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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

INTERIM RESULTS

The Board of Directors (the “**Board**”) of Up Energy Development Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) announces the unaudited consolidated interim results of the Company for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 as follows (all references to monetary amounts in this announcement, unless otherwise specified, are in Hong Kong dollars). These interim financial statements have not been audited.

* *for identification only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED*For the six months ended 30 September 2017**(Expressed in Hong Kong dollars)*

		Six months ended	
		30 September	
	<i>Note</i>	2017	2016
		\$'000	\$'000
Revenue	5	12,769	37,708
Cost of sales		(13,113)	(48,412)
Gross loss		(344)	(10,704)
Other revenue	6	1	522
Other net loss	6	(6,782)	(32,503)
Distribution costs		–	(151)
Administrative expenses		(35,444)	(38,797)
Loss from operations		(42,569)	(81,633)
Finance costs	7(a)	(365,638)	(290,256)
Loss before taxation	7	(408,207)	(371,889)
Income tax	8	(670)	(714)
Loss for the period		(408,877)	(372,603)
Attributable to:			
Equity shareholders of the Company		(392,679)	(352,626)
Non-controlling interests		(16,198)	(19,977)
Loss for the period		(408,877)	(372,603)
Loss per share (basic and diluted)	9	(9.05) cents	(8.13) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2017

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Loss for the period	(408,877)	(372,603)
Other comprehensive income for the period (after tax adjustments):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Exchange differences arising on translation of financial statements of subsidiaries outside of Hong Kong	<u>31,669</u>	<u>(31,601)</u>
Total comprehensive income for the period	<u>(377,208)</u>	<u>(404,204)</u>
Attributable to:		
Equity shareholders of the Company	(365,900)	(379,360)
Non-controlling interests	<u>(11,308)</u>	<u>(24,844)</u>
Total comprehensive income for the period	<u>(377,208)</u>	<u>(404,204)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION- UNAUDITED

At 30 September 2017

(Expressed in Hong Kong dollars)

		At 30 September 2017 \$'000	At 31 March 2017 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	16,778,204	16,697,544
Prepaid land lease payments		62,945	63,133
Interests in deconsolidated subsidiaries		1,564,480	1,563,837
Restricted bank deposits		16,203	15,507
Other non-current assets		46,845	46,595
		<hr/>	<hr/>
Total non-current assets		18,468,677	18,386,616
		<hr/>	<hr/>
Current assets			
Trading securities		2,088	19,008
Inventories	11	13,995	14,470
Trade and bills receivable	12	69,717	60,141
Prepayments, deposits and other receivables	13	295,872	248,441
Cash and cash equivalents		670	660
		<hr/>	<hr/>
Total current assets		382,342	342,720
		<hr/>	<hr/>
Current liabilities			
Borrowings	15	891,771	881,027
Trade and bills payable	16	329,135	170,941
Other financial liabilities	14	906,270	896,667
Other payables and accruals	18	1,272,924	1,075,494
Current taxation		17,740	16,200
Convertible notes	17	3,724,361	3,602,812
		<hr/>	<hr/>
Total current liabilities		7,142,201	6,643,141
		<hr/>	<hr/>
Net current liabilities		(6,759,859)	(6,300,421)
		<hr/>	<hr/>
Total assets less current liabilities		11,708,818	12,086,195
		<hr/>	<hr/>

	At	At
	30 September	31 March
	2017	2017
<i>Note</i>	\$'000	\$'000
Non-current liabilities		
Deferred tax liabilities	<u>3,426,008</u>	<u>3,426,177</u>
Total non-current liabilities	<u>3,426,008</u>	<u>3,426,177</u>
NET ASSETS	<u>8,282,810</u>	<u>8,660,018</u>
CAPITAL AND RESERVES		
Share capital	907,703	907,703
Equity component of convertible notes	968,825	968,825
Reserves	<u>3,848,925</u>	<u>4,214,825</u>
Total equity attributable to equity shareholders of the Company	5,725,453	6,091,353
Non-controlling interests	<u>2,557,357</u>	<u>2,568,665</u>
TOTAL EQUITY	<u>8,282,810</u>	<u>8,660,018</u>

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted Company with limited liability on 30 October 1992 under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The trading in shares of the Company has been suspended since 30 June 2016. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business of the Company in Hong Kong is 29/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong. The Group is principally engaged in development and construction of coal mining and coke processing facilities

