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)

Annual Report 2018

* *For identification purposes only*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wang Chuan *(Co-chairman and Chief Executive Officer)*
Zhang Li *(Co-Chairman)* (Appointed on 24 June 2016)
Zheng Yuan (Appointed on 20 April 2016)
Qin Jun (Resigned on 6 August 2016)
Jiang Hongwen (Resigned on 18 December 2015)

Independent Non-Executive Directors

Li Bao Guo
Liu Yongshun (Appointed as a non-executive director on 18 December 2015 and re-designated to independent non-executive director on 20 April 2016)
Wu Yanfeng (Appointed on 7 September 2016)
Lien Jown Jing, Vincent (Resigned on 14 January 2016)
Shen Shiao-Ming (Resigned on 10 March 2016)
Zhang Xudong Alan (Resigned on 29 June 2016)
Wang Dayong (Appointed on 23 March 2016 and then resigned on 2 September 2016)
Chui Man Lung, Everett (Appointed on 30 June 2016 and resigned on 31 August 2018)

COMPANY SECRETARY

Chu Lai Wan (Resigned on 28 August 2015)
Leung Wai Shun Wilson (Appointed on 12 October 2015 and resigned on 16 November 2016)

EXECUTIVE COMMITTEE

Wang Chuan *(Chairman)*
Zhang Li
Zheng Yuan

AUDIT COMMITTEE

Li Bao Guo
Liu Yongshun
Wu Yanfeng

NOMINATION COMMITTEE

Wang Chuan *(Chairman)*
Li Bao Guo
Liu Yongshun
Wu Yanfeng

REMUNERATION COMMITTEE

Li Bao Guo
Liu Yongshun
Wang Chuan
Wu Yanfeng

JOINT PROVISIONAL LIQUIDATORS

Osman Mohammed Arab
Roy Bailey
Lai Wing Lun

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited
China Minsheng Banking Corp., Ltd.
— Hong Kong Branch

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN CHINA

Block A, Commercial Street
Minzu Lane
Fukang City
Xinjiang, China

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.upenergy.com

STOCK CODE

307

Corporate Profile

Up Energy Development Group Limited ("**Up Energy**" or the "**Company**") is principally engaged in mining of coking coal, production and sales of raw coking coal, clean coking coal, coking and chemical products. To realise the business concept of "increased value in circulation", Up Energy started from coal resources exploration and gradually established a complete set of upstream and downstream projects, which includes raw coal mining, raw coal washing, coal coking, cogenerating and coal mine gas utilising.

Currently, Up Energy has three mines and three downstream ancillary projects in Xinjiang, namely the Xiaohuangshan Mine, the Shizhuanggou Mine and the Quanshuigou Mine, which are under construction in Northern Xinjiang. 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.

Profiles of Coal Mines

Xiaohuangshan Coal Mine (79.2% owned)

Location: 18 km to the southeast of Fukang City
Area: 2.178 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 2.4 Mt
JORC Code Coal Resources*: 119 Mt
JORC Code Coal Reserves*: 26 Mt
Coking Coal Type: mainly fat coal and 1/3 coking coal

Shizhuanggou Coal Mine (70% owned)

Location: 40 km to the east of Fukang City
Area: 7.1572 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 147 Mt
JORC Code Coal Reserves*: 24 Mt
JORC Code Potential Coal Reserves*: 25 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal and lean coal

Quanshuigou Coal Mine (70% owned)

Location: 40 km to the east of Fukang City
Area: 6.6052 sq. km
Type of Mine: underground mine
Planned Annual Production Capacity of Coking Coal at Full Operation: 1.05 Mt
JORC Code Coal Resources*: 142 Mt
JORC Code Coal Reserves*: 21 Mt
JORC Code Potential Coal Reserves*: 27 Mt
Coking Coal Type: mainly gas coal, 1/3 coking coal and lean coal

* Source of information: Technical Report of John T. Boyd Company of October 2010

Profiles of Circulative Business Projects

Coal Coking Project — 70% owned

Location: next to the Shizhuanggou Coal Mine
Daily Processing Capacity: 1,781 tonnes
Annual Processing Capacity: 650,000 tonnes
Planned Annual Coke Production Capacity at Full Operation: 1.3 Mt

Raw Coal Washing Project — 70% owned

Location: next to the Shizhuanggou Coal Mine
Planned Annual Coal Washing Capacity at Full Operation: 4.5 Mt
Recovery rate of Clean Coal: 83%
Expected Annual Production of Clean Coal: 3.73 Mt

Water Recycling Project — 70% owned

Location: next to the Shizhuanggou Coal Mine
Planned Annual Coal Washing Capacity at Full Operation: 5.2 million m^3
Usage of Processed Pit Water: Water for industrial use for the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine, the Raw Coal Washing Project and the Coal Coking Project; Irrigation water

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Wang Chuan

Mr. Wang Chuan, aged 47, is the Chief Executive Officer, an Executive Director, co-chairman of the Board and the Chief Operating Officer of the Company. He was appointed as the Chief Operating Officer and a Director of Up Energy (Xinjiang) Mining Ltd. (優派能源(新疆)礦業有限公司) in 2005. He participated in setting up Up Energy (Xinjiang) Mining Ltd. in 2005 and is responsible for its overall operations and execution of the board's decisions. Mr. Wang graduated from Anhui University of Technology (School of Mechanical and Electrical Engineering) (安徽工業大學(機電學院)), majoring in Industrial Electric Automation. He is a licensed engineer. Mr. Wang worked as the Deputy General Manager of Beijing Jindafeng Science and Trade Co., Ltd. (北京金達峰科貿有限公司) from 1996 to 1999 and acted as the General Manager of Beijing Zhida Venture investment Co., Ltd. (北京致達創業投資有限公司) from 1999 to 2005. He has fourteen years of relevant experience in coal mining business.

Mr. Zhang Li

Mr. Zhang, aged 47, was appointed as an Executive Director and the co-chairman of the Board of the Company on 24 June 2016. Mr. Zhang has extensive experience in financial and capital markets and is familiar with the capital market of both China and Hong Kong. He has been involved in investment and management activities of the financial markets for nearly 20 years, with a particular focus on securities investment and investment banking. Mr. Zhang was co-chairman of Daohe Global Group Limited (00915.HK) and has been the executive director of China Billion Resources Limited (00274.HK) from 18 April 2018 to 30 September 2019. Mr. Zhang has abundant practical experience of capital operation in finance-related industries such as well-known PE funds, securities companies, trust companies, asset management institutions, consulting companies and so on. He has been participating in financial industry research and capital operation and also has practical experience in assets management and enterprises' capital management. Mr. Zhang is also an expert in financial management and setting up enterprise strategy. Mr. Zhang obtained a bachelor's degree in Sales and Marketing from the Northwest University of Politics and Law (西北政法大學) in the PRC in 1998.

Mr. Zheng Yuan

Mr. Zheng, aged 40, has been appointed as the Executive Director of the Company in Mainland China region. Mr. Zheng is responsible for the overall business operation of the Company in Mainland China region and the execution of the Board's strategy. In 2010, Mr. Zheng joined Up Energy (Xinjiang) Mining Ltd., an indirectly owned subsidiary of the Company, and took positions of Head of Sales Department, Deputy General Manager and General Manager. Mr. Zheng has been in charge of procurement and tender, infrastructure construction, and mine construction for many years. Mr. Zheng graduated in Tianjin University with a bachelor's degree in engineering. During the period from 2005 to 2010, Mr. Zheng worked for Tianjin Jinya Electronic Ltd (天津津亞電子有限公司) (a Japanese enterprise) and took the positions of Quality Control Engineer, Manufacturing Technology Engineer and Head of Sales and Marketing Department. Mr. Zheng has ample management experience in the manufacturing industry and construction area and relevant experience in the coal mining industry for ten years.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Bao Guo

Mr. Li Bao Guo, aged 65, is an Independent Non-executive Director of the Company. He has over 40 years' experience in the coal-mining industry, specialised in coal mine construction and safety issues. Mr. Li is currently a vice president of the Xinjiang Guanghui Industry Investment Group Co., Ltd. During the period from 1997 to 2010, Mr. Li was the deputy director of Xinjiang Uygur Autonomous Region Coal Geology Bureau. Prior to that, he served as the deputy manager of Xinjiang Coal Construction Engineering Company for 5 years. During the period from 1989 to 1992, Mr. Li was the vice president and vice commander of Beiquan Mine of Xinjiang Hami Coal Bureau. During the period from 1977 to 1989, he was the chief engineer of No. 1 Mine of Xinjiang Hami Coal Bureau. He graduated from Xi'an Mining Institute (renamed to Xi'an University of Science and Technology) with the professional qualification in Coal Geology in 1977. During the period from 1970 to 1974, he worked at the open pit of Xinjiang Hami Coal Bureau. Mr. Li is a professional senior engineer, an expert in Autonomous Region Safety Production, a registered safety engineer and a registered architect in coal industry.

Mr. Liu Yongshun

Mr. Liu, aged 58, has been appointed as an executive director of Prosperity International Holdings (H.K.) Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 803) since September 2011, and re-designated as a non-executive director since February 2014 to date. Mr. Liu has extensive experience in raw material supply management for iron and steel making, mineral resources development and raw material trading. Mr. Liu obtained his bachelor's degree in iron making from Maanshan Institute of Iron Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as the deputy general manager of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as the deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007.

