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UP ENERGY

Up Energy Development Group Limited

優派能源發展集團有限公司*

(In Provisional Liquidation (For Restructuring Purposes))

(Incorporated in Bermuda with limited liability)

(Stock Code: 307)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019, together with the comparative figures in previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **\$'000**	2018 *\$'000*
Revenue	*3*	**694,018**	190,630
Cost of sales		**(667,984)**	(182,791)
Gross profit		**26,034**	7,839
Other revenue		**3,237**	2
Other net gain/(loss)		**298,922**	(6,192)
Impairment losses of non-current assets	*4(c)*	**(574,190)**	(6,799,595)
Administrative expenses		**(65,971)**	(78,016)

* *For identification purposes only*

	Note	2019 $'000	2018 $'000
Loss from operations		**(311,968)**	(6,875,962)
Net finance costs	*4(a)*	**(789,796)**	(731,365)
Loss before taxation	*4*	**(1,101,764)**	(7,607,327)
Income tax	*5*	**136,407**	1,698,506
Loss for the year		**(965,357)**	(5,908,821)
Attributable to:			
Equity shareholders of the Company		**(898,047)**	(4,462,830)
Non-controlling interests		**(67,310)**	(1,445,991)
Loss for the year		**(965,357)**	(5,908,821)
Loss per share	*6*		
Basic and diluted		**(20.71) cents**	(102.89) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	2019 **$'000**	2018 $'000
Loss for the year	**(965,357)**	(5,908,821)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of: financial statements of subsidiaries out of Hong Kong	**(92,457)**	137,811
Other comprehensive income for the year	**(92,457)**	137,811
Total comprehensive income for the year	**(1,057,814)**	(5,771,010)
Attributable to:		
Equity shareholders of the Company	**(984,088)**	(4,336,427)
Non-controlling interests	**(73,726)**	(1,434,583)
Total comprehensive income for the year	**(1,057,814)**	(5,771,010)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment	*7*	**9,448,000**	10,083,348
Prepaid land lease payments		**54,255**	62,589
Interests in deconsolidated subsidiaries		**1,730,909**	1,564,500
Restricted bank deposits	*10*	**19,198**	17,181
Other non-current assets		**35,240**	49,693
		11,287,602	11,777,311
Current assets			
Inventories		**44,454**	62,214
Trade and bills receivables	*8*	**697,997**	230,138
Prepayments, deposits and other receivables	*9*	**214,866**	309,232
Cash and cash equivalents	*10*	**569**	500
		957,886	602,084
Current liabilities			
Borrowings		**864,186**	906,878
Trade and bills payables	*11*	**714,184**	293,445
Contract liabilities		**31,870**	–
Other financial liabilities		**936,470**	918,258
Other payables and accruals	*12*	**2,115,173**	1,735,265
Current taxation	*13(a)*	**20,157**	19,662
Convertible notes		**4,144,453**	3,890,937
		8,826,493	7,764,445
Net current liabilities		**(7,868,607)**	(7,162,361)
Total assets less current liabilities		**3,418,995**	4,614,950

	Note	**2019**	2018
		$'000	*$'000*
Non-current liabilities			
Deferred tax liabilities	*13(b)*	**1,587,801**	1,725,942
		1,587,801	1,725,942
NET ASSETS		**1,831,194**	2,889,008
CAPITAL AND RESERVES			
Share capital	*14(b)*	**907,703**	907,703
Equity component of convertible notes		**968,825**	968,825
Reserves		**(1,105,690)**	(121,602)
Total equity attributable to equity shareholders of the Company		**770,838**	1,754,926
Non-controlling interests		**1,060,356**	1,134,082
TOTAL EQUITY		**1,831,194**	2,889,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Up Energy Development Group Limited (the "**Company**") was incorporated in Bermuda as an exempted Company with limited liability on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The 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 Company and its subsidiaries (the "**Group**") are 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 of the 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 in the 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 the 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 Listing Committee decided to delist the Company on 6 April 2020 and, subsequently, the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the application and the review hearing was held on 28 September 2020 with decision to be released.

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 Ltd. were appointed the JPLs of the Company 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 that 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 additional documents and replies to the Stock Exchange to fulfil the resumption conditions, including but not limited to, the outstanding financial statements for the financial year ended 31 March 2019. However, previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016. They continue to be uncontactable and have not been replaced. As a result of the continuing difficulties, in preparing these financial statements, the JPLs have continued to rely on the books and records which are available to them.

