faced by the Group, the Group might not meet the requirements for the renewal of mining licenses, or the further extension of the license period for Xiaohuangshan coal mine, including, among others, the ability to complete the construction of relevant mine properties and proceed the mining activities as outlined in the mining plan previously submitted to government authority for the obtaining of the mining licenses. In view of these, there is a heightened risk that the relevant authorities may not approve the application for the renewal of the mining licenses. For the purposes of the preparation of the consolidated financial statements, the JPLs have assumed that the Group will be able to obtain renewed mining licenses of the above-mentioned mines to enable them to continue operating for the foreseeable future.

Subsequent to the suspension of trading of the Company's shares in June 2016, certain of its key management left the Group and the activities to formulate mine development plans were suspended. Therefore, in preparing the financial statements for the year ended 31 March 2016, the JPLs do not have sufficient information to perform an assessment of recoverable amount of the property, plant and equipment as at 31 March 2016, due to the fact that no reliable discounted cash flow can be prepared without valid mine development plan.

As at 31 March 2016, the ownership of equipment and machineries amounting to $203,890,000 (2015: $214,510,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

As at 31 March 2016, mine properties of the Group of $8,370,418,000 (2015: $8,370,418,000) and construction in progress of the Group of $67,210,000 (2015: $67,307,000) have been pledged as collateral for the Group's borrowings.

8 TRADE AND BILLS RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade receivables due from third party customer	**118,855**	100,396
Bills receivable	**–**	1,389
	118,855	101,785

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 (which are included in trade and bills receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
	$'000	*$'000*
Within 3 months	**31,349**	78,062
3 to 6 months	**10,275**	22,378
Over 6 months but within 1 year	**35,540**	1,345
Over 1 year but within 2 years	**41,691**	–
	118,855	101,785

(b) Impairment of trade debtors and bills receivable

Bills receivable are generally due within 180 days from the date of billing. As at 31 March 2016, the Group has no impairment losses on trade and bills receivable (31 March 2015: nil).

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

Receivables that were past due but not impaired relate to a number of independent customers. 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 receivable were considered fully recoverable. The Group has not held any collateral over these balances.

9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Prepayments *(note (i))*	**43,909**	25,057
Deposits *(note (i))*	**85,348**	87,141
Current portion of land lease prepayment	**2,403**	2,562
VAT and other tax receivables *(note (ii))*	**17,822**	63,544
Amount due from related parties *(note (iii))*	**95,913**	129
Loan to GCC Group *(note (iv))*	**–**	213,271
Other receivables	**31,171**	40,630
	276,566	432,334

Notes:

(i) Prepayments and deposits mainly represent advance to suppliers and deposits (including deposits related to financial liabilities).

(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) Related parties mainly represent the founder of a trust that owns, indirectly through certain intermediate companies, the controlling shareholder of the Company, companies controlled by the founder of the aforementioned trust and the former Chairman and Chief Executive Officer of the Company who is also a beneficiary of the aforementioned trust.

(iv) As at 31 March 2016, the balances of loan to GCC Group are $537,785,000. The relevant balances have been reclassified to interests in deconsolidated subsidiaries with full provision provided as at 31 March 2016.

Included within prepayments, deposits and other receivables (excluding advances to suppliers, VAT and other tax receivables, current portion of lease prepayment and amounts due from related parties) totaling $116.5 million are amounts of $91.4 million which, as at 31 March 2016, were aged over one year based on invoice date.

As of the date of approval of these financial statements, $100.4 million of the above balance remains outstanding. Other than deposits and amounts due from related parties, all prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year of the date of approval of these financial statements.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2016	2015
	$'000	*$'000*
Cash at bank and on hand	**18,816**	253,135
Less: restricted bank deposits	**(17,932)**	(247,089)
Cash and cash equivalents	**884**	6,046

As at 31 March 2016, the Group's bank balances of approximately $16,520,000 (2015: $24,820,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

As at 31 March 2016, bank accounts amounting to $0.07 million have been frozen or otherwise deactivated by the banks.

Included in cash and cash equivalents in the statements of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2016	2015
	$'000	*$'000*
RMB	**401**	2,220
US$	**76**	434

11 TRADE AND BILLS PAYABLES

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 within six months.

As at 31 March 2016, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2016	2015
	$'000	*$'000*
Within 3 months	**52,965**	117,459
Over 3 months but within 6 months	**13,122**	37,803
Over 6 months but within 1 year	**67,708**	97,261
Over 1 year but within 2 years	**92,943**	3,273
Over 2 years but within 3 years	**994**	–
	227,732	255,796

12 OTHER PAYABLES AND ACCRUALS

At 31 March 2016, the Group had obligations under finance leases repayable as follows:

	2016	2015
	$'000	*$'000*
Payables for construction work and equipment purchases	**243,808**	263,034
Security deposits on construction work	**25,061**	28,079
Amounts due to deconsolidated subsidiaries	**12,619**	–
Amounts due to related parties *(note)*	**126,318**	64,757
Other taxes payable	**12,279**	9,486
Interest payables	**161,591**	12,298
Receipts in advance	**13,260**	13,276
Others	**80,150**	48,047
	675,086	438,977

Note: Related parties mainly represent the founder of a trust that owns, indirectly through certain intermediate companies, the controlling shareholder of the Company, companies controlled by the founder of the aforementioned trust and the former Chairman and Chief Executive Officer of the Company who is also a beneficiary of the aforementioned trust.