Mr. Wu Yanfeng

Mr. Wu Yanfeng, aged 57, is the Legal Representative and Managing Director of Guhanfang 135 Group Limited (古漢坊135集團有限公司) since 2011, and also acts as the Executive Director of Grace Accord Holdings Group Limited (添欣控股集團有限公司) and China Jingan Resources Group Co. Limited (中國京安資源集團有限公司) since 2010 and 2012 respectively. During the period from 1999 to 2007, Mr. Wu was an Executive Director of Lee Da Trading Ltd (利達中港貿易有限公司) and was responsible for the daily operation, strategic planning and investment of the company. Mr. Wu has over 30 years of experience in enterprise management. Mr. Wu specialises in bulk commodities trading and industrial resources integration, and also has extensive experience in financial and capital markets.

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 JOINT PROVISIONAL LIQUIDATORS AND THE WINDING-UP HEARING

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

On 6 May 2016, Credit Suisse AG, Singapore Branch presented a Petition in the Supreme Court of Bermuda ("**Bermuda Court**") to wind up the Company under 2016 No. 183.

The Joint Provisional Liquidators (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 application 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 of Hong Kong Limited (the "**Stock Exchange**") with stock code 307. The shares of the Company have been listed on the Main Board of the Stock Exchange since 2 December 1992. Trading in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 30 June 2016.

FIRST DELISTING STAGE AND RESUMPTION CONDITIONS

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

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 to the Listing Rules on 11 September 2018 and the Company must submit a viable resumption proposal at least 10 Business Days before the third delisting stage expires, i.e. 25 February 2019. The Company submitted a fresh resumption proposal (the "**Proposal**") to the Stock Exchange on 25 February 2019.

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

PROPOSED SCHEME OF ARRANGEMENT

On 8 March 2019, the Bermuda Court granted an order 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 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 was not possible for the JPLs to give sufficient days' notice under the statutory requirement if that Scheme Meeting was to be held on or before 30 June 2019. Therefore, an application was submitted to the Bermuda Court on 11 June 2019 for an order extending the period for the convening and holding of the Scheme Meeting to 30 September 2019, requesting the Bermuda Court to review the amendments to the Scheme which were proposed by the judge of Hong Kong Court and confirming that the statements made in the draft Scheme document remained sufficient for the purposes of section 100 of the Companies Act 1981. At a hearing on 20 June 2019, the Bermuda Court granted an order to extend the period for the Company to convene and hold the Scheme Meeting to 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 to 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.

The Company submitted the results of the Scheme Meeting to the Bermuda Court and the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda on 1 November 2019. The Company is arranging to convene a special general meeting to approve the capital restructuring 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.

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 31 March 2018, the Group had a total of approximately 408 Mt of JORC Code-compliant measured, indicated and inferred coal resources, while there were approximately 251 Mt of coal resources within mining right control of which a total of approximately 71 Mt were JORC Code-compliant proved and probable marketable coal reserves, and the potential coal reserves were approximately 52 Mt.

As of 31 March 2018, the JORC-compliant measured, indicated and inferred coal resources as well as the proved and probable marketable coal reserves of the Group are categorized as follows:

	Coal Resources (approximate) (within mining right control) (Mt)			**Marketable Coal Reserves (approximate) (Mt)**	
Category	Measured	Indicated	Inferred	Proved	Probable
Amount	149	61	41	52	18
Total		**251**		**70**	

Note: The sources of information are derived from Technical Report of John T. Boyd Company of October 2010, which was prepared in accordance with JORC.

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

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

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

CONSTRUCTION OF COAL MINES

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

PROSPECT

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

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

The Company submitted the results of the Scheme Meeting to the Bermuda Court and the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda on 1 November 2019. The Company is arranging to convene a special general meeting to approve the capital restructuring 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.

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

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

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

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

With the resumption of the construction of Xiaohuangshan Mine and the sustained operation of the coking plant, the Company is expected to have significant level of operations 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 year ended 31 March 2018, the Group recorded a revenue of approximately HK$190,630,000, representing an increase of HK$93,181,000 or 95.6% as compared with that of approximately HK$97,449,000 for the same period of 2017. The increase in revenue was mainly due to the increase in the sale volume of coke compared to the same period last year.

Cost of sales

During the year ended 31 March 2018, the cost of sales was approximately HK$182,791,000, representing an increase of HK$77,632,000 or 73.8%, as compared with that of approximately HK$105,159,000 for the same period of 2017. The increase in cost of sales was mainly due to the increase in the production volume of coke.

Gross Profit/Loss

As a result of the reasons above, the gross profit of the Group for the year ended 31 March 2018 was HK$7,839,000, as compared with the gross loss of approximately HK$7,710,000 in the same period of 2017, which was mainly due to the increase in the sale volume of coke plant to cover the fixed production costs, such as depreciation.

Other Revenue

During the year under review, other revenue was approximately HK$2,000, representing a decrease of approximately HK$750,000 as compared with approximately HK$752,000 of the same period in 2017. The decrease was mainly due to the decrease in interest income from the loan to a third party.

Other Net Loss

During the year under review, other net loss was approximately HK$6,192,000, which mainly represented a net realised loss on trading securities of approximately HK$4,989,000 and a net loss on sales of property, plant and equipment of approximately HK$228,000. For the same period in 2017, other net loss was approximately HK$34,638,000, which mainly represented a net unrealised loss on the other financial liabilities with fair value through profit or loss of approximately HK$41,611,000 and a net gain on sales of property, plant and equipment of approximately HK$11,436,000.

Impairment losses of non-current assets

During the year under review, 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$78,016,000, representing an increase of approximately HK$9,557,000 or 14.0% as compared with that of approximately HK$68,459,000 for the same period of 2017. The increase in administrative expenses was mainly due to the mixed effect of the significant decrease in staff costs and depreciation and amortisation and an increase in the expenses for the JPLs during the year.

Loss from Operations

For the aforementioned reasons, the loss from operations during the year under review was approximately HK$6,875,962,000 while the loss from operation was approximately HK$110,210,000 for the same period of 2017.

Net Finance Costs

During the year under review, net finance costs were approximately HK$731,365,000 representing a slight increase of approximately HK$45,808,000 or 6.7% as compared with that of approximately HK$685,557,000 for the same period of 2017. The increase in net finance costs was mainly due to the slight increase in interest on borrowing and unwinding interest of convertible notes.

Income Tax Credit/Expense

During the year under review, the income tax credit was approximately HK$1,698,506,000, which comprised the current income tax expenses of HK$1,729,000 and deferred tax credit of HK$1,700,235,000, while income tax expense was approximately HK$1,380,000 for the same period of 2017, which comprised with the current income tax expenses of HK$1,716,000 and deferred tax credit of HK$336,000.

Loss for the Year

By reasons of the foregoing, the Group recorded a loss of approximately HK$5,908,821,000, during the year under review, representing an increase of 641% as compared with that of approximately HK$797,147,000 for the same period of 2017.

Liquidity and Financial Resources

As at 31 March 2018, the Group's current ratio was 0.08 (2017: 0.05), with current assets of approximately HK$602,084,000 (2017: HK$342,720,000) against current liabilities of approximately HK$7,764,445,000 (2017: HK$6,643,141,000). Cash and cash equivalents were approximately HK$500,000 (2017: HK$660,000). The Group's gearing ratio (non-current liability/total equity) was 59.7% as at 31 March 2018 (2017: 39.6%). 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$906,878,000 (2017: HK$881,027,000) and outstanding convertible notes of HK$3,890,937,000 (2017: HK$3,602,812,000). Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 22 to the financial statements.

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 minimise 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 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 2018, the Group had a total of 418 employees (2017: 225) 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 2018.

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 the Directors of Listed Issuers (the "**Model Code**"). Trading in the securities of the Company has been 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 annual report for the year ended 31 March 2018, including the accounting principles and practices adopted by the Group, have not been reviewed by the audit committee.

Corporate Governance Report

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 2018.

ALLOCATION OF TASKS WITH THE BOARD

	Audit Committee	Executive Committee	Nomination Committee	Remuneration Committee
Executive Directors				
Wang Chuan		C	C	M
Zhang Li		M		
Zheng Yuan		M		
Independent Non-executive Directors				
Li Bao Guo	M		M	M
Liu Yongshun	M		M	M
Wu Yanfeng	M		M	M

Note:

C: Chairman of the relevant Board Committees
M: Member of the relevant Board Committees

BOARD OF DIRECTORS

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 special general meeting held on 25 April 2017.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors. The Directors come from diverse backgrounds with expertise in the finance, legal and business fields. Biographical details of the Directors are set out in the section headed “Directors and Senior Management Profile” on page 7 of this annual report.

BOARD COMMITTEES

A total of four Board committees, namely the Executive Committee, Audit Committee, the Nomination Committee and the Remuneration Committee have been formed, each of which is delegated with specific roles and responsibilities by the Board. All the Board committees follow the same principles and procedures as those of the Board.

Executive Committee (the "EC")

The EC has been established since June 2011 with specific written terms of reference and currently comprises three Executive Directors as follows:

Mr. Wang Chuan *(Chairman)*
Mr. Zhang Li
Mr. Zheng Yuan

The EC is responsible for the day-to-day management of the Group's business operations and the corporate governance functions as defined in its terms of reference. Based on the available information, the JPLs are unable to confirm the works conducted by the EC during the year ended 31 March 2018.

Nomination Committee (the "NC")

The NC has been established since November 2011 and currently consists of the following four members:

Mr. Wang Chuan *(Chairman)*
Mr. Li Bao Guo
Mr. Liu Yongshun
Mr. Wu Yanfeng

The principal responsibilities of the NC are to review the structure, size and diversity of the Board, assess the independence of Independent Non-executive Directors, identify suitably qualified candidates to become Board members, and select or make recommendations to the Board on the selection of candidates nominated for directorships and succession planning for Directors.