Financial performance and position

During the year ended 31 March 2019, the Group had incurred a loss of approximately $965.4 million. As at the same date, the Group's current liabilities exceeded its current assets by $7,868.6 million.

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 $864.2 million which are included in the Group's interest-bearing borrowings, corporate bonds with carrying amount of $35.5 million which are included in other financial liabilities and convertible notes with carrying amount of $4,144.5 million as at 31 March 2019. 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 mining license of Xiaohuangshan coal mine, which was extended in April 2019, expired on 31 December 2019 and renewed licenses have not been obtained as at the approval date of the financial statements.

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.

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 consists 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 (the "**Scheme**"), 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 the 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.

A meeting for the Creditors for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme proposed to be made between the Company and the Creditors pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Section 99 of the Bermuda Companies Act 1981 (the "**Scheme Meeting**") was convened on 30 September 2019 and the Scheme was approved by the requisite statutory majorities of the Creditors in the Scheme Meeting. Subsequently, the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda in November 2019. The Company is arranging to convene a special general meeting to approve, *inter alia*, the transaction contemplated under the Scheme and the Company intends to submit the Scheme to the Hong Kong Court for sanction upon completion of the special general meeting.

If the Scheme is implemented, 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.

On 18 August 2020, a supplement agreement in relation to the Facility ("**Supplemental Agreement**") was entered into between ICA, the Company and the JPLs on behalf of the Company. According to the Supplemental Agreement, ICA will provide a special drawing up to HK$176 million under the Facility subject to terms and conditions set out therein but allow the initial drawing prior to the fulfilment of the certain conditions precedent as set out in the Facility Agreement and the Deed. For the avoidance of doubt, any other subsequent drawings are subject to the terms and conditions of the Loan Facility Agreement and Deed. On 19 August 2020, the Company received the first special drawing from ICA under the Supplemental Agreement.

(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 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 these consolidated financial statements.

(2) Deconsolidation 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 0925165 B.C. Ltd., 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 0925165 B.C. Ltd..

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).

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 had made full provisions for the amounts due from GCC Group in preparing the consolidated financial statements for the year ended 31 March 2016 and continued to make full provision for the amounts in the consolidated financial statements for all subsequent years.

*(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.

*(iii) De-consolidation of Up Energy Trading Limited ("**UE Trading**"), Up Energy Development (Hong Kong) Limited ("**UE Development HK**") and Up Energy Management Limited ("**UE Management**")*

The Company directly held 100% equity interest in UE Trading and UE Development HK. UE Trading and UE Development HK were resolved to be wound up by the mode of creditors' voluntary winding up on 8 June 2018 and 29 March 2019 respectively. On the same dates, liquidators have also been appointed for the purpose of such winding-up. Accordingly, the Company considered that it is appropriate to deem that the control over UE Trading and UE Development HK had been lost since 8 June 2018 and 29 March 2019, respectively, and the Group deconsolidated these subsidiaries from those dates.

In addition, UE Development HK and another wholly owned subsidiary of the Group each held 50% equity interest in UE Management. Upon the loss of the control over UE Development HK since 29 March 2019, the Group excluded UE Management from consolidation and recorded its remaining 50% interest in UE Management as $nil.

A net gain on deconsolidation of subsidiaries amounting to $144.2 million was recorded in respect of the deconsolidation of these subsidiaries.

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 as explained in the accounting policies set out below:

— derivative financial instruments.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

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

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this annual financial report, except for the impact by HKFRS 9 in relation to the use of expected credit loss model and the impact by HKFRS 15 in relation to presentation of contract liabilities.

Due to limited information available, the JPLs could not form a view on the expected credit losses as at 1 April 2018 for relevant financial assets measured at amortised cost, and therefore, did not make any adjustments to the opening balance of equity at 1 April 2018.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 March 2018	**Impact on initial application of HKFRS 15**	**HKFRS 9 carrying amount at 1 April 2018**
	$'000	*$'000*	*$'000*
Contract liabilities	–	125,147	125,147
Other payables and accruals	1,735,265	(125,147)	1,610,118

3 REVENUE AND SEGMENT REPORTING

(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:

	2019	2018
	$'000	*$'000*
Coke	**622,010**	177,869
Others	**72,008**	12,761
	694,018	190,630

During the year ended 31 March 2019, the Group had two customers that individually exceeded 10% of the Group's revenue, being $526,010,000 and $156,954,000 respectively. During the year ended 31 March 2018, the Group had two customers that individually exceeded 10% of the Group's revenue, being $133,000,000 and $45,052,000 respectively.