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.

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016	2015
	$'000	*$'000*
At 1 April	**14,678**	8,104
Provision for the year *(note 5)*	**2,862**	6,591
Income tax paid	**(28)**	(36)
Adjustment due to deconsolidation of certain subsidiaries	**(1,443)**	–
Exchange adjustments	**(644)**	19
At 31 March	**15,425**	14,678

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Fair value adjustment arising from acquisition of subsidiaries	**Depreciation allowances in excess of the related depreciation**	**Tax losses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
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**
At 1 April 2015	3,916,194	570	(13,474)	3,903,290
(Credited)/charged to profit or loss	(336)	(570)	9,043	8,137
Adjustment due to deconsolidation of certain subsidiaries	(489,345)	–	4,431	(484,914)
At 31 March 2016	3,426,513	–	–	3,426,513

(ii) Reconciliation to the consolidated statement of financial position

	2016	2015
	$'000	*$'000*
Deferred tax asset recognised in the consolidated statement of financial position	**–**	(13,474)
Net deferred tax liability recognised in the consolidated statement of financial position	**3,426,513**	3,916,764
	3,426,513	3,903,290

(c) Deferred tax assets not recognised

In accordance with the accounting policy, the Group has not recognised deferred tax assets in respect of cumulative tax losses of $654,727,000, (2015: $354,611,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses are available indefinitely or not more than five years (depending on the jurisdictions in which tax losses were incurred).

14 PROVISIONS

	2016	2015
	$'000	*$'000*
At 1 April	**7,557**	7,482
Accretion expense	**–**	67
Exchange adjustments	**–**	8
Adjustment due to deconsolidation of certain subsidiaries	**(7,557)**	–
At 31 March	**–**	7,557

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors do not recommend the payment of a final dividend in respect of the years ended 31 March 2015 and 2016.

(b) Share capital

	2016		2015	
	No. of shares ('000)	***$'000***	*No. of shares ('000)*	*$'000*
Authorised:				
Ordinary shares of $0.2 each	**6,000,000**	**1,200,000**	6,000,000	1,200,000
Convertible non-voting preference shares of $0.02 each	**2,000,000**	**40,000**	2,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 April	**3,743,188**	**748,638**	3,030,296	606,059
Conversion of convertible notes	**491,495**	**98,299**	137,792	27,559
Issuance of shares under placing	**303,832**	**60,766**	575,100	115,020
At 31 March	**4,538,515**	**907,703**	3,743,188	748,638

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.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Other reserve

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

(iii) Contributed surplus

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

(iv) Exchange reserve

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

(v) ***Capital reserve***

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

(vi) ***Share award scheme trusts***

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

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

(d) Distributability of reserves

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

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligations under finance leases but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

No changes were made in the objectives, policies or processes for managing capital during the year.

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Winding-up Petition in Bermuda

On 6 May 2016, Credit Suisse AG, Singapore Branch presented a petition in the Bermuda Court to wind up the Company based on a purported debt of at least $150,000,000 due under certain convertible notes issued by the Company.

Subsequently, Mr Osman Mohammed Arab and Mr Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, together with Mr Roy Bailey of EY Bermuda Limited were appointed the JPLs pursuant to the Order of the Bermuda Court dated 7 October 2016 and amended on 28 October 2016. The then appointment was on a "soft-touch" approach and the executive management power of the Company was still rested with the directors of the Company at the time while the key role of the JPLs were to consult with the Company in respect of and review all issues relating to the feasibility of the restructuring proposal.

On 28 April 2017, the JPLs were given the full powers as provisional liquidators of the Company by the Bermuda Court and the powers of the directors of the Company have been ceased, the JPLs have and may exercise such powers as are available to them as a matter of Bermuda law and would be available to them under the laws of Hong Kong as if they had been appointed provisional liquidators of the Company under the laws of Hong Kong, in particular, to enter into any agreements necessary or desirable effectively to restructure the affairs of the Company.

The winding-up petition hearing in Bermuda was adjourned several times up to the date of the approval of the financial statements. On 12 July 2019, the Bermuda Court directed that the Bermuda winding-up petition hearing be adjourned to 11 October 2019.

(b) Winding-up Petition in Hong Kong

On 29 March 2016, Satinu Markets Limited (previously known as HEC Securities Limited) filed a winding-up petition against the Company in the Hong Kong Court based on the matured convertible notes which amounted to an outstanding debt of $230,000,000 (plus interest).

On 16 August 2017, a recognition order was granted in the Hong Kong Court that the orders of the Bermuda Court dated 7 October 2016 and 28 October 2016 be recognised by the Hong Kong Court in respect of the appointment and powers of JPLs.

The winding-up petition hearing in Hong Kong was adjourned several times up to the date of the approval of the financial statements. On 22 July 2019, the Hong Kong Court ordered that the Hong Kong winding-up petition hearing be adjourned to 2 December 2019.

17 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Joint Provisional Liquidators on 18 September 2019.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor expressed a disclaimer of opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2016. The basis for disclaimer of opinion is extracted as follows:

Basis for disclaimer of opinion

As disclosed in note 2(b), the Company received winding-up petitions in March and May 2016 and the trading of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 30 June 2016. Subsequently, Mr Osman Mohammed Arab and Mr Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, together with Mr Roy Bailey of EY Bermuda Limited were appointed Joint Provisional Liquidators (the "**JPLs**") of the Company pursuant to the Order of the Supreme Court of Bermuda dated 7 October 2016 and amended on 28 October 2016.