The NC is responsible for the day-to-day management of the Group's business operations and the corporate governance functions as defined in its terms of reference. Based on the available information, the JPLs are unable to confirm the works conducted by the NC during the year ended 31 March 2018.

Remuneration Committee (the "RC")

The major function of the RC is to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The RC comprises four members, including three Independent Non-executive Directors and one Executive Director, and is chaired by an Independent Non-executive Director. At present, the members of the RC as follows:

Mr. Wang Chuan
Mr. Li Bao Guo
Mr. Liu Yongshun
Mr. Wu Yanfeng

Based on the available information, the JPLs are unable to confirm the works conducted by the RC during the year ended 31 March 2018.

Audit Committee (the "AC")

The major roles and functions of the AC are to review and supervise the financial reporting process, financial controls, internal controls and risk management system of the Group and to provide recommendations and advice to the Board on the appointment, reappointment and removal of external auditors as well as their terms of appointment.

At present, the members of the AC as follows:

Mr. Li Bao Guo
Mr. Liu Yongshun
Mr. Wu Yanfeng

All the members of the AC are Independent Non-executive Directors. The members have expertise and experience in the financial management, legal, accounting and coal-mining fields. Based on the available information, the JPLs are unable to confirm the works conducted by the AC during the year ended 31 March 2018.

Accountability and Audit

The Directors and the JPLs acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"). The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the consolidated financial statements.

For the year ended 31 March 2018, the fee payable to the external auditor in respect of audit and non-audit services is set out below:

	HK$'000
Audit services	**1,433**
Non-audit services	**–**

Report of the Joint Provisional Liquidators

The JPLs have presented in these financial statements the financial information prepared by the Group's management and based on all available information to the extent provided to them in their capacity as provisional liquidators subsequent to their appointment on 7 October 2016 as amended. The JPLs note that the historical information in respect of the Company prior to such appointment date and all other information in respect of the Company after such appointment date as provided may not be complete, correct and sufficient for the JPLs to establish an accurate and reliable view of the historical transactions, trading and, financial performance and position and may contain errors and misstatements. The JPLs have assumed for the purposes of these financial statements and this report, that the information provided by the Group's management and made available to them is true, correct, accurate and complete; and relied on other assumptions and qualifications expressly stated in the financial statements and this report. The JPLs have, upon reasonable investigation, enquiries and verification that they consider appropriate relied on all facts and matters relevant to the financial statements set forth therein. Accordingly, the JPLs can, and will, only provide very limited and restricted assurance for these financial statements, financial position and results contained herein subject to all the aforesaid limitations and restraints. The JPLs do not accept or assume responsibility for the financial statements and this report for any purpose or to any person to whom the financial statements and this report are shown or into whose hands they may come.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in the financial statements on page 84.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss on page 39.

No interim dividend was declared (2017: Nil) and, based on the available books and records to the JPLs, the Company do not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30(c) to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 March 2018 are set out in note 12 to the financial statements.

Report of the Joint Provisional Liquidators

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 114. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 March 2018 are set out in note 30 to the financial statements and consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Act 1981 of Bermuda, as at 31 March 2018, the Company cannot distribute any of its reserves to the shareholders of the Company. Movements in the distributable reserves of the Company during the year ended 31 March 2018 are set out in note 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the largest and five largest customers accounted for approximately 70% and 96% respectively to the total Group's sales and the Group's purchased from the largest and five largest suppliers accounted for approximately 94% and 99% respectively to the total Group's purchase.

None of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any interest in such customer or supplier.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wang Chuan
Mr. Zhang Li
Mr. Zheng Yuan

Independent Non-executive Directors

Mr. Li Bao Guo
Mr. Liu Yongshun
Mr. Wu Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and as at the date of this report still considers that all of the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

To the best knowledge of the JPLs, as at 31 March 2018, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

To the best knowledge of the JPLs, during the year ended 31 March 2018, the Group had no connected transactions and continuing connected transactions.

REMUNERATION POLICY

To the best knowledge of the JPLs, the remuneration of the Directors of the Company has been recommended by the Remuneration Committee, and decided by the Board, as authorised by shareholders in the AGM, having regard to the Company's operating results, individual performance, experience, responsibility, workload and the remuneration level of directors of comparable listed companies. No Director is involved in deciding his own remuneration.

The Company has adopted a share option scheme and a share award scheme as incentives to the Directors and eligible employees, details of the schemes are set out under the headings "Share Option Scheme" and "Share Award Scheme" below.

Details of the Directors' remuneration of the Group are set out in note 8 to the financial statements of the Company.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

To the best knowledge of the JPLs, there was no remuneration paid to the directors of the Company for the year ended 31 March 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN SHARES OF THE COMPANY ("SHARE"), UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short position of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

Interests and short positions in the Shares and Underlying Shares in the Company

	Number of Shares/underlying Shares held in the Company					
Name of Director	**Capacity**	**Number of Shares**	**Number of underlying Shares**	**Total number of Shares and underlying Shares**	**Approximate percentage of issued capital of the Company as at 31 March 2018**	*Notes*
Zhang Li	Beneficiary Interest	24,100,000 (L)	–	24,100,000 (L)	0.53%	*2*

Abbreviations:

"L" stands for long position

Notes:

1. The information above is based on the available books and records of the Company. No representation is made by the Company and the JPLs as to the accuracy and completeness of the information.

2. As at 31 March 2018, the number of issued Shares of the Company was 4,538,515,411 Shares.

SHARED-BASED COMPENSATION SCHEMES

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") for the purpose of assisting in recruiting, retaining and motivating key personnel. Eligible participants of the schemes include the Company's Directors, including Independent Non-executive Directors, and other employees of the Group.

Share Option Scheme

The Share Option Scheme was approved by the shareholders of the Company on 29 August 2011 and had a life of 10 years from its adoption for the purpose of recognising the contribution of certain Executive Directors and employees of the Group and retaining them for the continual operation and development of the Group.

Under the Share Option Scheme, the Board may, at its discretion, offer to any employee (including any Independent Non-executive Director), consultants, advisors or customers of the Group, options to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme.

(a) *Purpose of the Share Option Scheme*

The Company adopted the Share Option Scheme on 29 August 2011. The purpose of the Scheme is to provide incentives to:

- award the eligible persons who have made contributions to the Group;
- provide incentives and help the Group to retain its existing employees and recruiting additional employees; and
- provide employees with a direct economic interest in attaining the long-term business objectives of the Group.

(b) *Participants of the Share Option Scheme*

Pursuant to the Share Option Scheme, the Company may at its absolute discretion grant options to any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in fulltime or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) *Total number of Shares available for issue under the Share Option Scheme*

The total number of Shares available for issue under the Share Option Scheme is 373,832,582 Shares.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(d) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue, unless approved by the shareholders of the Company in the manner as stipulated in the Share Option Scheme.

(e) *Time of exercise of options*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the Share Option Scheme.

(f) *The subscription price per share*

The subscription price per share in respect of an option granted under the Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of Share on the date of offer.

(g) *Payment on acceptance of option*

A non-refundable sum of HK$1 by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) *Remaining life of the scheme*

The Share Option Scheme will expire on 28 August 2021 and no further options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life of the Scheme may continue to be exercised in accordance with their respective terms of grant.

As at the date of this report, no option had been granted by the Company.

Share Award Scheme

On 28 October 2013, the Company adopted the Share Award Scheme under which the shares of the Company (the "**Awarded Shares**") may be awarded to selected employees (including Directors) of any members of the Group (the "**Selected Participants**") pursuant to the terms of the Scheme Rules and the Trust Deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 27 October 2023.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company at the time of an award of Awarded Shares. The maximum aggregate nominal value of Awarded Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company at the time of an award of Awarded Shares.

When a Selected Participant has satisfied all vesting conditions specified by the Board of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that participant at no cost. The Selected Participant however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

No Awarded Share was granted to the Directors of the Company for the year ended 31 March 2018.

Further details of the Share Award Scheme are disclosed in note 27(b) to the financial statements.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, so far as is known to the JPLs of the Company, the following persons, not being a Director or the chief executive of the Company, had an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

Interests and short positions in the Shares and Underlying Shares in the Company

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	*Notes*
Qin Jun	Beneficiary	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	*2*
	Interest of Trust	1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	2
	Corporate Interest	–	318,578,135 (L)	318,578,135 (L)	7.02%	2
Up Energy Group Limited	Beneficiary Interest	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	*3*
		1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	
Up Energy Holding Limited	Corporate Interest	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	*3*
		1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	*Notes*
Perfect Harmony Holdings Limited	Corporate Interest	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*3*
Seletar Limited	Corporate Interest	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*3*
Serangoon Limited	Corporate Interest	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*3*
Credit Suisse Trust Limited	Trustee	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*4*
Liu Huihua	Beneficiary Interest of Trust	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*5*
Wang Mingquan	Founder of Trust	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*5*
Wang Jue	Beneficiary Interest of Trust/ Spouse Interest	1,377,073,492 (L) 1,331,051,890 (S)	3,070,757,880 (L) 2,628,101,945 (S)	4,447,831,372 (L) 3,959,153,835 (S)	98.00% 87.23%	*6*
Up Energy Capital Limited	Corporate Interest	–	318,578,135 (L)	318,578,135 (L)	7.02%	*7*
Capital Sunlight Limited	Beneficiary Interest	1,556,425 (L)	744,182,236 (L)	745,738,661 (L)	16.43%	*8*
ICBC International Holdings Limited	Corporate Interest	1,556,425 (L)	744,182,236 (L)	745,738,661 (L)	16.43%	*8*
ICBC International Investment Management Limited	Corporate Interest	1,556,425 (L)	744,182,236 (L)	745,738,661 (L)	16.43%	*8*
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425 (L)	744,182,236 (L)	745,738,661 (L)	16.43%	*8*
Central Huijin Investment Limited	Corporate Interest	1,556,425 (L)	1,240,601,131 (L)	1,242,157,556 (L)	27.37%	*8 to 11*
CCB International Asset Management Limited	Investment Manager/ Beneficiary Interest	–	496,418,895 (L)	496,418,895 (L)	10.94%	*9*
CCB International (Holdings) Limited	Corporate Interest/ Beneficiary Interest	–	496,418,895 (L)	496,418,895 (L)	10.94%	*9*