2. BASIS OF PREPARATION

(a) Going concern basis

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

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

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

Suspension of Trading in Shares of the Company

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

Listing Status

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

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

- (ii) The scale of the Company's operation is insufficient to justify the continuing listing of its shares. The Company has substantially reduced its operation due to financial difficulties and the drop in coal price.
- (iii) Based on the Company's management accounts as at 31 March 2016, the Company (together with its subsidiaries) had total assets of \$24 billion, which mainly consists of its mining assets. However, the Company has failed to substantiate such carrying value with an updated valuation and, in particular, has not performed any impairment test on such assets.
- (iv) The Company has recorded gross loss and net loss in the past three years.

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

- (i) demonstrate the Company has sufficient level of operations or assets of sufficient value under Rule 13.24;
- (ii) publish all outstanding financial results and address audit qualifications (if any); and
- (iii) have the winding up petitions against the Company (and its subsidiaries), where applicable, withdrawn or dismissed and the provisional liquidator discharged.

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

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

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

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

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

The 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.

On 30 October 2020, the Stock Exchange issued a letter to the Company advising that the Listing (Review) Committee decided to uphold the decision of the Listing Committee to cancel the listing of the Company's shares on the Stock Exchange under Practice Note 17 to the Listing Rules.

After considering legal and professional advice, the Company has lodged a written request to the Stock Exchange pursuant to Chapter 2B of the Listing Rules to review the decision of the Listing (Review) Committee to cancel the listing status of the Company. As at the Latest Practicable Date, the Listing Appeals Committee accepted the review application and the review hearing date has not been fixed. To the best of the JPLs' knowledge after making reasonable enquiries, the review hearing is anticipated to be held in late February 2021, subject to the further confirmation of the Listing Appeals Committee.

Winding up petitions

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

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

Appointment of the JPLs

Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, together with Mr. Roy Bailey of EY Bermuda Limited were appointed the JPLs 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 the time while the key role of the JPLs were to consult with the Company in respect of and review all issues relating to the feasibility of the restructuring proposal.

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

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

The JPLs are working with the Company's financial and legal advisors to prepare a latest resumption proposal to the Stock Exchange. In this connection, the JPLs and the directors have taken steps to prepare the outstanding financial statements for 6 months ended 30 September 2017 in order to meet one of the resumption conditions as required by the Stock Exchange. However, previous management and many of the staff members, including key accounting personnel, have left the Group since the Group encountered liquidity issues in early 2016 and are now not contactable.

Financial performance and position

During 6 months ended 30 September 2017, the Group had incurred a loss of approximately \$409 million. As at 30 September 2017, the Group's current liabilities exceeded its current assets by \$6,760 million. The financial performance and financial position have not improved significantly subsequently in the financial years.

Borrowings and bonds default

As disclosed in notes 15 and 17, 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 \$898 million which are included in the Group's interest-bearing borrowings and convertible notes with carrying amount of \$3,724 million as at 30 September 2017. 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.

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 consist of: (i) debt-to-equity swap; (ii) financing opportunities; (iii) placement of new shares; and (iv) renewal of mining licenses.

(i) Debt-to-equity swap

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

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

(ii) Financing opportunities

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

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

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 supplement 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 the consolidated financial statements.

(b) De-consolidation of Subsidiaries

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

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

On 14 November 2014, the Group, Winsway Enterprises Holdings Limited (“Winsway”) and Marubeni Corporation (“Marubeni”) entered into the Sale and Purchase Agreement conditionally for acquisition of an aggregate of 82.74% interest in the total issued share capital of GCC and an aggregate of 82.74% partnership interest in GCC LP (the “Acquisition”). The Acquisition and related transaction were then approved by the shareholders of the Company in the special general meeting of the Company convened on 17 July 2015. Subsequently, on 2 September 2015, all conditions precedent to the Acquisition were either satisfied or waived and the parties to the Acquisition proceeded to closing. After the completion, Up Energy (Canada) Limited became the parent company of GCC and GCC LP and formed the GCC Group.

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

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

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

Subsequent to the appointment of receivership, the Company considered that it is appropriate to deem that the control over GCC Group had been lost since 3 February 2017. In addition, as there is insufficient access to the books and records of the GCC Group for the period from the completion of the acquisition to 3 February 2017, GCC Group were not included in the consolidated financial statements of the Group from the acquisition completion date (2 September 2015). Furthermore, no disclosure in respect of the acquisition of GCC and GCC LP was made in the consolidated financial statements of the Group for the year ended 30 September 2017.