The then appointment of the JPLs was on a "soft-touch" approach in that the executive management power of the Company still rested with the directors of the Company at the time while the key role of the JPLs was to consult with the Company in respect of, and review, all issues relating to the feasibility of the restructuring proposal.

On 28 April 2017, the JPLs were given the full powers as provisional liquidators of the Company by the Supreme Court of Bermuda and the powers of the directors of the Company have ceased. The JPLs have and may exercise such powers as are available to them as a matter of Bermuda law and would be available to them under the laws of Hong Kong as if they had been appointed provisional liquidators of the Company under the laws of Hong Kong, in particular, to enter into any agreements necessary or desirable effectively to restructure the affairs of the Company.

The JPLs are working with the Company's financial and legal advisors to prepare a latest resumption proposal to the Stock Exchange. In this connection, the JPLs have taken steps to prepare the outstanding financial statements for the financial years ended 31 March 2016, 2017 and 2018 in order to meet one of the resumption conditions as required by the Stock Exchange. However, previous management and many of the staff members, including key accounting personnel, have left the Group since the Group encountered liquidity issues in early 2016 and are now not contactable. Given these circumstances, the JPLs have relied on the books and records which are available to them in preparing these financial statements.

We were engaged by the JPLs, on behalf of the Company, to audit the financial statements for the years ended 31 March 2016, 2017 and 2018 in August 2018.

These events and actions and the timing of our appointment as auditors for the years ended 31 March 2016, 2017 and 2018 have given rise to the following limitations on the scope of our audit work:

(a) Scope limitation on existence and accuracy of property, plant and equipment

Property, plant and equipment is carried in the consolidated statement of financial position at an amount of HK$16,864.3 million as at 31 March 2016, with a further sub-analysis in note 13 to the financial statements. Included in the carrying amount of property, plant and equipment as at 31 March 2016 is HK$14,326.7 million representing the carrying amount of three coal mines, namely Shizhuanggou coal mine, Quanshuigou coal mine and Xiaohuangshan coal mine, and HK$1,481.7 million representing the carrying amount of construction in progress related to these mines.

As we were not engaged by the Company nor the JPLs to audit the financial statements for the years ended 31 March 2016, 2017 and 2018 until August 2018, we were unable to physically inspect the property, plant and equipment at the end of each of these financial years to ascertain their existence and evaluate their condition as at those dates. In addition, because previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016, there was a heightened risk that management's access controls over property, plant and equipment, including construction in progress, and internal controls over the accuracy of the books and records relating to these assets may not have been operating effectively throughout that period.

We attempted to conduct an inspection in September 2018 during the course of our audit. However, we were unable to conduct the inspection underground at the mines where most of the property, plant and equipment was located because of the safety concerns caused by the dangerous gas accumulated after the suspension of the mine construction work. In addition, we were unable to locate certain property, plant and equipment on the ground. We therefore requested the JPLs to provide supporting documentation, including relevant contracts and progress reports, and to perform a full physical inspection over the property, plant and equipment with our attendance to substantiate the existence and accuracy of property, plant and equipment as at the date of our inspection, and the movement between the inspection date and the end of the reporting period. As of the date of this report, these issues remain unresolved and a date when a physical inspection can be performed has not yet been set.

Apart from the above, we have been unable to obtain relevant contracts and progress reports to ascertain the progress of construction projects as at 31 March 2016. Consequently, we have been unable to ascertain the work done and the estimated value of the construction in progress and the relevant payables as at that date. The total amount of construction in progress carried in the consolidated statement of financial position and included in the amount of property, plant and equipment as at 31 March 2016 was HK$2,050.9 million, of which HK$1,481.7 million is represented to relate to the three coal mines as noted above. The relevant payables related to construction projects as stated in the consolidated statement of financial position amounted to HK$268.9 million as at 31 March 2016.

Given these circumstances, we have been unable to satisfactorily complete our audit procedures to assess the existence of the property, plant and equipment and the accuracy of the amounts recognised in respect of these assets as at 31 March 2016.

(b) Scope limitation on the valuation of property, plant and equipment

Subsequent to the suspension of trading of the Company's shares in June 2016, certain of its key management left the Group and the activities to formulate mine development plans were suspended. Therefore, in preparing the financial statements for the year ended 31 March 2016, the JPLs do not have sufficient information to perform an assessment of recoverable amount of the property, plant and equipment as at 31 March 2016, due to the fact that no reliable discounted cash flow can be prepared without valid mine development plan.

Given these circumstances, we have been unable to complete satisfactorily our audit procedures to assess the valuation of the mining properties and related assets as at 31 March 2016.

(c) Scope limitation on revenue, cost of sales, inventories and related receivables and payables

The financial statements assert that during the year ended 31 March 2016, revenue and cost of inventories sold amounted to HK$131.9 million and HK$185.1 million respectively. As at 31 March 2016, inventories on hand are stated to be HK$28.2 million; trade and other taxes payable are stated to be HK$240.0 million; receipts in advance from customers are stated to be HK$13.3 million; and trade receivables, advances to suppliers and other prepayments and VAT and other tax receivables are stated to be HK$118.9 million, HK$43.9 million and HK$17.8 million respectively (in aggregate HK$180.6 million), of which HK$63.5 million was not yet recovered as of the date of this report.