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	*Notes*
CCB Financial Holdings Limited	Corporate Interest	–	496,418,895 (L)	496,418,895 (L)	10.94%	*9*
CCB International Group Holdings Limited	Corporate Interest	–	496,418,895 (L)	496,418,895 (L)	10.94%	*9*
China Construction Bank Corporation	Corporate Interest	–	496,418,895 (L)	496,418,895 (L)	10.94%	*9*
Yun Dahui	Beneficiary Interest	300,000,000 (L)	–	300,000,000 (L)	6.61%	*12*
		300,000,000 (S)	–	300,000,000 (S)	6.61%	
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L)	–	300,000,000 (L)	6.61%	*12*
		300,000,000 (S)	–	300,000,000 (S)	6.61%	
Wong Ben Koon	Corporate Interest	291,116,000 (L)	–	291,116,000 (L)	6.41%	*12*
Hao Tian Development Group Limited	Beneficiary Interest	367,500,000 (L)	–	367,500,000 (L)	8.10%	
		140,000,000 (S)	–	140,000,000 (S)	3.08%	
	Corporate Interest	-4,000,000 (L)	-134,138,162 (L)	138,138,162 (L)	3.04%	
Asia Link Capital Investment Holdings Limited	Beneficiary Interest	-367,500,000 (L)	–	367,500,000 (L)	8.10%	
		-140,000,000 (S)	–	140,000,000 (S)	3.08%	
	Corporate Interest	-4,000,000 (L)	-134,138,162 (L)	138,138,162 (L)	3.04%	
Li Shao Yu	Beneficiary Interest	-367,500,000 (L)	–	367,500,000 (L)	8.10%	
		-140,000,000 (S)	–	140,000,000 (S)	3.08%	
	Corporate Interest	-4,000,000 (L)	-134,138,162 (L)	138,138,162 (L)	3.04%	

Abbreviations:

"L" stands for long position
"S" stands for short position

Report of the Joint Provisional Liquidators

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "**DI Forms**") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the public information and the available books and records of the Company. No representation is made by the Company and the JPLs as to the accuracy and completeness of the information.

2. Mr. Qin Jun and his wife, Ms. Wang Jue, are the beneficiaries of the J&J Trust. The J&J Trust is a discretionary trust found by Mr. Wang Mingquan, the father in-law of Mr. Qin Jun. Mr. Qin Jun and Ms. Wang Jue are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO. 318,578,135 derivatives interests are beneficially owned by Up Energy Capital Limited. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun. Mr. Qin Jun is therefore taken to be interested in the relevant Shares by virtue of the SFO.

3. These Shares were the same parcel of Shares held by the J&J Trust of which Mr. Wang Mingquan was the founder. Up Energy Group Ltd. is wholly owned by Up Energy Holding Ltd. ("**UEHL**"). UEHL is wholly owned by Perfect Harmony Holdings Limited ("**Perfect Harmony**"). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited ("**Seletar**") and Serangoon Limited ("**Serangoon**") as nominees in trust of Credit Suisse Trust Limited, the trustee for the J&J Trust. Accordingly, Up Energy Group Ltd., UEHL, Seletar, Serangoon and Perfect Harmony are also deemed to be interested in the relevant Shares and short position by virtue of the SFO.

4. Credit Suisse Trust Limited, as a trustee for the J&J Trust, is deemed to be interested in the relevant Shares and the short position by virtue of the SFO.

5. Mr. Wang Mingquan is the founder of the J&J Trust and Ms. Liu Huihua is the spouse of Mr. Wang Mingquan. Mr. Wang Mingquan and Ms. Liu Huihua are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

6. Ms. Wang Jue is the beneficiary of the J&J Trust, the daughter of Mr. Wang Mingquan and the wife of Mr. Qin Jun. Ms. Wang Jue is therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

7. Up Energy Capital Limited is a company wholly owned by Mr. Qin Jun. Accordingly, Mr. Qin Jun is deemed to be interested in the same parcel of Shares by virtue of the SFO.

8. Capital Sunlight Limited ("**Capital Sunlight**") is wholly owned by ICBC International Investment Management Limited ("**ICBC Investment**"). ICBC Investment is wholly owned by ICBC International Holdings Limited ("**ICBC Holdings**"). ICBC Holdings is wholly owned by Industrial and Commercial Bank of China Limited ("**ICBC**"). By virtue of the SFO, Capital Sunlight, ICBC Investment, ICBC Holdings and ICBC are deemed to be interested in the same parcel of Shares.

9. CCB International Asset Management Limited ("**CCB-IAM**") is wholly owned by CCB International (Holdings) Limited ("**CCB International**"). CCB International is wholly owned by CCB Financial Holdings Limited ("**CCB Financial**"). CCB Financial is wholly owned by CCB International Group Holdings Limited ("**CCBI Group**"). CCBI Group is wholly owned by China Construction Bank Corporation ("**CCB Corp**"). By virtue of the SFO, CCB International, CCB Financial, CCBI Group, CCB Corp and Central Huijin Investment Ltd. ("**Central Huijin**") are deemed to be interested in the same parcel of Shares.

10. CCB Corp is in turn 57.31% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.

11. ICBC is in turn 35.00% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which ICBC was interested.

12. Exploratory Capital Limited is 80.12% owned by Ms. Yun Dahui. Accordingly, Ms. Yun Dahui is deemed to be interested in the same parcel of Shares in the Company by virtue of the SFO.

13. As at 31 March 2018, the number of issued Shares of the Company was 4,538,515,411 Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best knowledge of the JPLs, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

To the best knowledge of the JPLs, no contract of significance, to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 March 2018, nor had there been any contract of significance entered into between the Group, and a controlling shareholder of the Company or any of its subsidiaries or for the provision of services to the Group by a controlling shareholder or any of its subsidiaries during the year ended 31 March 2018.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

To the best knowledge of the JPLs, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

COMPETING INTERESTS

As at 31 March 2018, in so far as the JPLs were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

To the best knowledge of the JPLs, there had not been any changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules since the date of publication of the 2015 Interim Report.

PRE-EMPTIVE RIGHTS

To the best knowledge of the JPLs, there are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of these financial statements, the trading in the shares of Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

Report of the Joint Provisional Liquidators

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 annual report for the year ended 31 March 2018, including the accounting principles and practices adopted by the Group, have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 18 of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2018 have been audited by Messrs. KPMG, who were appointed on 18 August 2018.

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

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

Hong Kong, 18 September 2019

TO THE SHAREHOLDERS OF UP ENERGY DEVELOPMENT GROUP LIMITED (in provisional liquidation)
(Incorporated in Bermuda with limited liability)

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") set out on pages 39 to 113, which comprise the consolidated statement of financial position as at 31 March 2018, 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 Limited were appointed Joint Provisional Liquidators (the "JPLs") of the Company pursuant to the Order of the Supreme Court of Bermuda dated 7 October 2016 and amended on 28 October 2016.

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

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

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

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

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

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

Property, plant and equipment is carried in the consolidated statement of financial position at an amount of HK$10,083.3 million as at 31 March 2018, with a further sub-analysis in note 12 to the financial statements. Included in the carrying amount of property, plant and equipment as at 31 March 2018 is HK$8,221.8 million representing the carrying amount of three coal mines, namely Shizhuanggou coal mine, Quanshuigou coal mine and Xiaohuangshan coal mine, and HK$822.6 million representing the carrying amount of construction in progress related to these mines.

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

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

Apart from the above, we have been unable to obtain relevant contracts and progress reports to ascertain the progress of construction projects as at 31 March 2018. 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 2018 was HK$1,411.2 million, of which HK$822.6 million is represented to relate to the three coal mines as noted above. The relevant payables related to construction projects as stated in the consolidated statement of financial position amounted to HK$275.5 million as at 31 March 2018.

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 2018.

(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 2018. 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$6,032.0 million and HK$690.3 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 2018.

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. 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. 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 2018, revenue and cost of inventories sold amounted to HK$190.6 million and HK$182.8 million respectively. As at 31 March 2018, inventories on hand are stated to be HK$62.2 million; trade and other taxes payable are stated to be HK$313.3 million; receipts in advance from customers are stated to be HK$145.2 million; and trade receivables, advances to suppliers and other prepayments and VAT and other tax receivables are stated to be HK$228.9 million, HK$54.9 million and HK$18.6 million respectively (in aggregate HK$302.4 million), of which HK$249.9 million was not yet recovered as of the date of this report.

During our audit of revenue, cost of inventories sold and inventories, we selected a sample of sales and purchase transactions recorded during the year and requested the relevant documentation evidencing the delivery, processing or receipt of goods. However, we have been unable to obtain the requested documentation up to the date of this report. This has called into question the completeness of the books and records relating to sales, cost of inventories sold and inventory management. Therefore, we have been unable to 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 recoverability of the related receivables.

In addition, in assessing the operating effectiveness of the Group's controls over inventory costing, for the samples selected, we were unable to obtain documentation supporting the calculation of the overhead absorption, usage of raw material and volume of finished products produced for the samples we selected. This has undermined our ability to rely on the Group's system of internal control relating to inventory costing. Therefore, we were unable to obtain sufficient appropriate audit evidence concerning the unit cost of the inventories. Since inventories are carried at the lower of cost and net realisable value, we were unable to determine whether adjustments might have been necessary in respect of the valuation of the inventories as at 31 March 2018.