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

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

- (ii) an amount which shall not exceed USD15,000,000 being repayment of the Receiver's Borrowings Charge; and
- (iii) USD5,910,000 being a repayment of an assigned loan by Sonicfield to GCC Maple Holdings Ltd.

This transaction was completed on 18 July 2018.

In light of the above, it was noted that the proceeds from the disposal had not fully covered the outstanding liabilities due to CMBC, the senior creditor of GCC Group, therefore there are no assets left to cover GCC Group's liabilities to the Group. In the circumstances, the Company is of the view that the recovery from the amounts due from GCC Group is remote and therefore has made full provisions for the amounts due from GCC Group in preparing the consolidated financial statements for 6 months ended 30 September 2017.

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

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

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

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

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

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

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

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

- trading securities.
- derivative financial instruments.

3. CHANGES IN ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

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

5. REVENUE

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

	Six months ended	
	30 September	
	2017	2016
	\$’000	\$’000
Coke	11,500	13,719
Coal	–	9,525
Others	1,269	14,464
	12,769	37,708

6. OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Other revenue		
Interest income arising from:		
— Loan to a third party	–	458
Others	<u>1</u>	<u>64</u>
	<u>1</u>	<u>522</u>
Other net (loss)/income		
Net loss on trading securities	(3,722)	–
Net unrealised loss on trading securities	(1,195)	(1,831)
Net unrealised fair value change in other financial liabilities at fair value	–	(41,610)
Net (loss)/gain on sales of property, plant and equipment	(230)	11,008
Others	<u>(1,635)</u>	<u>(70)</u>
	<u>(6,782)</u>	<u>(32,503)</u>

7. LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Interest on borrowings	66,256	64,164
Unwinding interest of convertible notes (<i>note 17</i>)	223,689	146,937
Default interest of convertible notes	73,206	73,206
Unwinding interest of other financial liabilities (<i>note 14</i>)	<u>2,487</u>	<u>5,949</u>
Finance costs	<u>365,638</u>	<u>290,256</u>

(b) Staff costs

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Salaries, wages, bonus and other benefits	6,058	17,987
Retirement scheme contributions	<u>626</u>	<u>988</u>
	<u>6,684</u>	<u>18,975</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (“**the Schemes**”) organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2016: 20%) of the eligible employees’ salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

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

(c) **Other items**

	Six months ended	
	30 September	
	2017	2016
	\$’000	\$’000
Amortisation of prepaid land lease payments	1,180	1,210
Depreciation of property, plant and equipment	16,267	11,421
Operating lease charges: minimum lease payments hire of property	–	1,350
	<u><u> </u></u>	<u><u> </u></u>

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

	Six months ended	
	30 September	
	2017	2016
	\$’000	\$’000
Current tax:		
Provision for the period*	838	882
Deferred tax		
Origination and reversal of temporary differences	(168)	(168)
	<u> </u>	<u> </u>
Total income tax charge for the period	670	714
	<u><u> </u></u>	<u><u> </u></u>

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

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 six months ended 30 September 2017 and 2016.

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.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2017 of \$392,679,000 (six months ended 30 September 2016: \$352,626,000) and the weighted average of 4,337,325,000 ordinary shares (six months ended 30 September 2016: 4,337,352,000) in issue during the interim period, 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 six months ended 30 September 2017 and 2016 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option and Puttable Share arising from the acquisition of Champ Universe at 28 June 2013 during the six months ended 30 September 2017 and 2016 have anti-dilutive effect to basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT, NET

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

The Group’s mining licenses of Shizhuanggou coal mine and Quanshuigou coal mine were expired on 28 December 2015 and mining license of Xiaohuangshan coal mine which was extended in April 2019, expired on 31 December 2019.

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

Subsequent to the suspension of trading of the Company’s shares in June 2016, certain of its key management left the Group and the activities to formulate mine development plans were suspended. Therefore, in preparing the financial statements for 6 months ended 30 September 2017, the JPLs do not have sufficient information to perform an assessment of recoverable amount of the property, plant and equipment as at 30 September 2017, due to the fact that no reliable discounted cash flow can be prepared without valid mine development plan.