During our audit of revenue, cost of inventories sold and inventories, we selected a sample of sales and purchase transactions recorded during the year and requested the relevant documentation evidencing the delivery, processing or receipt of goods. However, we have been unable to obtain the requested documentation up to the date of this report. This has called into question the completeness of the books and records relating to sales, cost of inventories sold and inventory management. Therefore, we have been unable to complete satisfactorily our audit procedures to assess whether revenue, cost of sales, inventories and related receivables and payables were appropriately accounted for and presented in these financial statements. We were also unable to obtain sufficient appropriate evidence to evaluate the recoverability of the receivables.

In addition, in assessing the operating effectiveness of the Group's controls over inventory costing, for the samples selected, we were unable to obtain documentation supporting the calculation of the overhead absorption, usage of raw material and volume of finished products produced for the samples we selected. This has undermined our ability to rely on the Group's system of internal control relating to inventory costing. Therefore, we were unable to obtain sufficient appropriate audit evidence concerning the unit cost of the inventories. Since inventories are carried at the lower of cost and net realisable value, we were unable to determine whether adjustments might have been necessary in respect of the valuation of the inventories as at 31 March 2016.

(d) Scope limitation on recoverability of deposits and other receivables

As at 31 March 2016, as disclosed in note 22, deposits and other receivables were stated in the consolidated statement of financial position at HK$85.3 million and HK$31.2 million respectively (an aggregate of HK$116.5 million). As further disclosed in note 22, HK$91.4 million of this balance was aged over one year as at 31 March 2016 and HK$100.4 million was not yet utilised or recovered as of the date of this report. Despite the long ageing, the JPLs cannot form a view about whether the Group is not able to utilise the amounts or otherwise recover them in future periods. However, we were unable to obtain sufficient explanations and supporting documentation to satisfy ourselves in this regard.

(e) Scope limitation on existence and accuracy of cash and cash equivalents

Since the time when the Company received winding-up petitions and became involved in a number of litigations, certain of the Group's bank accounts have been frozen or otherwise deactivated by the banks and the Group has not received bank statements. As disclosed in note 23 to the consolidated financial statements, the carrying amount of these bank accounts as at 31 March 2016 was HK$0.07 million.

The JPLs have informed us that they have requested issuance of bank statements but they have not received any of those statements as at the date of this report. We have independently sent requests for confirmation to these banks but we have not received the requested confirmations as at the date of this report.

In the absence of sufficient supporting documents relating to the balance of cash at these banks, we were unable to obtain satisfactory audit evidence as to the existence and accuracy of the balance of cash at bank and other balances and transactions such as loans and pledge of assets that might have been entered into by the Group with these banks as at 31 March 2016 and the accuracy of the consolidated statement of cash flows disclosed for the year ended 31 March 2016.

(f) Scope limitation on amounts due from/to related parties

As disclosed in notes 22 and 27, the Group recorded an amount due from related parties of HK$95.9 million and an amount due to related parties of HK$126.3 million. As disclosed in those notes, the related parties mainly consist of the founder of a trust that indirectly owns the controlling shareholder of the Company, companies controlled by the founder of the aforementioned trust and the former Chairman and Chief Executive Officer of the Company who is also a beneficiary of the aforementioned trust.

The former Chairman and Chief Executive Officer resigned from the Company on 6 August 2016 after he was adjudged bankrupt by a bankruptcy order dated 27 July 2016 by the High Court of Hong Kong. After his resignation from the Company, there was no regular communication between the Company and the former Chairman. The JPLs have been unable to obtain financial information relating to the related parties. We have independently sent requests for confirmation to the related parties but we have not received the requested confirmations as at the date of this report.

We were therefore unable to obtain sufficient appropriate evidence as to the existence and accuracy of these amounts and the recoverability of the receivable.

(g) Scope limitation on completeness of provisions and disclosures relating to pending litigations

As disclosed in note 35 to the financial statements, there have been a number of pending litigations against the Group, for which no provision has been recognised in these financial statements. The JPLs have begun work on compiling a list of pending litigations and assessing whether the pending litigations indicate the existence of present or possible obligations which may require an outflow of resources in the future. However, as of the date of this report, they have not been able to complete the compilation of the list or the assessment of whether outflow of resources would be probable or possible.

Given these circumstances, there were no practicable audit procedures that we could perform to assess whether additional provisions should have been recognised in these financial statements and/or whether additional information should have been disclosed in these financial statements in respect of pending litigation.

(h) Scope limitation on completeness and accuracy of other payables and accruals

As at 31 March 2016, other payables and accruals (excluding interest payables, receipts in advance, other taxes payable, payables related to construction projects and amount due to related parties) are stated in the consolidated statement of financial position to be HK$92.8 million. However, because previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016, there is a heightened risk that management's controls over timely and accurate accrual of expenses may not have been operating effectively throughout the period and as at the reporting date.

In particular, we identified that the Group did not have a formal process to request all departments to submit invoices or make accruals during the year-end financial reporting process. We therefore requested the JPLs to provide us with the supporting documents and calculations relating to the completeness and accuracy of other payables and accruals. However, we have been unable to obtain sufficient supporting evidence to substantiate that these payables are free from material misstatements.