(b) Segment reporting

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

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Net finance costs

	2019	2018
	$'000	*$'000*
Foreign exchange (gain)/loss, net	**(1)**	3
Interest on borrowings	**136,431**	109,214
Default interest of convertible notes	**263,599**	146,412
Default interest of other financial liabilities	**4,126**	25,118
Unwinding interest of convertible notes	**381,436**	446,544
Unwinding interest of other financial liabilities	**4,205**	4,073
Other interest expense	**–**	1
Finance costs	**789,797**	731,362
Net finance costs	**789,796**	731,365

(b) Staff costs

	2019	2018
	$'000	*$'000*
Salaries, wages and other benefits	**28,438**	16,931
Retirement scheme contributions	**2,223**	1,413
	30,661	18,344

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 18% (2018: 18%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

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

(c) Other items

	2019	2018
	$'000	*$'000*
Amortisation of prepaid land lease payments	**2,377**	2,392
Depreciation of property, plant and equipment	**37,785**	34,573
Operating lease charges: minimum lease payments hire of property	**1,146**	583
Auditors' remuneration	**2,425**	1,433
Cost of inventories#	**667,984**	182,791
Impairment losses of non-current assets *(note 7)*	**(574,190)**	(6,799,595)

Cost of inventories include $47,022,000 (2018: $17,813,000) 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 type of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	$'000	*$'000*
Current tax		
Provision for the year	**1,734**	1,729
Deferred tax		
Origination and reversal of temporary differences	**(138,141)**	(1,700,235)
	(136,407)	(1,698,506)

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 2019 and 2018.

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:

	2019	2018
	$'000	*$'000*
Loss before taxation	**(1,101,764)**	(7,607,327)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**(285,824)**	(1,900,062)
Tax effect of non-deductible expenses	**204,858**	181,146
Tax effect of using tax losses previously unrecognised	**(42,275)**	–
Tax effect of non-taxable income	**(23,799)**	–
Tax effect of unused tax losses not recognised	**10,633**	20,410
Actual income tax	**(136,407)**	(1,698,506)

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 $898,047,000 (2018: $4,462,830,000) and the weighted average of 4,337,325,000 ordinary shares (2018: 4,337,325,000 shares) in issue during the year, as adjusted to reflect the puttable shares arising from the acquisition of Champ Universe Limited ("**Champ Universe**") and share purchased under the share award scheme.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 March 2019 and 2018 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option and Puttable Shares arising from the acquisition of Champ Universe at 28 June 2013 during the years ended 31 March 2019 and 2018 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 ("**Xinjiang**"), the PRC. The carrying amount of property, plant and equipment as at 31 March 2019 is HK$7,672.0 million representing the carrying amount of these three coal mines, and HK$778.6 million representing the carrying amount of construction in progress related to these mines.

The Group's mining licenses of Shizhuanggou coal mine and Quanshuigou coal mine were expired on 28 December 2015 and mining license of Xiaohuangshan coal mine, which was extended in April 2019, expired on 31 December 2019 and renewed licenses have not been obtained as at the approval date of the financial statements.

As disclosed in note 2(b), 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 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.

As at 31 March 2019, the ownership of equipment and machineries amounting to $198,080,000 (2018: $234,194,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

As at 31 March 2019, mine properties of the Group of $3,661,192,000 (2018: $3,727,550,000), construction in progress and plant and machinery of the Group of $52,451,000 (2018: $69,898,000) have been pledged as collateral for the Group's borrowings.

Impairment loss

The management performed an impairment test on the cash generating units ("**CGUs**") in Fukang City, Xinjiang for the year ended 31 March 2019. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering the effective periods of the expected lives of the relevant coal mines and other facilities. The cash flows are discounted using a discount rate of 14.67% (2018: 14.67%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. An impairment loss of $574,190,000 (2018: $6,799,595,000), among which 569,850,000 (2018: $6,798,993,000) is related to property, plant and equipment and $4,340,000 (2018: $602,000) is related to prepaid land lease payments, was recognised in impairment losses of non-current assets based on the impairment test.