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

As at 31 March 2018, as disclosed in note 20, deposits and other receivables were stated in the consolidated statement of financial position at HK$86.9 million and HK$45.5 million respectively (an aggregate of HK$132.4 million). As further disclosed in note 20, HK$114.0 million of this balance was aged over one year as at 31 March 2018 and HK$104.0 million was not yet utilised or recovered as of the date of this report. Despite the long ageing, the JPLs cannot form a view about whether the Group is not able to utilise the amounts or otherwise recover them in future periods. However, we were unable to obtain sufficient explanations and supporting documentation to satisfy ourselves in this regard.

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

Since the time when the Company received winding-up petitions and became involved in a number of litigations, certain of the Group's bank accounts have been frozen or otherwise deactivated by the banks and the Group has not received bank statements. As disclosed in note 21 to the consolidated financial statements, the carrying amount of these bank accounts as at 31 March 2018 was HK$0.07 million.

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

In the absence of sufficient supporting documents relating to the balance of cash at these banks, we were unable to obtain satisfactory audit evidence as to the existence and accuracy of the balance of cash at bank and other balances and transactions such as loans and pledge of assets that might have been entered into by the Group with these banks as at 31 March 2018 and the accuracy of the consolidated statement of cash flows disclosed for the year ended 31 March 2018.

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

As disclosed in notes 20 and 25, the Group has recorded an amount due from related parties of HK$100.9 million and an amount due to related parties of HK$122.2 million. As disclosed in those notes, the related parties mainly consist of the founder of a trust that indirectly owns the controlling shareholder of the Company, companies controlled by the founder of the aforementioned trust and the former Chairman and Chief Executive Officer of the Company who is also a beneficiary of the aforementioned trust.

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

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

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

As disclosed in note 29 to the financial statements, there have been a number of pending litigations against the Group, for which no provision has been recognised in these financial statements. The JPLs have begun work on compiling a list of pending litigations and assessing whether the pending litigations indicate the existence of present or possible obligations which may require an outflow of resources in the future. However, as of the date of this report, they have not been able to complete the compilation of the list or the assessment of whether outflow of resources would be probable or possible.

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

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

As at 31 March 2018, other payables and accruals (excluding interest payables, receipts in advance, 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$129.8 million. However, because previous management and many of the staff members have left the Group since the Group encountered liquidity issues in early 2016, there is a heightened risk that management's controls over timely and accurate accrual of expenses may not have been operating effectively throughout the period and as at the reporting date.

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

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

As described in the "disagreement arising from non-compliance with HKFRS 10 in respect of de-consolidation of subsidiaries" section below, the JPLs excluded GCC Group and Champ Universe Group in the preparation of these consolidated financial statements. As such, as disclosed in note 15, the financial statements include amounts due from GCC Group and from Champ Universe Group of HK$537.8 million and HK$1,553.3 million, respectively, as at 31 March 2018. The JPLs have made full provision against the former, but no provision has been made against the latter.

Because of the insufficient financial information about the GCC Group and Champ Universe Group as described in that section, we have been unable to obtain sufficient appropriate evidence to determine whether the amounts due from GCC Group and from Champ Universe Group as at 31 March 2018 were free from material misstatement as compared to the basis of preparation of these financial statements. In addition, we have been unable to obtain sufficient appropriate evidence to determine whether the full impairment loss made against the balance with GCC Group, the nil impairment loss made against the balance with Champ Universe and the gain on deconsolidation were free from material misstatement as compared to the basis of preparation of these financial statements.

Had we been able to satisfy ourselves in respect of the matters mentioned in the items (a) to (i) 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 2018 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 reports on the Group's consolidated financial statements for the years ended 31 March 2016 and 31 March 2017 we disclaimed our opinions due to, amongst other matters, the same limitations as mentioned above 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 2017 and any adjustments to the consolidated statement of financial position as at 31 March 2017 might affect the loss for the year ended 31 March 2018. In addition, the corresponding amounts for the consolidated statement of profit or loss and consolidated cash flow statement for the year ended 31 March 2017 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 the consolidated financial statements, the Group is also facing a significant number of legal actions from creditors demanding immediate repayments.

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

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

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

DISAGREEMENT ARISING FROM NON-COMPLIANCE WITH HKFRS 10 IN RESPECT OF DE-CONSOLIDATION OF SUBSIDIARIES

Even had there been no limitation in the scope of our audit and 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 certain accounting treatments as set out below:

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

    Given these circumstances, in preparing these financial statements, the JPLs excluded the financial position, the financial performance and cash flows of GCC Group from the date of acquisition onwards. The exclusion of the financial position, financial performance and cash flows of GCC Group from the consolidated financial statements prior to 3 February 2017 is a departure from the requirements of HKFRS 10.

Our auditor's reports on the Group's financial statements for the years ended 31 March 2016 and 31 March 2017 was modified, amongst other reasons, in respect of this departure from HKFRS 10. Our auditor's report on the current year's financial statements is also modified, amongst other reasons, because of the effect of this matter on the comparability of the current year's figures and the corresponding figures.

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

Given these circumstances, in preparing these financial statements, the JPLs excluded the financial position as at 31 March 2018, the financial performance and cash flows of Champ Universe Group with effect from 1 April 2015.

The exclusion of the financial position, financial performance and cash flows of Champ Universe Group from the consolidated financial statements, 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 reports on the consolidated financial statements for the years ended 31 March 2016 and 31 March 2017. Given that insufficient financial information about Champ Universe Group was made available to us, we were unable to ascertain the financial impact of the non-consolidation of Champ Universe Group on the consolidated financial statements for the year ended 31 March 2018 or on the comparability of the current year's figures and the corresponding figures.

RESPONSIBILITIES OF THE DIRECTORS AND THE JPLs FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors and the JPLs acting as agents of the Company (without liability and recourse) are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors and the JPLs determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors and the JPLs are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors and the JPLs either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of HKICPA and to issue an auditor's report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), together with any other ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

The engagement partner on the audit resulting in this independent auditor's report is Chu Man Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 September 2019

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Notes	2018 $'000	2017 $'000
Revenue	*4*	**190,630**	97,449
Cost of sales		**(182,791)**	(105,159)
Gross profit/(loss)		**7,839**	(7,710)
Other revenue	*5*	**2**	752
Other net loss	*5*	**(6,192)**	(34,638)
Distribution costs		**–**	(155)
Impairment losses of non-current assets	*6(c)*	**(6,799,595)**	–
Administrative expenses		**(78,016)**	(68,459)
Loss from operations		**(6,875,962)**	(110,210)
Net finance costs	*6(a)*	**(731,365)**	(685,557)
Loss before taxation	*6*	**(7,607,327)**	(795,767)
Income tax	*7*	**1,698,506**	(1,380)
Loss for the year		**(5,908,821)**	(797,147)
Attributable to:			
Equity shareholders of the Company		**(4,462,830)**	(761,832)
Non-controlling interests		**(1,445,991)**	(35,315)
Loss for the year		**(5,908,821)**	(797,147)
Loss per share	*11*		
Basic and diluted		**(102.89) cents**	(17.56) cents

The notes on pages 46 to 113 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 *$'000*	2017 *$'000*
Loss for the year		**(5,908,821)**	(797,147)
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	*10*	**137,811**	(89,439)
Other comprehensive income for the year		**137,811**	(89,439)
Total comprehensive income for the year		**(5,771,010)**	(886,586)
Attributable to:			
Equity shareholders of the Company		**(4,336,427)**	(842,302)
Non-controlling interests		**(1,434,583)**	(44,284)
Total comprehensive income for the year		**(5,771,010)**	(886,586)

The notes on pages 46 to 113 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2018

(Expressed in Hong Kong dollars)

	Notes	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment	12	**10,083,348**	16,697,544
Prepaid land lease payments	13	**62,589**	63,133
Interests in deconsolidated subsidiaries	15	**1,564,500**	1,563,837
Restricted bank deposits	21	**17,181**	15,507
Other non-current assets	16	**49,693**	46,595
		11,777,311	18,386,616
Current assets			
Trading securities	17	**–**	19,008
Inventories	18	**62,214**	14,470
Trade and bills receivables	19	**230,138**	60,141
Prepayments, deposits and other receivables	20	**309,232**	248,441
Cash and cash equivalents	21	**500**	660
		602,084	342,720
Current liabilities			
Borrowings	22	**906,878**	881,027
Trade and bills payables	23	**293,445**	170,941
Other financial liabilities	24	**918,258**	896,667
Other payables and accruals	25	**1,735,265**	1,075,494
Current taxation	28(a)	**19,662**	16,200
Convertible notes	26	**3,890,937**	3,602,812
		7,764,445	6,643,141
Net current liabilities		**(7,162,361)**	(6,300,421)
Total assets less current liabilities		**4,614,950**	12,086,195

The notes on pages 46 to 113 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2018
(Expressed in Hong Kong dollars)

	Notes	2018 $'000	2017 $'000
Non-current liabilities			
Deferred tax liabilities	28(b)	**1,725,942**	3,426,177
		1,725,942	3,426,177
NET ASSETS		**2,889,008**	8,660,018
CAPITAL AND RESERVES			
Share capital	30(c)	**907,703**	907,703
Equity component of convertible notes	26	**968,825**	968,825
Reserves		**(121,602)**	4,214,825
Total equity attributable to equity shareholders of the Company		**1,754,926**	6,091,353
Non-controlling interests		**1,134,082**	2,568,665
TOTAL EQUITY		**2,889,008**	8,660,018