(i) Scope limitation on recoverability of amounts due from de-consolidated subsidiaries

As described in the "disagreement arising from non-compliance with HKFRS 10 in respect of de-consolidation of subsidiaries" section below, the JPLs excluded GCC Group and Champ Universe Group in the preparation of these consolidated financial statements. As such, as disclosed in note 17, the financial statements include amounts due from GCC Group and from Champ Universe Group of HK$537.8 million and HK$1,553.3 million, respectively, as at 31 March 2016. The Group has made full provision against the former, but no provision has been made against the latter.

Because of the insufficient financial information about the GCC Group and Champ Universe Group as described in that section, we have been unable to obtain sufficient appropriate evidence to determine whether the amounts due from GCC Group and from Champ Universe Group as at 31 March 2016 were free from material misstatement as compared to the basis of preparation of these financial statements. In addition, we have been unable to obtain sufficient appropriate evidence to determine whether the full impairment loss made against the balance with GCC Group, the nil impairment loss made against the balance with Champ Universe and the gain on deconsolidation were free from material misstatements as compared to the basis of preparation of these financial statements.

Had we been able to satisfy ourselves in respect of the matters mentioned above, adjustments might have been found to be necessary which would have had a consequential impact on the net assets of the Group as at 31 March 2016 and its net loss for the year ended and may have resulted in additional information being disclosed in the financial statements as to the nature of these transactions and any material non-adjusting post balance sheet events.

Multiple uncertainties related to going concern basis

As set out in note 2(b) to the financial statements, a creditor of the Company filed a winding up petition against the Company in the Court of First Instance of the High Court of Hong Kong on 29 March 2016 and another creditor of the Company filed a winding up petition against the Company in the Supreme Court of Bermuda on 6 May 2016. Subsequently, the JPLs of the Company were appointed by the Supreme Court of Bermuda in October 2016. In addition, certain loan principal repayments and interest payments were overdue and as a result, the Group also breached the default clauses of the lending arrangements with financial institutions. Up to the date of the approval of the consolidated financial statements, the Group is also facing a significant number of legal actions from creditors demanding immediate repayments.

The JPLs have been undertaking certain measures to restructure the Company and ensure its continuing existence as a going concern, which are set out in note 2(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (1) whether the Group is able to complete the planned debt to equity swap; (2) whether the Group is able to obtain sufficient funds from the potential lenders; (3) whether the Company can successfully complete the planned placement of new shares and (4) whether the Company can successfully obtain the renewed mining licenses of Shizhuanggou, Quanshuigou and Xiaohuangshan coal mines to operate the mines continuously for the foreseeable future.

These conditions, further details of which are described in note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Disagreement arising from non-compliance with HKFRS 10 in respect of de-consolidation of subsidiaries

Even had there been no limitation in the scope of our audit and multiple material uncertainties relating to going concern as described in the "basis for disclaimer of opinion" paragraphs which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified in respect of the disagreements in accounting treatments as set out below:

(i) As disclosed in note 2(b) to the consolidated financial statements, the Company completed the acquisition of Grande Cache Coal Corporation and Grande Cache Coal LP in September 2015 and thereafter Up Energy (Canada) Limited became the parent company of these entities (together referred to as "**GCC Group**"). As further set out in that note, the Company's control over GCC Group was lost on 3 February 2017 when GCC Group was put into receivership and the Company lost access to the GCC Group's books and records.

    Given these circumstances, the JPLs excluded the financial position as at 31 March 2016, the financial performance and cash flows of GCC Group for the period from the date of acquisition onwards in preparing these financial statements due to in accessibility of historical financial information of GCC Group.

The exclusion of the financial position, financial performance and cash flows of GCC Group from the consolidated financial statements prior to 3 February 2017 and the presentation of the investment in GCC Group at cost less impairment are departures from the requirements of HKFRS 10 and HKFRS 3. Given that insufficient financial information about GCC Group was made available to us, we were unable to ascertain the financial impact of the non-consolidation of GCC Group on the consolidated financial statements for the year ended 31 March 2016.

(ii) As disclosed in note 2(b) to the consolidated financial statements, the Group had ongoing dispute over Champ Universe Limited and its subsidiaries (together "**Champ Universe Group**"), being the Company's subsidiaries which owned and operated a mine in Xinjiang Baicheng County ("**Baicheng Mine**") with its former shareholder. In addition, according to a notice of Xinjiang Government dated 16 February 2017, Baicheng Mine was listed as one of the mines to be closed down by the Government because its annual capacity was below the specified quantity. Soon after the said notice, the mining licence of Baicheng Mine was revoked by the relevant authority unilaterally. Thereafter, Champ Universe Group, which was set up solely for the operations of Baicheng Mine, ceased its business and the JPLs advised that certain accounting records of Champ Universe Group were missing.

Given these circumstances, in preparing these financial statements, the JPLs excluded the financial position as at 31 March 2016, the financial performance and cash flows of Champ Universe Group with effect from 1 April 2015.