8 TRADE AND BILLS RECEIVABLES

	2019	2018
	$'000	*$'000*
Trade receivables due from third party customer	**697,997**	228,890
Bills receivable	**–**	1,248
	697,997	230,138

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:

	2019	2018
	$'000	*$'000*
Within 3 months	**93,353**	136,723
3 to 6 months	**120,567**	29,369
Over 6 months but within 1 year	**286,256**	534
Over 1 year but within 2 years	**153,446**	5,918
Over 2 years but within 3 years	**1,328**	55,606
Over 3 years	**43,047**	1,988
	697,997	230,138

9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	$'000	*$'000*
Prepayments *(note (i))*	**60,298**	54,868
Deposits *(note (i))*	**80,670**	86,850
Current portion of land lease prepayment	**2,373**	2,445
VAT and other tax recoverable *(note (ii))*	**4,463**	18,592
Amounts due from related parties *(note (iii))*	**52,434**	100,931
Other receivables	**14,628**	45,546
	214,866	309,232

Notes:

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

(ii) VAT and other tax recoverable 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. The balance was brought forward from prior years. None of the balance last year was recovered and the decrease of the balance was mainly due to the de-consolidation of certain subsidiaries during the year ended 31 March 2019 (note 2(b)(2)(iii)).

Included within prepayments, deposits and other receivables (excluding advances to suppliers, VAT and other tax recoverable, current portion of lease prepayment and amounts due from related parties) totaling $95.3 million are amounts of $91.8 million which, as at 31 March 2019, were aged over two years.

As of the date of approval of these financial statements, $91.6 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 AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019	2018
	$'000	*$'000*
Cash at bank and on hand	**19,767**	17,681
Less: restricted bank deposits	**(19,198)**	(17,181)
Cash and cash equivalents	**569**	500

As at 31 March 2019, the Group's bank balances of approximately $19,198,000 (2018: $17,181,000) 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 2019, bank accounts amounting to $0.43 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:

	2019	2018
	$'000	*$'000*
RMB	**158**	21
US$	**77**	130

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

	2019	2018
	$'000	*$'000*
Within 3 months	**163,785**	145,090
Over 3 months but within 6 months	**56,064**	476
Over 6 months but within 1 year	**290,947**	146
Over 1 year but within 2 years	**98,867**	10,409
Over 2 years but within 3 years	**6,393**	52,401
Over 3 years	**98,128**	84,923
	714,184	293,445

12 OTHER PAYABLES AND ACCRUALS

	2019	2018
	$'000	*$'000*
Payables for construction work and equipment purchases	**124,583**	250,296
Security deposits on construction work	**20,321**	25,223
Amounts due to de-consolidated subsidiaries	**40,213**	23,904
Amount due to a joint venture (formerly a subsidiary)	**151**	–
Amounts due to related parties *(note (i))*	**108,195**	122,182
Other taxes payable	**24,404**	19,877
Interest payables	**1,550,981**	1,042,737
Receipts in advance *(note (ii))*	**–**	145,171
Others	**246,325**	105,875
	2,115,173	1,735,265

(i) 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. The balance was brought forward from prior years.

(ii) Receipts in advance represent payments in advance made by third party customers in accordance with the terms set out in respective sales agreements. As a result of the adoption of HKFRS 15, receipts in advance are reclassified into contract liabilities.

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:

	2019	2018
	$'000	*$'000*
At 1 April	**19,662**	16,200
Provision for the year *(note 5)*	**1,734**	1,729
Exchange adjustments	**(1,239)**	1,733
At 31 March	**20,157**	19,662

(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 *$'000*
Deferred tax arising from:	
At 1 April 2017	3,426,177
Credited to profit or loss	(1,700,235)
At 31 March 2018	1,725,942
At 1 April 2018	1,725,942
Credited to profit or loss	(138,141)
At 31 March 2019	1,587,801

(ii) Reconciliation to the consolidated statement of financial position

	2019 *$'000*	2018 *$'000*
Net deferred tax liability recognised in the consolidated statement of financial position	**1,587,801**	1,725,942

(c) Deferred tax assets not recognised

In accordance with the accounting policy, the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of $880,417,000 (2018: $838,226,000) 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 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Directors does not recommend the payment of a final dividend in respect of the years ended 31 March 2018 and 2019.

(b) Share capital

	2019		2018	
	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 the beginning and end of the year	**4,538,515**	**907,703**	4,538,515	907,703

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's 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.

15 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 Ltd. were appointed the JPLs of the Company 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 26 June 2020, the Bermuda Court advised that the Bermuda winding-up petition hearing be adjourned to 30 October 2020.

(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 23 September 2020, the Hong Kong Court ordered that the Hong Kong winding-up petition hearing be adjourned to 23 November 2020.