Approved and authorised for issue by the Company on 18 September 2019 and signed on its behalf by:

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

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

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

Osman Mohammed Arab
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

Lai Wing Lun
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

Roy Bailey
Joint Provisional Liquidator
Acting as agent of the Company
without liability and recourse

The notes on pages 46 to 113 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Other reserve	Contributed surplus	Exchange reserve	Capital reserve	Equity component of convertible notes	Share award scheme trusts	Accumulated losses	Total	Non-controlling interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(note 30(c))	*(note 30(d)(i))*	*(note 30(d)(ii))*	*(note 30(d)(iii))*	*(note 30(d)(iv))*	*(note 30(d)(v))*	*(note 26)*	*(note 30(d)(vi))*				
Balance at 1 April 2016	907,703	5,424,509	(606,665)	385,168	(27,191)	3,490	968,825	(31,495)	(90,689)	6,933,655	2,612,949	9,546,604
Changes in equity for 2017:												
Loss for the year	–	–	–	–	–	–	–	–	(761,832)	(761,832)	(35,315)	(797,147)
Other comprehensive income	–	–	–	–	(80,470)	–	–	–	–	(80,470)	(8,969)	(89,439)
Total comprehensive income	–	–	–	–	(80,470)	–	–	–	(761,832)	(842,302)	(44,284)	(886,586)
Balance at 31 March 2017 and 1 April 2017	907,703	5,424,509	(606,665)	385,168	(107,661)	3,490	968,825	(31,495)	(852,521)	6,091,353	2,568,665	8,660,018
Changes in equity for 2018:												
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,462,830)**	**(4,462,830)**	**(1,445,991)**	**(5,908,821)**
Other comprehensive income	**-**	**-**	**-**	**-**	**126,403**	**-**	**-**	**-**	**-**	**126,403**	**11,408**	**137,811**
Total comprehensive income	**-**	**-**	**-**	**-**	**126,403**	**-**	**-**	**-**	**(4,462,830)**	**(4,336,427)**	**(1,434,583)**	**(5,771,010)**
Balance at 31 March 2018	**907,703**	**5,424,509**	**(606,665)**	**385,168**	**18,742**	**3,490**	**968,825**	**(31,495)**	**(5,315,351)**	**1,754,926**	**1,134,082**	**2,889,008**

The notes on pages 46 to 113 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Notes	2018 $'000	2017 $'000
Operating activities			
Loss before taxation		**(7,607,327)**	(795,767)
Adjustments for:			
Net loss on trading securities	5	**4,989**	335
Depreciation of property, plant and equipment	6(c)	**34,573**	36,681
Amortisation of prepaid land lease payments	6(c)	**2,392**	2,371
Interest income	5	**(1)**	(689)
Loss/(gain) on sales of property, plant and equipment	5	**228**	(11,436)
Net valuation loss on other financial liabilities	5	**–**	41,611
Impairment losses of non-current assets		**6,799,595**	–
Net finance costs	6(a)	**731,365**	685,557
		(34,186)	(41,337)
Changes in working capital:			
(Increase)/decrease in inventories		**(47,744)**	13,757
(Increase)/decrease in trade and bills receivable		**(170,611)**	59,086
(Increase)/decrease in prepayments, deposits and other receivables		**(55,200)**	29,091
Increase/(decrease) in trade and bills payable		**201,465**	(48,024)
Increase/(decrease) in other payables and accruals		**92,073**	(18,311)
Cash used in operating activities		**(14,203)**	(5,738)
Investing activities			
Proceeds from sales of property, plant and equipment		**–**	11,835
Proceeds from disposal of trading securities		**14,019**	–
Investment in trading securities		**–**	(1,989)
Interest received		**1**	689
Net cash generated from investing activities		**14,020**	10,535

The notes on pages 46 to 113 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Notes	**2018** **$'000**	2017 $'000
Financing activities			
Repayment of other loan		**–**	(5,000)
Net cash used in financing activities		**–**	(5,000)
Net decrease in cash and cash equivalents		**(183)**	(203)
Cash and cash equivalents at 1 April		**660**	884
Effect of foreign exchange rate changes		**23**	(21)
Cash and cash equivalents at 31 March	*21*	**500**	660

The notes on pages 46 to 113 form part of these financial statements.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) Going concern basis *(Continued)*

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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) Going concern basis *(Continued)*

Listing Status *(Continued)*

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) ***Going concern basis*** *(Continued)*

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

Financial performance and position

During the year ended 31 March 2018, the Group had incurred a loss of approximately $5,909 million. As at the same date, the Group's current liabilities exceeded its current assets by $7,162 million.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) Going concern basis *(Continued)*

Borrowings and bonds default

As disclosed in notes 22, 24 and 26, 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 $907 million which are included in the Group's interest-bearing borrowings, corporate bonds with carrying amount of $34 million which are included in other financial liabilities and convertible notes with carrying amount of $3,891 million as at 31 March 2018. Up to the date of the approval of the consolidated financial statements, the Group is facing a significant number of legal actions from creditors demanding immediate repayments.

Expiration of mining licenses

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) ***Going concern basis*** *(Continued)*

Proposed restructuring of the Company

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

(i) Debt-to-equity swap

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

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

(ii) Financing opportunities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(1) Going concern basis *(Continued)*

Proposed restructuring of the Company *(Continued)*

(iii) Placement of new shares

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

(iv) Renewal of mining licenses

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(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..

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(2) Deconsolidation of Subsidiaries (Continued)

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

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(2) Deconsolidation of Subsidiaries *(Continued)*

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(2) Deconsolidation of Subsidiaries (Continued)

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

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 as explained in the accounting policies set out below:

— trading securities (see note 2(f)).

— derivative financial instruments (see note 2(g)).

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 21(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Except for certain de-consolidated subsidiaries as further explained in note 15, an investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n), (o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

(i) Mine properties

Mine properties include the mining rights and capitalised costs directly attributable to the development and construction of mines, capitalised stripping costs and assets recognised for the rehabilitation obligations of the mining operations.

Costs directly attributable to the development and construction of mines are capitalised when the expenditures will provide a future benefit to the Group.

In open pit mining operations, the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Stripping costs incurred during the development phase of a mine are capitalised as stripping activity asset forming part of the cost of constructing the mine properties.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

(i) Mine properties (Continued)

Stripping costs incurred during the production phase of a surface mine are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred (note 2(l)), unless the stripping activity can be shown to give rise to probably future economic benefits from the mineral property by improving the access to the ore body, the component of the ore body for which assess has been improved is identifiable and the costs associated with that component can be reliably measured, in which case the stripping costs would be capitalised as stripping activity asset included in property, plant and equipment — mine properties.

Mine properties are depreciated on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost less impairment losses (see note 2(k)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and Machinery	3 to 30 years
Motor vehicles	5 years
Office and other equipment	3 to 5 years
Vessel	5 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Prepaid land lease payments

Prepaid land lease payments represent the costs of acquiring the land use rights. Prepaid land lease payments are carried at cost less accumulated amortisation and impairment losses (see note 2(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the prepaid land lease payments.

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in associate and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid land lease payments;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Coal and coke inventories are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in the construction of mining structure are stated at cost less provisions for obsolescence.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained earnings.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

When the modification of the terms of borrowings is considered to be substantial, the borrowings are considered to be extinguished and the liabilities are derecognised.

(p) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(o) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, including contributions to Mandatory Provident Funds ("MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defied contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or capitalised as cost of property, plant and equipment.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits). The equity amount related to awarded shares under share award scheme is recognised in capital reserve until the awarded shares under share award scheme become vested and is transferred to share award scheme trusts (see note 30(d)(vi)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities *(Continued)*

(ii) Obligations for rehabilitation

The Group's obligations for rehabilitation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final rehabilitation and mine closure, which is included in the mine properties. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of rehabilitation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies. In addition to those disclosed in note 27 about share-based payment transactions and in note 29 about the environmental contingencies, other significant accounting estimates and judgements were summarised as follows:

(a) Reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant coal deposit. In addition, as prices and cost levels change from year to year, the estimate of coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Reserves *(Continued)*

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

(b) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of assets

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

In relation to trade and other receivables (including the value-added tax ("VAT") receivables), a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the profit or loss in future years.

(d) Production start date

The Group assesses the stage of its mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on construction project's nature, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from "Construction in progress" to "Mine properties". Some of the criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the estimated construction cost
- Completion of a reasonable period of testing of the mine facility and equipment
- Ability to produce coals in saleable form (within specifications)
- Ability to sustain ongoing production of coals

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(d) Production start date *(Continued)*

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(e) Mine rehabilitation provision

The estimation of the liabilities for final rehabilitation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of rehabilitation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of rehabilitation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(f) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(g) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(h) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

4 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:

	2018	2017
	$'000	*$'000*
Coke	**177,869**	62,822
Others	**12,761**	34,627
	190,630	97,449

During the year ended 31 March 2018, the Group had two (2017: one) customers that individually exceeded 10% of the Group's revenue. The revenue from sales to these two customers (2017: one customer) amounted to approximately $178,052,000 (2017: $56,220,000) for the year ended 31 March 2018. Details of concentrations of credit risk arising from this customer are set out in note 31(a).