The exclusion of the financial position, financial performance and cash flows of Champ Universe Group from the consolidated financial statements, the presentation of the investment in Champ Universe Group at cost less impairment are departures from the requirements of HKFRS 10. Given that insufficient financial information about Champ Universe Group was made available to us, we were unable to ascertain the financial impact of the non-consolidation of Champ Universe Group on the consolidated financial statements for the year ended 31 March 2016.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for disclaimer of opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2016 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINAL DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company was incorporated in Bermuda with limited liability on 30 October 1992. The principal activities of the Group were the mining of coking coal and the production and sale of raw coking coal, clean coking coal, coking and chemical products.

Appointment of the Joint Provisional Liquidators and the Winding-up Hearing

On 29 March 2016, Satinu Markets Limited (previously known as HEC Securities Limited) presented a petition in the Hong Kong Court under HCCW 91 of 2016 to wind up the Company.

On 6 May 2016, Credit Suisse AG, Singapore Branch presented the Petition in the Bermuda Court to wind up the Company under 2016 No. 183.

The JPLs were appointed pursuant to the Order of the Bermuda Court dated 7 October 2016 and amended on 28 October 2016 and were authorised under the laws of Bermuda to, amongst other things, consult with the Company in respect of, and review, on an ongoing basis, the Company's restructuring proposal including with respect to the necessary steps which need to be taken, and conditions to be met, in order for the restructuring proposal to be successfully implemented and to consider and consent to the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Bermuda Companies Act prior to any applications being made to the Bermuda Court to proceed with the scheme. The JPLs were granted further powers pursuant to the Order of the Bermuda Court dated 28 April 2017.

The appointment of the JPLs was recognised by the Hong Kong Court pursuant to the Order granted by the Honourable Mr Justice Harris dated 16 August 2017 in HCMP 1570 of 2017.

Suspension of Trading in Shares of the Company and Resumption Status

The shares of the Company are listed on the Main Board of the Stock Exchange with stock code 307. The shares of the Company have been listed on the Main Board of the Stock Exchange since 2 December 1992. Trading in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 30 June 2016.

First Delisting Stage and Resumption Conditions

On 18 October 2016, the Company was placed into the first delisting stage under Practice Note 17 to the Listing Rules with the Resumption Conditions. The Resumption Condition are as follows:

(i) demonstrate the Company has sufficient level of operation or assets of sufficient value as required under Rule 13.24 of the Listing Rules;

(ii) publish all outstanding financial results and address audit qualification (if any); and

(iii) having the winding-up petitions against the Company (and its subsidiaries) withdrawn or dismissed and the JPLs discharged.

Second Delisting Stage

By a letter dated 19 April 2017 issued by the Stock Exchange, the Stock Exchange informed the Company that the Company was placed in the second stage of delisting under Practice Note 17 of the Listing Rules and that the Company must submit a viable resumption proposal at least 10 Business Days before the second delisting stage expires, i.e. 29 September 2017.

The draft resumption proposal of the Company was submitted to the Stock Exchange on 29 September 2017, and modified on 9 November 2017. On 17 November 2017, the Listing Department of the Stock Exchange informed the Company, inter alia, that the draft resumption proposal submitted was not viable and the Company was placed in the third stage of delisting under Practice Note 17 of the Listing Rules.

On 28 November 2017, the Company, with the assistance of the JPLs, applied to the Listing Committee of the Stock Exchange for a review of the decision of Listing Department to place the Company into third delisting stage. The review hearing was held on 22 March 2018.

On 3 April 2018, the Listing Committee informed the Company that the decision of the Listing Department was upheld. On 13 April 2018, the Company, with the assistance of the JPLs, lodged a written request to the Listing (Review) Committee of the Stock Exchange for a review of such decision. The review hearing was held on 22 August 2018.

On 28 August 2018, the Listing (Review) Committee informed the Company that the decision of Listing Committee was upheld.

Third Delisting Stage

By a letter dated 31 August 2018 issued by the Stock Exchange, the Stock Exchange informed the Company that the Company would be placed in the third stage of delisting under Practice Note 17 of the Listing Rules on 11 September 2018 and the Company must submit a viable resumption proposal at least 10 Business Days before the third delisting stage expires, i.e. 25 February 2019. The Company has submitted a fresh resumption proposal (the "**Proposal**") to the Stock Exchange on 25 February 2019.

Subsequently, the Stock Exchange issued several rounds of comments to the Company requesting additional information and clarification in relation to the Proposal, including but not limited to the commercial production of the Group, valuation report, competent person's report, publishing outstanding financial results, audit qualifications and the latest status of the winding-up petitions. The financial advisor on behalf of the Company has provided substantive replies and the necessary information and documentation requested by the Stock Exchange accordingly.

Proposed Scheme of Arrangement

On 8 March 2019, the Bermuda Court granted orders including that, the Company shall convene a meeting of creditors to be held on or before 30 June 2019 for the purpose of considering, and if thought fit, approving a Scheme of Arrangement (the "**Scheme**") under Section 99 of the Bermuda Companies Act proposed to be made between the Company and its creditors.

A similar application seeking leave to convene a meeting of creditors for approval of the Scheme was made before the Hong Kong Court. Amendments to the Scheme document were requested by the judge of the Hong Kong Court during a hearing on 30 April 2019 and in correspondence thereafter, which has led to a delay in the issuance of the Hong Kong Court's approval of the draft Scheme document and a consequent delay in the convening of the Scheme Meeting. A revised draft Scheme document was submitted to the Hong Kong Court for approval on 10 June 2019.