As at 30 September 2017, the ownership of equipment and machineries amounting to \$199,973,000 (As at 31 March 2017: \$191,386,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

As at 30 September 2017, mine properties of the Group of \$8,370,418,000 (As at 31 March 2017: \$8,370,418,000 and construction in progress of the Group of \$65,918,000 (As at 31 March 2017: \$63,087,000) have been pledged as collateral for the Group’s borrowings.

11. INVENTORIES

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

	At 30 September 2017 \$000	At 31 March 2017 \$000
Raw materials	13,631	578
Work in progress	–	764
Finished goods	1,684	3,791
Materials and suppliers	–	10,657
	<u>15,315</u>	<u>15,790</u>
Less: provision for diminution in value of inventories	1,320	1,320
	<u>13,995</u>	<u>14,470</u>

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

	Six months ended 30 September	
	2017 \$'000	2016 \$'000
Carrying amount of inventories sold	<u>13,113</u>	<u>48,412</u>
	<u>13,113</u>	<u>48,412</u>

12. TRADE AND BILLS RECEIVABLE

	At 30 September 2017 \$000	At 31 March 2017 \$000
Trade receivables due from third party customer	69,717	59,803
Bills receivable	–	338
	<u>69,717</u>	<u>60,141</u>

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:

	At 30 September 2017 \$000	At 31 March 2017 \$000
Within 3 months	1,626	2,074
3 to 6 months	2,325	–
Over 6 months but within 1 year	5,122	4,276
Over 1 year but within 2 years	7,539	51,998
Over 2 years but within 3 years	53,105	1,793
	<u>69,717</u>	<u>60,141</u>

(b) Impairment of trade debtors and bills receivable

Bills receivable are generally due within 180 days from the date of billing. As at 30 September 2017, the Group has no impairment losses on trade and bills receivable (31 March 2017: nil).

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Prepayments and deposits (<i>note (i)</i>)	136,762	115,742
Current portion of land lease prepayment	2,442	2,337
VAT and other tax receivables (<i>note (ii)</i>)	14,835	12,768
Amount due from related parties (<i>note (iii)</i>)	98,882	88,318
Other receivables	42,951	29,276
	<u>295,872</u>	<u>248,441</u>

Notes:

- (i) Prepayments and deposits mainly represent advance to suppliers, deposits and current portion of prepaid land lease payments.
- (ii) VAT and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the local tax authorities. Based on current available information, the Group anticipates full recoverability of such amount after commercial production.

- (iii) 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.

14. OTHER FINANCIAL LIABILITIES

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Other financial liabilities:		
— At amortised cost (<i>note (a)</i>)	475,885	466,282
— At fair value (<i>note (b)</i>)	430,385	430,385
	<u>906,270</u>	<u>896,667</u>
Among which:		
— Current portion	906,270	896,667
— Non-current portion	—	—

(a) Other financial liabilities at amortised cost

	For finance lease (<i>note (i)</i>) \$'000	For puttable shares (<i>note (ii)</i>) \$'000	Corporate bond (<i>note (iii)</i>) \$'000	Other \$'000	Total \$'000
At 1 April 2016	133,275	300,147	32,215	—	465,637
Unwinding interests	—	7,853	3,954	—	11,807
Interest payables	—	—	(2,988)	—	(2,988)
Exchange adjustments	(8,174)	—	—	—	(8,174)
	<u>125,101</u>	<u>308,000</u>	<u>33,181</u>	<u>—</u>	<u>466,282</u>
At 31 March 2017	125,101	308,000	33,181	—	466,282
Among which:					
— Current Portion	125,101	308,000	33,181	—	466,282
— Non-current portion	—	—	—	—	—
At 1 April 2017	125,101	308,000	33,181	—	466,282
Addition	—	—	—	3,000	3,000
Unwinding interests (<i>note 7(a)</i>)	—	—	2,487	—	2,487
Interest payables	—	—	(1,497)	—	(1,497)
Exchange adjustments	5,613	—	—	—	5,613
	<u>130,714</u>	<u>308,000</u>	<u>34,171</u>	<u>3,000</u>	<u>475,885</u>
At 30 September 2017	130,714	308,000	34,171	3,000	475,885
Among which:					
Current Portion	130,714	308,000	34,171	3,000	475,885
Non-current portion	—	—	—	—	—

Notes:

- (i) On 19 December 2012, the Group entered into agreements and supplemental agreements (collectively referred to as the “**Agreements**”) with Cinda Financial Leasing Company Limited (“**Cinda**”). Pursuant to the Agreements, Cinda provided funds amounting to \$296,000,000 and \$59,000,000 to two subsidiaries of the Company, respectively. The annual interest of both funds is 9.204%. The funds deemed to be used for the purchase of equipment and machineries as specified in the Agreements. Pursuant to the Agreements, the ownership of equipment and machineries purchased under the Agreements are in possession of Cinda during the period of the Agreements. The Agreements are secured by deposits of \$45,261,000 and \$9,052,000 (see note 13) made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the controlling shareholder of the Company, provided an irrevocable guarantee for the Group’s performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 30 September 2017 ownership of equipment and machineries amounting to \$199,975,000 (31 March 2017: \$191,386,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda. As at 30 September 2017, the liabilities under the Agreements were past due.
- (ii) 140,000,000 ordinary shares (the “**Puttable Shares**”) of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of Champ Universe. Pursuant to the put option, Hao Tian Resources Group Limited (“**Hao Tian**”) has the right to request the Group to repurchase the Puttable Shares at \$2.2 per share with 20 business days after 28 June 2016. The financial liabilities was amortised at a rate of 10.47% per annum till June 2016. As at 30 September 2017, the liabilities under the Agreements were past due.
- (iii) As at 30 September 2017, the Group issued unlisted corporate bonds with principal amount of \$40.5 million in total and maturity of 2020 and 2023. The balance of the corporate bonds is classified as a current liability as at 30 September 2017 due to the fact that the Company defaulted on the interest payments which makes the bonds repayable immediately upon the notice of the holders.

(b) Other financial liabilities at fair value

The other financial liabilities at fair value represent derivative financial liability component of top up option (the “**Top Up Option**”) in relation to the 227,500,000 shares (the “**Issued Shares**”) issued to Hao Tian for the acquisition of Champ Universe. Pursuant to the Top Up Option, the Group will allot and issue additionally new shares or pay cash to Hao Tian if the average closing price of ordinary shares of the Company for the trading days immediately preceding and including 28 June 2016 is less than \$2.

15. BORROWINGS

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

	At 30 September 2017 \$’000	At 31 March 2017 \$’000
Bank loans		
— secured	406,308	396,777
— guaranteed	312,216	312,216
Less: current portion	718,524	708,993
	<u> —</u>	<u> —</u>

As at 30 September 2017, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong and ICBC Fukang (as defined below), were repayable as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 1 year or on demand	718,524	708,993
	<u>718,524</u>	<u>808,993</u>

On 28 June 2013, UE Mining, a wholly owned subsidiary of the Group, obtained a loan facility, amounting to \$480,000,000, from Minsheng Bank Hong Kong. As at 30 September 2017, the balance under this loan facility is \$184,347,000 (31 March 2017: \$184,347,000). As at 30 September 2017, these loans were past due.

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

On 29 December 2014, UE Resources as borrower entered into a long-term facility loan agreement (the “**Existing Agreement**”) of \$232 million (the “**Existing Amount**”) with Minsheng Bank Hong Kong. On 7 July 2015, UE Resources as borrower increased amount of the loan facility from \$232 million to \$317 million. As at 30 September 2017, the balance under this loan facility is \$312,216,000. This loan is repayable in 8 instalments from 29 February 2016 to 13 July 2018, and the interest rate is 5.5% per annum. The Company and Mr. Qin Jun, the controlling shareholder of the Company, provided an irrevocable guarantee for the Group’s performance of obligations in favour of Minsheng Bank Hong Kong for, including but not limited to, all amounts payable by the Group under the loan facility. The balance of the loans are classified as current liability due to the fact that the Company defaulted on the payments which makes the loans repayable immediately.

On 5 March 2014, UE Xinjiang as borrower entered into a long-term facility loan agreement of RMB250 million (equivalent to \$315 million) and RMB270 million (equivalent to \$340 million), respectively with Industrial and Commercial Bank of China Limited Fukang Branch (“**ICBC Fukang**”) for the construction of the Shizhuanggou Mine and Quanshuigou Mine. As at 30 September 2017, the balance under this loan facility is RMB188,591,000 (equivalent to \$221,961,000). The loan period is 2 years, and the interest rate is 110% of the prime loan rate of People’s Bank of China. As at 30 September 2017, these loans were past due. Mine properties with an aggregate carrying value of \$3,513,284,000 were pledged to ICBC Fukang as security. UE China also pledged its equity interests in UE Xinjiang as security. In addition, Mr. Qin Jun, the controlling shareholder of the Company, provided an irrevocable guarantee for the Group’s performance of obligations in favour of ICBC Fukang for, including but not limited to, all amounts payable by the Group under RMB250 million and RMB270 million loan facilities.