(b) Segment reporting

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

5 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2018	2017
	$'000	*$'000*
Interest income	**1**	689
Others	**1**	63
	2	752

5 OTHER REVENUE AND OTHER NET LOSS *(Continued)*

(b) Other net loss

	2018	2017
	$'000	*$'000*
Net realised loss on trading securities	**(4,989)**	(335)
Net unrealised loss on other financial liability	**–**	(41,611)
Net (loss)/gain on sales of property, plant and equipment	**(228)**	11,436
Others	**(975)**	(4,128)
	(6,192)	(34,638)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Net finance costs

	2018	2017
	$'000	*$'000*
Foreign exchange loss/(gain), net	**3**	(1)
Interest on borrowings	**109,214**	98,045
Default interest of convertible notes	**146,412**	146,413
Default interest of other financial liabilities	**25,118**	24,611
Unwinding interest of convertible notes *(note 26)*	**446,544**	404,679
Unwinding interest of other financial liabilities *(note 24)*	**4,073**	11,807
Other interest expense	**1**	3
Finance costs	**731,362**	685,558
Net finance costs	**731,365**	685,557

6 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs

	2018	2017
	$'000	*$'000*
Salaries, wages and other benefits	**16,931**	30,482
Retirement scheme contributions	**1,413**	2,062
	18,344	32,544

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% (2017: 18% to 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

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

(c) Other items

	2018	2017
	$'000	*$'000*
Amortisation of prepaid land lease payments	**2,392**	2,371
Depreciation of property, plant and equipment	**34,573**	36,681
Operating lease charges: minimum lease payments hire of property	**583**	2,405
Auditors' remuneration	**1,433**	1,433
Cost of inventories[#]	**182,791**	105,159
Impairment losses of non-current assets *(note 12)*	**(6,799,595)**	–

[#] Cost of inventories include $17,813,000 (2017: $22,376,000) 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 6(b) for each type of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	$'000	*$'000*
Current tax		
Provision for the year	**1,729**	1,716
Deferred tax		
Origination and reversal of temporary differences	**(1,700,235)**	(336)
	(1,698,506)	1,380

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 2018 and 2017.

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:

	2018	2017
	$'000	*$'000*
Loss before taxation	**(7,607,327)**	(795,767)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**(1,900,062)**	(197,133)
Tax effect of non-deductible expenses	**181,146**	173,353
Tax effect of non-taxable income	**–**	(172)
Tax effect of unused tax losses not recognised	**20,410**	25,332
Actual income tax	**(1,698,506)**	1,380

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018			
	Directors' fees *$'000*	**Salaries, allowances and benefits in kind** *$'000*	**Retirement scheme contributions** *$'000*	**Total** *$'000*
Executive directors				
Mr. Wang Chuan	**–**	**56**	**–**	**56**
Mr. Zheng Yuan	**–**	**35**	**–**	**35**
Mr. Zhang Li	**–**	**93**	**–**	**93**
Independent non-executive directors				
Mr. Liu Yongshun	**25**	**–**	**–**	**25**
Mr. Li Baoguo	**25**	**–**	**–**	**25**
Mr. Wu Yanfeng	**25**	**–**	**–**	**25**
Mr. Chui Man Lung, Everett (resigned on 31 August 2018)	**25**	**–**	**–**	**25**
Total	**100**	**184**	**–**	**284**

	2017			
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors				
Mr. Qin Jun (resigned on 6 August 2016)	–	3,716	8	3,724
Mr. Wang Chuan	–	787	–	787
Mr. Zheng Yuan (appointed on 20 April 2016)	–	432	–	432
Mr. Zhang Li (appointed on 24 June 2016)	–	923	–	923
Independent non-executive directors				
Mr. Liu Yongshun (redesignated as an independent non-executive director on 20 April 2016)	346	–	–	346
Mr. Li Baoguo	346	–	–	346
Mr. Wu Yanfeng (appointed on 7 September 2016)	181	–	–	181
Mr. Chui Man Lung, Everett (appointed on 30 June 2016)	240	–	–	240
Mr. Wang Dayong (resigned on 2 September 2016)	143	–	–	143
Mr. Zhang Xudong (resigned on 29 June 2016)	72	–	–	72
Total	1,328	5,858	8	7,194

8 DIRECTORS' EMOLUMENTS *(Continued)*

As at 31 March 2018, the board of directors comprises Mr. Wang Chuan, Mr. Zhang Li and Mr. Zheng Yuan as executive directors; and Mr. Chui Man Lung, Everett, 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 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 in a special general meeting held on 25 April 2017.

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2018 and 2017.

The amounts presented above represents the amounts accrued in the relevant financial years. Certain amounts remain unpaid as at 31 March 2018 and 2017.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2017: two) individuals are as follows:

	2018	2017
	$'000	*$'000*
Salaries and other emoluments	**1,260**	1,959
Retirement scheme contributions	**24**	29
	1,284	1,988

The emoluments of the three (2017: two) individuals with the highest emoluments are within the following bands:

	2018	2017
	Number of individuals	*Number of individuals*
$Nil–$1,000,000	**2**	1
$1,000,001–$1,500,000	**1**	1

10 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 March 2018 and 2017.

11 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 $4,462,830,000 (2017: $761,832,000) and the weighted average of 4,337,325,000 ordinary shares (2017: 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 2018 and 2017 are the same as the basic loss per share as the conversion options for the outstanding convertible notes and the Top Up Option (as defined in note 24(b)) and Puttable Shares (as defined in note 24(a)) arising from the acquisition of Champ Universe at 28 June 2013 during the years ended 31 March 2018 and 2017 have anti-dilutive effect to basic loss per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery $'000	Motor vehicles $'000	Office and other equipment $'000	Vessel $'000	Mine properties $'000	Construction in progress $'000	Total $'000
Cost:							
At 1 April 2016	721,796	24,008	22,995	32,383	14,158,102	2,050,941	17,010,225
Additions	–	321	16	–	–	7,571	7,908
Disposals	(179)	(4,705)	(1,466)	(31,408)	–	–	(37,758)
Exchange adjustments	(44,263)	(1,218)	(1,249)	–	(30,340)	(66,060)	(143,130)
At 31 March 2017	677,354	18,406	20,296	975	14,127,762	1,992,452	16,837,245
At 1 April 2017	677,354	18,406	20,296	975	14,127,762	1,992,452	16,837,245
Additions	–	23	175	–	–	1,029	1,227
Disposals	–	(1,106)	(1,252)	–	–	(1,507)	(3,865)
Exchange adjustments	73,121	1,848	2,067	–	50,127	109,513	236,676
At 31 March 2018	**750,475**	**19,171**	**21,286**	**975**	**14,177,889**	**2,101,487**	**17,071,283**
Accumulated depreciation and impairments:							
At 1 April 2016	(83,494)	(16,230)	(15,921)	(30,317)	–	–	(145,962)
Charge for the year	(31,451)	(1,911)	(2,796)	(523)	–	–	(36,681)
Written back on disposals	65	3,609	503	30,840	–	–	35,017
Exchange adjustments	6,111	827	987	–	–	–	7,925
At 31 March 2017	(108,769)	(13,705)	(17,227)	–	–	–	(139,701)
At 1 April 2017	(108,769)	(13,705)	(17,227)	–	–	–	(139,701)
Charge for the year	(32,064)	(1,727)	(782)	–	–	–	(34,573)
Written back on disposals	–	999	949	–	–	–	1,948
Impairment loss	(76,752)	–	–	–	(6,031,953)	(690,288)	(6,798,993)
Exchange adjustments	(13,387)	(1,436)	(1,793)	–	–	–	(16,616)
At 31 March 2018	(230,972)	(15,869)	(18,853)	–	(6,031,953)	(690,288)	(6,987,935)
Net book value:							
At 31 March 2018	**519,503**	**3,302**	**2,433**	**975**	**8,145,936**	**1,411,199**	**10,083,348**
At 31 March 2017	568,585	4,701	3,069	975	14,127,762	1,992,452	16,697,544

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

As at 31 March 2018, the ownership of equipment and machineries amounting to $234,194,000 (2017: $191,386,000), which were recorded as plant and Machinery and construction in progress, was in possession of Cinda (see note 24(a)).

As at 31 March 2018, mine properties of the Group of $3,727,550,000 (2017: $8,370,418,000) and construction in progress of the Group of $69,898,000 (2017: $63,087,000) have been pledged as collateral for the Group's borrowings (see note 22).

Impairment loss

The management performed an impairment test on the cash generating units ("CGUs") in Fukang City, Xinjiang for the year ended 31 March 2018. 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%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. An impairment loss of $6,799,595,000, among which $6,798,993,000 is related to property, plant and equipment and $602,000 is related to prepaid land lease payments, was recognised in impairment losses of non-current assets based on the impairment test.

13 PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	2018	2017
	$'000	*$'000*
Carrying amount at beginning of year	**65,470**	69,455
Amortisation for the year	**(2,392)**	(2,371)
Impairment loss *(note 12)*	**(602)**	–
Exchange adjustments	**2,558**	(1,614)
Carrying amount at end of year	**65,034**	65,470
Current portion included in prepayments, deposits and other receivables	**(2,445)**	(2,337)
Non-current portion	**62,589**	63,133

As at 31 March 2018, prepaid land lease payments of the Group of $25,055,000 (2017: $25,759,000) have been pledged to certain banks as securities for the Group's borrowings (see note 22).

14 INVESTMENTS IN SUBSIDIARIES

	2018	2017
	$'000	*$'000*
Investment costs	**7,800,010**	7,800,010
Less: provisions	**(2,695,772)**	–
	5,104,238	7,800,010

As a result of the impairment of non-currents in certain subsidiaries, the Company made provision of $2,695,772,000 for the Company's investment in relevant subsidiaries holding such non-current assets during the year ended 31 March 2018.