Due to the delay in obtaining the sanction from the Hong Kong Court, it will not be possible for the JPLs to give sufficient days' notice under the statutory requirement if that Scheme Meeting is to be held on or before 30 June 2019. Therefore, an application was submitted to the Bermuda Court on 11 June 2019 for an order extending the period for the convening and holding of the Scheme Meeting to 30 September 2019, requesting the Bermuda Court to review the amendments to the Scheme which were proposed by the judge of Hong Kong Court and confirming that the statements made in the draft Scheme document remain sufficient for the purposes of section 100 of the Companies Act 1981. At the hearing on 20 June 2019, Bermuda Court granted an order to extend the period for the Company to convene and hold the Scheme Meeting on or before 30 September 2019.

On 24 June 2019, the Hong Kong Court approved the revised Scheme document. Subsequently on 25 June 2019, the Honourable Mr Justice Harris approved the period for convening and holding of the Scheme Meeting be likewise extended to be held on or before 30 September 2019.

Thereafter, the JPLs will convene the creditors meeting on 30 September 2019.

Coal Resources and Reserves

As at 31 March 2016, the Group had a total of approximately 408 Mt of JORC Code-compliant measured, indicated and inferred coal resources, while there were approximately 251 Mt of coal resources within mining right control of which a total of approximately 71 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 31 March 2016, 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	149	61	41	52	18
Total		**251**		**70**	

Note:

The sources of information are derived from Technical Report of John T. Boyd Company of October 2010, which was 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
Total	**408**	**251**	**71**	**52**

Note:

Data are derived from the Technical Report of John T. Boyd Company in October 2010, which was prepared in accordance with JORC Code. The figures are subject to rounding difference.

Construction of Coal Mines

Due to downturn of the coal and coke market in the last few years, the construction of the three mines were suspended strategically. After deep consideration of various factors, including but not limited to, the economy, the demand of coals in market, the coal types and reserves of three mines, the Company intended to focus on the development of the Xiaohuangshan Mine first and then resume the construction of the other two mines in the next step. It is expected that construction of the Xiaohuangshan Mine in Northern Xinjiang will commence in the second half of 2019.

Prospect

Subsequent to the appointment, the JPLs, on behalf of the Company, have made notable achievements in relation to the formulation of the restructuring proposal, the publication of the outstanding financial results and the preparation of the resumption proposal.

The Scheme Document have been approved by the Bermuda Court and the Hong Kong Court. The JPLs will convene the Scheme Meeting on 30 September 2019 for the purposes of considering, and if thought fit, approving, with or without modification the Scheme proposed to be made between the Company and the Creditors.

Meanwhile, the Company, with the assistance of their professional advisers, has submitted the Scheme Proposal to the Stock Exchange which demonstrated that the business plan of the Company is viable.

If the Scheme be approved and successfully be implemented, among other things, the following will be achieved:

(i) Most of the liabilities of the Company, if not all, will be compromised and discharged under the Scheme; and

(ii) The JPLs will be discharged following the Stock Exchange approving the resumption of trading of the shares of the Company.

With the resumption of the construction of Xiaohuangshan Mine and the sustain operation of the coking plant, the Company is expected to have significant level of operation and to revive its business.

It is expected that the financial position of the Group will be substantially improved upon the successful implementation of the Scheme and the resumption of the trading of the shares of the Company in the Main Board of the Stock Exchange, which are subject to the approvals of the creditors and shareholders of the Company and the Stock Exchange.

The Group will maintain the Group's existing business in mining of coking coal and the production and sale of raw coking coal, clean coking coal, coking and chemical products.

Financial Review

Revenue

During the year ended 31 March 2016, the Group recorded a revenue of approximately HK$131,860,000, representing a decrease of HK$113,454,000 or 46.2% as compared with that of approximately HK$245,314,000 for the same period of 2015. The decrease in revenue was mainly due to the decrease in the sale volume of coking comparing in the same period last year.

Cost of Sales

During the year ended 31 March 2016, cost of sales was approximately HK$185,123,000, representing a decrease of approximately HK$93,036,000 or 33.4%, as compared with that of approximately HK$278,159,000 for the same period of 2015. The decrease in cost of sales was mainly due to the decrease in the production volume of coke, which is in line with the decrease in revenue.

Gross Loss

As a result of the reasons above, gross loss was approximately HK$53,263,000 for the year ended 31 March 2016, representing an increase of loss approximately HK$20,418,000 as compared with that of approximately HK$32,845,000 for the same period of 2015. An increase of gross loss was mainly due to the decrease in average selling prices of coke compared with the same period of 2015.

Other Revenue

During the year under review, other revenue was approximately HK$1,080,000, representing an decrease of approximately HK$12,350,000 or 92.0% as compared with approximately HK$13,430,000 of the same period in 2015. The decrease was mainly due to the decrease in interest income from the loan to a third party.

Other Net Loss

During the year under review, other net loss was approximately HK$45,914,000, which mainly represented by a net unrealized loss on trading securities of approximately HK$4,583,000 and net unrealized loss on the other financial liabilities with fair value through profit or loss of approximately HK$42,156,000 and net gain on sales of property, plant and equipment of approximately HK$637,000. For the same period in 2015, other net loss was approximately HK$20,641,000, which mainly represented by net unrealized gain on trading securities of approximately HK$2,347,000 and net unrealized loss on the other financial liabilities with fair value through profit or loss of approximately HK$22,612,000.