(c) Impact of COVID-19

The COVID-19 pandemic broke out in early 2020. The pandemic's impact upon the Company is demonstrated in several ways including the declining prices of the Company's products, along with the more complicated and difficult operation and management. The management is monitoring the situation closely and has taken the necessary actions to reduce infections among employees and to maintain production.

16 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Joint Provisional Liquidators on 28 October 2020.

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 2019. The basis for disclaimer of opinion is extracted as follow:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Up Energy Development Group Limited ("**the Company**") and its subsidiaries ("**the Group**"), which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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 Ltd. 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 that 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 additional documents and replies to the Stock Exchange to fulfil the resumption conditions, including but not limited to, the outstanding financial statements for the financial year ended 31 March 2019. However, previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016. They continue to be uncontactable and have not been replaced. As a result of the continuing difficulties in preparing these financial statements, the JPLs have continued to rely on the books and records which are available to them.

These events and actions 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$9,448.0 million as at 31 March 2019, with a further sub-analysis in note 12 to these financial statements. Included in the carrying amount of property, plant and equipment as at 31 March 2019 is HK$7,672.0 million representing the carrying amount of three coal mines, namely Shizhuanggou coal mine, Quanshuigou coal mine and Xiaohuangshan coal mine, and HK$778.6 million representing the carrying amount of construction in progress related to these mines.

Since early 2016 when the Group encountered liquidity issues, previous management and many of the staff members have left the Group and have not been replaced. Therefore, there continues to be 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.

As reported in our auditor's reports on the Group's financial statements for the years ended 31 March 2016, 2017 and 2018, we attempted to conduct an inspection in September 2018 during the course of our audit but 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 and we were unable to obtain the requested documentation.

During the course of our audit of the Group's financial statements for the year ended 31 December 2019, we made another attempt to conduct an inspection in December 2019 but we encountered the same issues as described above. We continued to request 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 full 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 2019. 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 2019 was HK$1,145.9 million, of which HK$737.5 million is related 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$144.9 million as at 31 March 2019.

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 2019.

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

The JPLs have prepared discounted cash flow forecasts to determine the recoverable amounts of the above mentioned property, plant and equipment assets as at 31 March 2019. On the basis of these cash flow forecasts, the amounts at which these items of property, plant and equipment are stated in the consolidated statement of financial position are arrived at after recognising impairment losses of HK$492.9 million and HK$73.5 million against mine properties and construction in progress, respectively. These losses have been recognised in the consolidated statement of profit or loss for the year ended 31 March 2019.

In preparing the discounted cash flow forecast to determine the recoverable amount of the mine properties and related assets, the JPLs have assumed that the Group will be able to successfully renew all the mining licenses and the assets are recoverable through continuing use. We therefore requested the JPLs to provide sufficient explanations and supporting documents relating to the basis of their judgements in this matter, including the application documents and correspondence with the local authorities and key assumptions. However we have been unable to obtain such information up to the date of this report.

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

(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 2019, revenue and cost of inventories sold amounted to HK$694.0 million and HK$668.0 million respectively. As at 31 March 2019, inventories on hand are stated to be HK$44.5 million; trade and other taxes payable are stated to be HK$738.6 million; contract liabilities are stated to be HK$31.9 million; and trade receivables, advances to suppliers and other prepayments and VAT and other tax recoverable are stated to be HK$698.0 million, HK$60.3 million and HK$4.5 million respectively (in aggregate HK$762.8 million), of which HK$675.6 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, the information that we obtained up to the date of this report was insufficient to substantiate the sales or purchase transactions. In addition, the JPLs conducted a physical inventory counting in December 2019 and identified significant differences between the inventory records and the actual physical inventory quantities, which were not yet reflected in the accounting records. We attended the physical inventory counting, but we have not been able to obtain supporting documentation to assess whether changes of inventory between the count date and end of the reporting period were properly recorded. All these have called into question the reliability of the books and records relating to sales, cost of inventories sold and inventory management. Therefore, we have been unable to satisfactorily complete 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. Given the circumstances, we were also unable to obtain sufficient appropriate evidence to evaluate the reasonableness of the loss allowance estimates of the related receivables.

In addition, during the financial year, the Group started using a spreadsheet to record and perform calculation of inventory costing. However, in assessing the operating effectiveness of the Group's controls over inventory costing, apart from the spreadsheet, we were unable to obtain documentation supporting the calculation of the overhead absorption, usage of raw materials and volume of finished products produced for the samples we selected. This has undermined our ability to rely on the Group's system of controls over 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 2019.