(b) The short-term borrowings comprise:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Unsecured loans (<i>note (i)</i>)	55,592	55,138
Secured bank loans (<i>note (ii)</i>)	17,655	16,896
Guaranteed bank loans (<i>note (iii)</i>)	100,000	100,000
Current portion of long-term borrowings		
— Bank loan	718,524	708,993
	<u>891,771</u>	<u>881,027</u>

Notes:

(i) As at 30 September 2017, loan amounting to \$15,000,000 (31 March 2017: \$15,000,000) were borrowed from the Kaisun Holdings Limited (previously known as Kaisun Energy Group Limited), and the interest rate is 17% per annum. As at 30 September 2017, these loans were past due.

As at 30 September 2017, loan amounting to \$30,000,000 (31 March 2017: \$30,000,000) was borrowed from Get Nice Finance Company Limited, and the interest rate is 18% per annum. As at 30 September 2017, the loan was past due.

As at 30 September 2017, bank loan amounting to \$10,592,000 (31 March 2017: \$10,138,000) was borrowed from China Construction Bank Fukang Branch, and the interest rate is 5.6% per annum. As at 30 September 2017, the loan was past due.

(ii) As at 30 September 2017, banks loans amounting to \$17,655,000 (31 March 2017: \$16,896,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of \$25,735,000 (31 March 2017: \$25,759,000) and \$65,918,000 (31 March 2017: \$63,087,000) respectively. As at 30 September 2017, the loans were past due.

(iii) As at 30 September 2017, loans amounting to \$50,000,000 and \$50,000,000 were borrowed from third parties, and the interest rates are 33% and 18% per annum, respectively. As at 30 September 2017, these loans were past due.

The above mentioned loans amounting to \$100,000,000 are guaranteed by a related party of the Group.

16. TRADE AND BILLS PAYABLE

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

At 30 September 2017, the ageing analysis of trade creditors and bills payable, based on invoice date, is as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Within 3 months	155,914	33,394
Over 3 months but within 6 months	1,333	1,823
Over 6 months but within 1 year	33,130	7,646
Over 1 year but within 2 years	35,284	51,361
Over 2 years but within 3 years	64,652	76,484
Over 3 years	38,822	233
	<u>329,135</u>	<u>170,941</u>

17. CONVERTIBLE NOTES

	Liability component \$'000	Equity component \$'000	Total \$'000
At 1 April 2017	3,602,812	968,825	4,571,637
Interest charged during the year (<i>note 7(a)</i>)	223,689	–	223,689
Interests payable	(102,140)	–	(102,140)
	<u>3,724,361</u>	<u>968,825</u>	<u>4,693,186</u>
At 30 September 2017			
Among which:			
— Current portion	3,724,361	–	–
— Non-current portion	–	–	–

As at 30 September 2017, two tranches of convertible notes of the Company are outstanding, namely Tranche A and Tranche B convertible notes.

Tranche A and Tranche B

Tranche A convertible notes with a principal amount of \$3,480,000,000 and Tranche B convertible notes with a principal amount of \$4,300,000,000 were issued as part of the consideration of \$7.8 billion for the acquisition of UE China.

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

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

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

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

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

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

\$216,500,000 Tranche A convertible notes and \$150,000,000 Tranche B convertible notes were converted by note-holders into ordinary shares in the period from 20 May 2015 to 31 March 2016 on the basis of one ordinary share for every \$0.75 convertible note held.

There were no convertible note converted by note holder into ordinary shares in the period from 1 April 2016 to 30 September 2017.