Distribution Costs

During the year under review, distribution costs were approximately HK$5,431,000, representing a significant decrease of approximately HK$17,540,000 as compared with that of approximately HK$22,971,000 for the same period of 2015. The decrease was mainly as a result of the substantial decrease in transportation costs arising from the significant decrease in sales volume of coke.

Administrative Expenses

During the year under review, administrative expenses were approximately HK$640,547,000, representing an increase of approximately HK$520,137,000 or 432.0% as compared with that of approximately HK$120,410,000 for the same period of 2015. The increase in administrative expenses was mainly due to the significant increase in bad debt provision on trade and other receivables which amounting to HK$537,785,000 that has been recorded during the year.

Loss from Operations

For the aforementioned reasons, the loss from operations during the year under review was approximately HK$744,075,000 while the loss from operations was approximately HK$183,437,000 for the same period of 2015.

Net Finance Costs

During the year under review, net finance costs were approximately HK$557,842,000 representing a significant increase of approximately HK$197,339,000 or 54.7% as compared with that of approximately HK$360,503,000 for the same period of 2015. The increase in net finance costs was mainly due to the significant increase in interest on borrowings, default and unwinding interest of convertible notes.

Income Tax Expense

During the year under review, the income tax expenses was approximately HK$10,999,000, which comprised with the current income tax expenses of HK$2,862,000 and deferred tax expenses of HK$8,137,000, while income tax expense was approximately HK$4,469,000 for the same period of 2015, which comprised with the current income tax expenses of HK$6,591,000 and deferred tax credit of HK$2,122,000.

Loss for the Year

By reasons of the foregoing, the Group recorded a loss of approximately HK$1,312,916,000, during the year under review, representing an increase of 139.4% as compared with that of approximately HK$548,409,000 for the same period of 2015.

Liquidity and Financial Resources

As at 31 March 2016, the Group's current ratio was 0.08 (2015: 0.30), with current assets of approximately HK$443,298,000 (2015: HK$829,594,000) against current liabilities of approximately HK$5,554,481,000 (2015: HK$2,746,011,000). Cash and cash equivalents were approximately HK$884,000 (2015: HK$6,046,000). The Group's gearing ratio (non-current liability/total equity) was 40.9% as at 31 March 2016 (2015: 66.5%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. The Group had short-term borrowings of HK$901,673,000 (2015: HK$582,560,000) and outstanding convertible notes of HK$3,356,551,000 (2015: HK$3,489,412,000).

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

Human Resources

As at 31 March 2016, the Group had a total of 314 employees (2015: 641) 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

Due to the financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

To the best knowledge of the Board of the Company, the Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Board of Listed Issuers (the "**Model Code**"). Trading in the securities of the Company was suspended since 30 June 2016. During the year, the Company was not aware of any non-compliance with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current audit committee comprises three members, namely Mr Li Bao Guo, Mr Liu Yongshun and Mr Wu Yanfeng, 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 Group's result announcement for the year ended 31 March 2016, including the accounting principles and practices adopted by the Group, have not been reviewed by the audit committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Results Announcement is available for viewing on the website of the Stock Exchange at http://www.hkex.com.hk. The 2016 Annual Report will be available on the website of the Stock Exchange at the earliest practicable opportunity.

The JPLs have presented the financial statements based on the financial information prepared and provided by the Group's management and all available information provided to us to the extent in our capacity as JPLs subsequent to our appointment on 7 October 2016 as amended. The JPLs note that the historical information in respect of the Company prior to such appointment date as provided to us may not be complete and sufficient for the JPLs to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The JPLs have assumed for the purposes of these financial statements, that the information provided by the Group's management and made available is true, correct, accurate and complete; and relied on other assumptions and qualifications expressly stated in the financial statements. The JPLs have, upon reasonable investigation, enquiries and verification that we consider appropriate relied on all facts and matters relevant to the financial statements set forth therein. The JPLs do not accept or assume responsibility for the financial statements for any purpose or to any person to whom the financial statements are shown or into whose hands they may come.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 June 2016. Trading in the Shares will remain suspended until further notice.

For and on behalf of
Up Energy Development Group Limited
(In Provisional Liquidation
(For Restructuring Purposes))

Osman Mohammed Arab
Roy Bailey
Lai Wing Lun
Provisional Liquidators
who act without personal liability

Hong Kong, 18 September 2019

As at the date of this announcement, the Board of Directors comprises Mr Wang Chuan, Mr Zhang Li and Mr Zheng Yuan as Executive Directors; and Mr Li Bao Guo, Mr Liu Yongshun, and Mr Wu Yanfeng as Independent Non-executive Directors. The names of the Board members referred hereto are based on the latest register of directors of the Company. For the avoidance of doubt, the composition of the Board is a matter in dispute as Mr Gao Shufang (subsequently resigned with effect from 30 September 2017) and Mr Ji Lianming claimed themselves being appointed as Executive Directors whereas Mr Chan Ming Sun Jonathan, Mr Lee Chi Hwa, Joshua and Mr Mak Yiu Tong claimed themselves to be appointed as Independent Non-executive Directors in replacement of the entire Board members (inter alia including Mr Chui Man Lung, Everett who has purported resigned on 30 August 2018) in a SGM held on 25 April 2017.