(d) Scope limitation on the loss allowance of deposits and other receivables

As at 31 March 2019, as disclosed in note 19, deposits and other receivables were stated in the consolidated statement of financial position at HK$80.7 million and HK$14.6 million respectively (an aggregate of HK$95.3 million). As further disclosed in note 19, HK$91.8 million of this balance was aged over two years as at 31 March 2019 and HK$91.6 million was not yet utilised or recovered as of the date of this report. Despite the long ageing, the JPLs cannot provide an assessment on the loss allowance under the expected credit loss model. 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 20 to the consolidated financial statements, the carrying amount of these bank accounts was HK$0.43 million as at 31 March 2019. 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.

In addition, we have independently sent requests for confirmations to 39 banks, but we have not received the requested confirmations from six banks as at the date of this report. The Group recorded cash at bank of HK$0.01 million and bank loans of HK$247.84 million relating to these six banks.

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 2019 and the accuracy of the consolidated cash flow statement disclosed for the year ended 31 March 2019.

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

As disclosed in notes 19 and 24, the Group has recorded amounts due from related parties of HK$52.4 million and amounts due to related parties of HK$108.2 million, which were brought forward from prior years. 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 reasonableness of nil loss allowance of these receivables.

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

As disclosed in note 28, 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 litigations.

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

As at 31 March 2019, other payables and accruals (excluding interest payables, other taxes payable, payables related to construction projects and amounts due to related parties) are stated in the consolidated statement of financial position to be HK$274.7 million. However, because previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016 and have not been replaced, there continues to be 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, in our auditor's reports on the Group's financial statements for the years ended 31 March 2016, 2017 and 2018, we reported 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 and we were unable to obtain the requested supporting documents.

During the audit of the Group's financial statements for the year ended 31 March 2019, we identified the same weakness in the Group's system. 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 Up Energy (Canada) Limited and its subsidiaries (collectively "GCC Group") and Champ Universe Limited and its subsidiaries (collectively "Champ Universe Group")

As disclosed in notes 2(b)(2) and 15, included in the amounts due from deconsolidated subsidiaries were amounts due from GCC Group and Champ Universe Group of HK$537.8 million and HK$1,553.0 million, respectively, as at 31 March 2019. The JPLs continue to make full provision against the former, but nil provision against the latter.

Because of insufficient information about GCC Group and Champ Universe Group made available to us, we have been unable to obtain sufficient appropriate evidence to determine whether the amounts due from these entities as at 31 March 2019 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 loss allowance made against the balance against GCC Group and the nil loss allowance made against the balance with Champ Universe Group were free from material misstatement as compared to basis of preparation.

(j) Scope limitation on recoverability of amounts due from Up Energy Development (Hong Kong) Limited ("UE Development HK"), Up Energy Trading Limited ("UE Trading") and Up Energy Management Limited ("UE Management")

As disclosed in note 2(b)(2), the Group deconsolidated UE Trading and UE Development HK from 8 June 2018 and 29 March 2019, respectively. UE Development HK and another wholly owned subsidiary of the Group each held 50% interest in UE Management. As a result of deconsolidation of UE Development HK, the Group also excluded UE Management from consolidation since 29 March 2019.

As disclosed in note 15, the amounts due from deconsolidated subsidiaries as at 31 March 2019 include amounts due from UE Development HK, UE Trading and UE Management of HK$0.03 million, HK$61.0 million and HK$105.9 million, respectively. No provision has been made by the JPLs against the amounts due from these entities. Because of insufficient information about these entities made available to us, we have been unable to obtain sufficient appropriate evidence to determine whether the amounts due from these entities as at 31 March 2019 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 nil loss allowance made against the balances with these entities were free from material misstatement as compared to the basis of preparation.

Had we been able to satisfy ourselves in respect of the matters mentioned in the items (a) to (j) 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 2019 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.

In our auditor's report on the Group's consolidated financial statements for the year ended 31 March 2018 we disclaimed our opinions due to, amongst other matters, the same limitations on items (a) to (i) in the scope of our audit in respect of the amounts reported in those financial statements. Accordingly, we are unable to complete our audit of the opening balances as of 1 April 2018 and any adjustments to the consolidated statement of financial position as at 31 March 2018 might affect the loss for the year ended 31 March 2019. In addition, the corresponding amounts for the consolidated statement of profit or loss and consolidated cash flow statement for the year ended 31 March 2018 may not be comparable to the current year.