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

On 13 February 2015, the shareholders of the Company approved the amendment of certain terms and conditions of Tranche A and Tranche B convertible notes at a special general meeting. After the deed of amendment signed by the note-holders and the Company, the convertible notes bear interest rate of 5% per annum and have a maturity date of 31 December 2018 and a conversion price of \$0.75 per share, subject to adjustments. As at 31 March 2015, Tranche A convertible notes with principal amount of \$1,503,000,000 and Tranche B convertible notes with principal amount of \$1,626,250,000 have been amended to the above terms. During the twelve months ended 31 March 2016, Tranche A convertible notes with principal amount of \$50,000,000 and Tranche B convertible notes with principal amount of \$355,618,000 have been amended to the above terms. This amendment was accounted for as extinguishment of the relevant former Tranche A and Tranche B convertible notes with new convertible notes issued. During the year ended 31 March 2016, a gain of \$47,707,000 was charged into the profit or loss for the difference between carrying amounts of the liability component of relevant former convertible notes and the fair values (after deducting the fair values of the equity component of relevant former convertible notes at the amendment date) of the new convertible notes issued at the amendment date. During 6 months ended 30 September 2017, there was no amendment of terms of convertible notes.

As the Company has defaulted on timely payment of interests of convertible notes with carrying amount of \$2,626,727,000 as at 30 September 2017 and 31 March 2017, the relevant balance was classified as current liabilities. The convertible notes still under original terms with carrying amount of \$976,085,000 are past due as at 30 September 2017 and 31 March 2017.

18. OTHER PAYABLES AND ACCRUALS

At 30 September 2017, the Group had obligations under finance leases repayable as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Payables for construction work and equipment purchases	237,162	226,976
Security deposits on construction work	24,248	23,207
Amounts due to deconsolidated subsidiaries	17,534	17,534
Amounts due to related parties (<i>note</i>)	85,039	113,313
Other taxes payable	18,250	15,959
Interest payables	816,585	590,433
Receipts in advance	21,050	22,027
Others	53,056	66,045
	<u>1,272,924</u>	<u>1,075,494</u>

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

All of the other payables and accruals are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

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 in Shares of the Company and Resumption Status

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

First Delisting Stage and Resumption Conditions

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

- (i) demonstrate the Company has sufficient level of operation or assets of sufficient value as required under Rule 13.24 of the Listing Rules;
- (ii) publish all outstanding financial results and address audit qualification (if any); and
- (iii) having the winding-up petitions against the Company (and its subsidiaries) withdrawn or dismissed and the JPLs discharged.

Second Delisting Stage

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

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

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

On 3 April 2018, the Listing Committee informed the Company that the decision of the Listing Department was upheld. On 13 April 2018, the 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.

On 30 October 2020, the Stock Exchange issued a letter to the Company advising that the Listing (Review) Committee decided to uphold the decision of the Listing Committee to cancel the listing of the Company's shares on the Stock Exchange under Practice Note 17 to the Listing Rules.

After considering legal and professional advice, the Company has lodged a written request to the Stock Exchange pursuant to Chapter 2B of the Listing Rules to review the decision of the Listing (Review) Committee to cancel the listing status of the Company. As at the Latest Practicable Date, the Listing Appeals Committee accepted the review application and the review hearing date has not been fixed. To the best of the JPLs' knowledge after making reasonable enquiries, the review hearing is anticipated to be held in late February 2021, subject to the further confirmation of the Listing Appeals Committee.

Proposed Scheme of Arrangement

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

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

Due to the delay in obtaining the sanction from the Hong Kong Court, it will not be possible for the JPLs to give sufficient days' notice under the statutory requirement if that Scheme Meeting is to be held on or before 30 June 2019. Therefore, an application was submitted to the Bermuda Court on 11 June 2019 for an order extending the period for the convening and holding of the Scheme Meeting to 30 September 2019, requesting the Bermuda Court to review the amendments to the Scheme which were proposed by 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 and held on 30 September 2019. 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 published and despatched a circular to convene a special general meeting ("**SGM**") to approve, inter alia, the transaction contemplated under the Scheme and the SGM will be held on 25 January 2021. The Company intends to submit the Scheme to the Hong Kong Court for sanction upon completion of the SGM. Further announcement(s) will be made by the Company if and when there is material development in relation to the progress of the Scheme.

Coal Resources and Reserves

As at 30 September 2017, the Group had a total of approximately 408 Mt of JORC Code-compliant measured, indicated and inferred coal resources, while there were approximately 251 Mt of coal resources within mining right control of which a total of approximately 71 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 30 September 2017, 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:

Category	Coal Resources (approximate) (within mining right control) (Mt)			Marketable Coal Reserves (approximate) (Mt)	
	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 (within mining right control)		Coal Reserves (Mt)	Potential Reserves (Mt)
	Resources (Mt)	(Mt)		
Xiaohuangshan Coal Mine	119	107	26	–
Quanshuigou Coal Mine	142	71	21	27
Shizhuanggou Coal Mine	147	73	24	25
Total	408	251	71	52

Note:

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

Construction of Coal Mines

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

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 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 published and despatched a circular to convene the SGM to approve, inter alia, the transactions contemplated under the Scheme and the SGM will be held on 25 January 2021. Upon passing the necessary resolutions in the SGM, the Company will submit the Scheme to the Hong Kong Court for sanction.