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 these 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 these consolidated financial statements. These 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), 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 these 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 even had there not been 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 our disagreement with the following accounting treatment:

As disclosed in note 2(b), 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 Xinjiang Government because its annual capacity was below the specified threshold. 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 2019, 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 these consolidated financial statements, and the presentation of the investment in the Champ Universe Group at cost less impairment are departures from the requirements of HKFRS 10. We reported the same matter in our auditor's report on the consolidated financial statements for all years since the year ended 31 March 2016. 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 these consolidated financial statements for the year ended 31 March 2019 or on the comparability of the current year's figures and the corresponding figures.

FINAL DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 March 2019 (2018: 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 Company and its subsidiaries (collectively 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 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 of the 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 of 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 PN 17 to the Listing Rules with the Resumption Conditions. The Resumption Conditions 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 JPLs applied to the Listing Committee of the Stock Exchange for a review of the decision of Listing Department to place the Company in the 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 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. A fresh resumption proposal of the Company was submitted to the Stock Exchange on 25 February 2019. The Listing Committee decided to delist the Company on 6 April 2020 and, subsequently, the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the application and the review hearing was held on 28 September 2020 with decision to be released.

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 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 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 judge of the Hong Kong Court 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 Scheme Meeting was convened on 30 September 2019 and the Scheme was approved by the requisite statutory majorities of the Creditors in the Scheme Meeting. Subsequently, the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda in November 2019. The Company is arranging to convene a special general meeting to approve, *inter alia*, the transaction contemplated under the Scheme and the Company intends to submit the Scheme to the Hong Kong Court for sanction upon completion of the special general meeting.

Coal Resources and Reserves

As at 31 March 2019, 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 70 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 31 March 2019, 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, Up Energy 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.

The Company considers that all the major obstacles for resuming the construction of the Xiaohuangshan Mine have been cleared, except for obtaining the hard copy of the renewed mining license after resolving the issue of implementation of new policy of Resources Tax.

As informed by the Xinjiang Government, a new policy has been imposed on all the mining companies in Xinjiang and a "trial run" has been adopted in implementing the policy of Resources Tax. Under the new policy, all the mining companies in Xinjiang are required to prepay the Resources Tax prior to the extraction and the sales of the coals when they obtain or renew mining licenses. The amount of the Resources Tax is calculated on the basis of a fixed scale over the coal resources of the mine assessed.

The management of UE (Fukang) Mining was in active discussion with the Xinjiang Government and relevant authorities as to whether UE (Fukang) Mining should be subject to or be exempted from the "trial run" of the new policy for the prepayment of the Resources Tax. Concurrently, the management of UE (Fukang) Mining was in discussion with a panel valuer in order to commence the evaluation of the coal resources of the Xiaohuangshan Mine and to assess the amount of the prepayment of Resources Tax, if indeed required.

After various discussions with the management of UE (Fukang) Mining and the relevant authorities in Xinjiang, the management of UE (Fukang) Mining is of the view that the Xinjiang Government and relevant authorities are unlikely to exempt UE (Fukang) Mining from the trial run of the new policy for the prepayment of Resources Tax.

The amount of Resources Tax payable by UE (Fukang) Mining is calculated based on the marketable coal reserves of the mine, which are required to be first assessed by a panel valuer approved by the authorities and further approved by the authorities. A panel valuer has been engaged in this regard and UE (Fukang) Mining is waiting the result so as to ascertain the Resources Tax amount payable.

Meanwhile, based on the discussions between the management of UE (Fukang) Mining and the relevant authorities, it is provisionally estimated that the amount of the prepayment of the partial Resources Tax would be approximately RMB130 million. Once the prepayment amount of the partial Resources Tax is confirmed after the completion of the valuation, UE (Fukang) Mining will subsequently arrange its prepayment and resume the construction of the Xiaohuangshan Mine.

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 all outstanding financial results and the preparation of the Resumption Proposal.

The Scheme has been approved by the requisite statutory majorities of the Creditors in the Scheme Meeting on 30 September 2019 and the Scheme was subsequently sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda in November 2019.

The Company is in the course in preparing the necessary documents including the circular for the SGM to approve, *inter alia*, the transactions contemplated under the Scheme. Upon passing the necessary resolutions in the SGM, the Company will submit the Scheme to the Hong Kong Court for sanction.

If the scheme of arrangement be successfully 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 creditors' schemes of arrangement; 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 of arrangement and the resumption of the trading of the shares of the Company in the Main Board of the Stock Exchange, which are subject 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 2019, the Group recorded a revenue of approximately HK$694,018,000, representing an increase of HK$503,388,000 or 264% as compared with that of approximately HK$190,630,000 for the same period of 2018. The increase in revenue was mainly due to the resumption of commercial production of the coal coking plant and hence an increase in the sale volume of coke comparing in the same period last year.

Cost of revenue

During the year ended 31 March 2019, cost of revenue was approximately HK$667,984,000, representing an increase of HK$485,193,000 or 265%, as compared with that of approximately HK$182,791,000 for the same period of 2018. The increase in cost of revenue was mainly due to the resumption of commercial production of the coal coking plant and hence an increase in the purchase volume of raw material and sale volume of coke.

Gross Profit/(Loss)

As a result of the reasons above, gross profit of the Group for the year ended 31 March 2019 was recorded HK$26,034,000, representing an increase of HK$18,195,000 or 232%, as compared with that of approximately HK$7,839,000 in the same period of 2018, which was mainly due to the resumption of commercial production fo the coal coking plant and hence an increase in the sale volume of coke plant to cover the fixed production costs, such as the depreciation.

Other Revenue

During the year under review, other revenue was approximately HK$3,237,000, representing an increase of approximately HK$3,235,000 as compared with approximately HK$2,000 of the same period in 2018. The increase was mainly due to the increase in interest income from the loan to a third party.

Other Net Gain/(Loss)

During the year under review, other net gain was approximately HK$298,922,000, which mainly represented by a net gain on sales of property, plant and equipment of approximately HK$1,441,000, a net gain on debt restructuring of a subsidiary of approximately HK$156,192,000, and a net gain on deconsolidation of subsidiaries of approximately HK$144,235,000. For the same period in 2018, other net loss was approximately HK$6,192,000, which mainly represented by a net realized loss on trading securities of approximately HK$4,989,000 and net loss on sales of property, plant and equipment of approximately HK$228,000.

Impairment losses of non-current assets

During the year under review, impairment losses of non-current assets was approximately HK$574,190,000, which mainly represented by a loss of approximately HK$569,850,000 related to property, plant and equipment, and a loss of approximately HK$4,340,000 related to prepaid land lease payments. For the same period in 2018, an impairment losses of non-current assets were approximately HK$6,799,595,000, representing an impairment of the mining properties located in the Xinjiang Uyghur Autonomous Region, the PRC.

Administrative Expenses

During the year under review, administrative expenses were approximately HK$65,971,000, representing a decrease of approximately HK$12,045,000 or 15.4% as compared with that of approximately HK$78,016,000 for the same period of 2018. The decrease in administrative expenses was mainly due to the significant decrease in staff costs and depreciation and amortization the during the year.

Loss from Operation

For the aforementioned reasons, the profit from operation during the year under review was approximately HK$311,968,000 while the loss from operation was approximately HK$6,875,962,000 for the same period of 2018.

Net Finance Costs

During the year under review, finance costs were approximately HK$789,796,000 representing a slightly increase of approximately HK$58,431,000 or 8.0% as compared with that of approximately HK$731,365,000 for the same period of 2018. The increase in finance costs was mainly due to the slight increase in interest on borrowing and interest of convertible notes.

Income Tax Credit/Expense

During the year under review, the income tax credit during the year under review was approximately HK$136,407,000, which comprised the current income tax expenses of HK$1,734,000 and deferred tax credit of HK$138,141,000, while income tax credit was approximately HK$1,698,506,000 for the same period of 2018, which comprised with the current income tax expense of HK$1,729,000 and deferred tax credit of HK$1,700,235,000.

Loss for the Year

By reasons of the foregoing, the Group recorded a loss of approximately HK$965,357,000, during the year under review, representing an decrease of 84% as compared with that of approximately HK$5,908,821,000 for the same period of 2018.

Liquidity and Financial Resources

As at 31 March 2019, the Group's current ratio was 0.11 (2018: 0.08), with current assets of approximately HK$957,886,000 (2018: HK$602,084,000) against current liabilities of approximately HK$8,826,493,000 (2018: HK$7,764,445,000). Cash and cash equivalents were approximately HK$569,000 (2018: HK$500,000). As at 31 March 2019, the Group's gearing ratio was 86.7% (2018: 59.7%). 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$864,186,000 (2018: HK$906,878,000) and outstanding convertible notes of HK$4,144,453,000 (2018: HK$3,890,937,000).

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 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 2019, the Group had a total of 365 employees (2018: 418) 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 2019.

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 2019, 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 2019 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 this 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, 28 October 2020

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.