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

- (i) Most of the liabilities of the Company, if not all, will be compromised and discharged under the Scheme; and
- (ii) The JPLs will be discharged following the Stock Exchange approving the resumption of trading of the shares of the Company.

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

It is expected that the financial position of the Group will be substantially improved upon the successful implementation of the Scheme and the resumption of the trading of the shares of the Company in the Main Board of the Stock Exchange, which are subject to the approvals of the creditors and the 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 six months ended 30 September 2017, the Group recorded a revenue of approximately HK\$12,769,000, representing a decrease of HK\$24,939,000 or 66.1% as compared with that of approximately HK\$37,708,000 for the same period of 2016. The decrease in revenue was mainly due to the decrease in the sale volume of coke and coal comparing in the same period last year.

Cost of Sales

During the six months ended 30 September 2017, cost of sales was approximately HK\$13,113,000, representing a decrease of approximately HK\$35,299,000 or 72.9%, as compared with that of approximately HK\$48,412,000 for the same period of 2016. The decrease in cost of sales was mainly due to the decrease in the production volume of coke, which basically is in line with the decrease in sale revenue.

Other Net Loss

During the six months ended 30 September, 2017, the other net loss was HK\$6,782,000 (2016: HK\$32,503,000), which mainly comprised net loss on sales of property, plant and equipment of approximately HK\$230,000 (2016: net gain: HK\$11,008,000) and the net loss on trading securities of approximately HK\$4,917,000 (2016: HK\$1,831,000).

Administrative Expenses

During the period under review, administrative expenses were approximately HK\$35,444,000, representing a decrease of approximately HK\$3,353,000 or 8.6% as compared with that of approximately HK\$38,797,000 for the same period of 2016. The decrease was primarily due to the decrease in employee expenses in same period last year.

Finance Costs

During the period under review, net finance costs were approximately HK\$365,638,000 representing a slightly increase of approximately HK\$75,382,000 or 26% as compared with that of approximately HK\$290,256,000 for the same period of 2016. The increase in net finance costs were mainly due to the significant increase in interest on borrowings, default and unwinding interest of convertible notes.

Income Tax Expense

During the period under review, the income tax expenses was approximately HK\$670,000, which comprised with the current income tax expenses of HK\$838,000 and deferred tax credit of HK\$168,000, while income tax expense was approximately HK\$714,000 for the same period of 2016, which comprised with the current income tax expenses of HK\$882,000 and deferred tax credit of HK\$168,000.

Loss for the period

By reasons of the foregoing, the Group recorded a loss of approximately HK\$408,877,000, during the period under review, representing an increase of 9.7% as compared with that of approximately HK\$372,603,000 for the same period of 2016.

Liquidity and Financial Resources

As at 30 September 2017, the Group's current ratio was 0.05 (31 March 2017: 0.05), with current assets of approximately HK\$382,342,000 (31 March 2017: HK\$342,720,000) against current liabilities of approximately HK\$7,142,201,000 (31 March 2017: HK\$6,643,141,000). Cash and cash equivalents were approximately HK\$670,000 (31 March 2017: HK\$660,000). The Group's gearing ratio (non-current liability/total equity) was 41.4% as at 30 September 2017 (31 March 2017: 39.6%). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. The Group had short-term borrowings of HK\$891,771,000 (31 March 2017: HK\$881,027,000) and outstanding convertible notes of HK\$3,724,361,000 (31 March 2017: HK\$3,602,812,000).

Treasury Policies

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

Foreign Exchange Risk

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

Cash Flow and Fair Value Interest Rate Risk

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

Human Resources and Remuneration Policy

As at 30 September 2017, the Group had a total of 244 employees (31 March 2017: 225) in the PRC, 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.

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 six months ended 30 September 2017.

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 6 months, the Company was not aware of any non-compliance with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The Group's result announcement for the six months ended 30 September 2017, including the accounting principles and practices adopted by the Group, has not been reviewed by the audit committee.

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, 13 January 2021

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.