The following list contains only the particulars of major subsidiaries which were consolidated as at 31 March 2016 and for the year then ended and principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of Company	Place of incorporation and business	Particulars of issued and paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Up Energy Investment (China) Ltd. ("UE China")	BVI	US$141,506,005	100.00%	–	Investment holding
Up Energy Mining Limited ("UE Mining")	BVI	US$1	100.00%	–	Investment holding
Up Energy Resource Company Limited ("UE Resources")	BVI	US$1	100.00%	–	Investment holding
Up Energy (Xinjiang) Mining Co., Ltd. ("UE Xinjiang")	PRC	US$30,000,000	–	70.00%	Coal mining, manufacture and sale of coke and clean coke
Up Energy International Ltd. ("UE International")	BVI	US$50,000	–	100.00%	Investment holding
Up Energy (Hong Kong) Limited ("UE HK")	Hong Kong	10,000 shares	–	100.00%	Investment holding
Up Energy (Fukang) Coal Mining Ltd. ("UE Fukang Coal Mine")	PRC	US$17,050,000	–	79.20%	Mine construction
Up Energy (Fukang) Coking Ltd. ("UE Coking")	PRC	US$22,999,960	–	70.00%	Manufacture and sale of coke
Up Energy (Fukang) Coal Washing Ltd. ("UE Coal Washing")	PRC	US$5,000,000	–	70.00%	Coal washing
Up Energy (Fukang) Recycled Water Project Ltd.	PRC	US$3,200,000	–	70.00%	Water recycling

The Company has entered into a share charge in connection with the issue of the convertible notes (see note 26) of the Company. Pursuant to the share charge, the charge is created over (i) the entire issued share capital of UE China; (ii) the entire issued share capital of UE International and (iii) the entire issued share capital of UE HK. All of these companies are wholly-owned subsidiaries of the Company.

In accordance with the Minsheng Bank Hong Kong loan facility (see note 22) , the entire issued share capital of UE Mining, Champ Universe Limited ("Champ Universe"), Venture Path Limited, West China Coal Mining Holdings Limited and Baicheng County Wenzhou Mining Development Co., Ltd. are pledged to China Minsheng Banking Corp., Ltd., Hong Kong Branch.

The following table lists out the information relating to UE Xinjiang, the major subsidiary of the Group which has material non-controlling interests (NCI).

The summarised financial information presented below represents the amounts before any intercompany elimination.

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

	2018	2017
	$'000	*$'000*
NCI percentage	**30%**	30%
Current assets	**40,102**	33,622
Non-current assets	**3,804,515**	8,887,652
Current liabilities	**571,847**	493,844
Non-current liabilities	**121,890**	1,408,641
Net assets	**3,150,880**	7,018,789
Carrying amount of NCI	**945,264**	2,105,637
Revenue	**1,507**	502
Loss for the year	**(3,895,116)**	(35,402)
Other comprehensive income	**28,992**	(19,788)
Total comprehensive income	**(3,866,124)**	(55,190)
Loss allocated to NCI	**1,168,535**	10,621
Cash flows from operating activities	**–**	–
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**–**	–

15 INTERESTS IN DECONSOLIDATED SUBSIDIARIES

As mentioned in note 2(b), the Group does not include certain deconsolidated subsidiaries in the scope of consolidation. Consequently, the Group's interests in these deconsolidated subsidiaries are presented in the consolidated financial statements of the Group.

As at 31 March 2018, the interests in deconsolidated subsidiaries as below:

	2018
	$'000
Investment costs in GCC Group	**–**
Amounts due from GCC Group	**537,785**
Less: provision	**(537,785)**
	–
Investment costs in Champ Universe Group	**11,245**
Amounts due from Champ Universe Group	**1,553,255**
Less: provision	**–**
	1,564,500
Total	**1,564,500**

16 OTHER NON-CURRENT ASSETS

	2018	2017
	$'000	*$'000*
Prepayments to suppliers for property, plant and equipment	**15,058**	13,590
Deductible input Value added tax ("VAT")	**34,635**	33,005
	49,693	46,595

17 TRADING SECURITIES

	2018	2017
	$'000	*$'000*
Listed equity securities at fair value — in Hong Kong	**–**	19,008

18 INVENTORIES

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

	2018	2017
	$'000	*$'000*
Raw materials	**2,477**	578
Work in progress	**2,055**	764
Finished goods	**51,161**	3,791
Materials and supplies	**6,521**	10,657
	62,214	15,790
Less: provision for diminution in value of inventories	**–**	1,320
	62,214	14,470

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

	2018	2017
	$'000	*$'000*
Carrying amount of inventories sold	**182,791**	103,839
Write down of inventories	**–**	1,320
	182,791	105,159

19 TRADE AND BILLS RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables due from third party customer	**228,890**	59,803
Bills receivable	**1,248**	338
	230,138	60,141

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:

	2018 $'000	2017 $'000
Within 3 months	**136,723**	2,074
3 to 6 months	**29,369**	–
Over 6 months but within 1 year	**534**	4,276
Over 1 year but within 2 years	**5,918**	51,998
Over 2 years but within 3 years	**55,606**	1,793
Over 3 years	**1,988**	–
	230,138	60,141

(b) Impairment of trade debtors and bills receivable

Bills receivable are generally due within 180 days from the date of billing. As at 31 March 2018, 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.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Prepayments *(note (i))*	**54,868**	34,624
Deposits *(note (i))*	**86,850**	81,118
Current portion of land lease prepayment	**2,445**	2,337
VAT and other tax receivables *(note (ii))*	**18,592**	12,768
Amounts due from related parties *(note (iii))*	**100,931**	88,318
Other receivables	**45,546**	29,276
	309,232	248,441

Notes:

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

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

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

Included within prepayments, deposits and other receivables (excluding advances to suppliers, VAT and other tax receivables, current portion of lease prepayment and amounts due from related parties) totalling $132.4 million are amounts of $114.0 million which, as at 31 March 2018, were aged over one year based on invoice date.

As of the date of approval of these financial statements, $104.0 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.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 $'000	2017 $'000
Cash at bank and on hand	**17,681**	16,167
Less: restricted bank deposits	**(17,181)**	(15,507)
Cash and cash equivalents	**500**	660

As at 31 March 2018, the Group's bank balances of approximately $17,181,000 (2017: $15,507,000) 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.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(a) Cash and cash equivalents comprise: *(Continued)*

As at 31 March 2018, bank accounts amounting to $0.07 million have been frozen or otherwise deactivated by the banks.

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

	2018	2017
	$'000	*$'000*
RMB	**21**	187
US$	**130**	124

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	**Other financial liabilities for finance lease**	**Other financial liabilities for puttable shares**	**Corporate bonds**	**Other financing**	**Convertible notes**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 22)	*(Note 24)*	*(Note 24)*	*(Note 24)*	*(Note 24)*	*(Note 26)*	
At 1 April 2017	881,027	125,101	308,000	33,181	–	3,602,812	4,950,121
Changes from financing cash flows:							
Proceeds from new loans	–	–	–	–	–	–	–
Total changes from financing cash flows	–	–	–	–	–	–	–
Exchange adjustments	25,851	13,506	–	–	–	–	39,357
Other changes:							
Interest expenses *(note 6(a))*	109,214	–	–	4,073	–	446,544	559,831
Interests payable	(109,214)	–	–	(2,988)	–	(158,419)	(270,621)
Default interest	–	25,118	–	–	–	146,412	171,530
Default interest payable	–	(25,118)	–	–	–	(146,412)	(171,530)
Funds from investors that are managed by the JPLs	–	–	–	–	7,000	–	7,000
Total other changes	–	–	–	1,085	7,000	288,125	296,210
At 31 March 2018	**906,878**	**138,607**	**308,000**	**34,266**	**7,000**	**3,890,937**	**5,285,688**

22 BORROWINGS

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

	2018	2017
	$'000	*$'000*
Bank loans		
— secured	**419,709**	396,777
— guaranteed	**312,216**	312,216
Less: current portion	**731,925**	708,993
	–	–

As at 31 March 2018, the long-term interest-bearing borrowings, including loans from Minsheng Bank Hong Kong and ICBC Fukang (as defined below), were repayable as follows:

	2018	2017
	$'000	*$'000*
Within 1 year or on demand	**731,925**	708,993
	731,925	708,993

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 31 March 2018, the balance under this loan facility is $184,347,000 (2017: $184,347,000). As at 31 March 2018 and 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 31 March 2018, 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.

22 BORROWINGS *(Continued)*

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

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 31 March 2018, the balance under this loan facility is RMB188,591,000 (equivalent to $235,362,000). 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 31 March 2018 and 2017, these loans were past due. Mine properties with an aggregate carrying value of $3,727,550,000 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:

	2018	2017
	$'000	*$'000*
Unsecured loans *(note (i))*	**56,232**	55,138
Secured bank loans *(note (ii))*	**18,721**	16,896
Guaranteed bank loans *(note (iii))*	**100,000**	100,000
Current portion of long-term borrowings		
— Bank loan	**731,925**	708,993
	906,878	881,027

Notes:

(i) As at 31 March 2018 and 2017, loan amounting to $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 31 March 2018 and 2017, these loans were past due.

As at 31 March 2018 and 2017, loan amounting to $30,000,000 was borrowed from Get Nice Finance Company Limited, and the interest rate is 18% per annum. As at 31 March 2018 and 2017, the loan was past due.

As at 31 March 2018, bank loan amounting to $11,232,000 (2017: $10,138,000) was borrowed from China Construction Bank Fukang Branch, and the interest rate is 5.6% per annum. As at 31 March 2018 and 2017, the loan was past due.

(ii) As at 31 March 2018, banks loans amounting to $18,721,000 (2017: $16,896,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of $25,055,000 (2017: $25,759,000) and $69,898,000 (2017: $63,087,000) respectively. As at 31 March 2018, the loans were past due.

(iii) As at 31 March 2018 and 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 31 March 2018 and 2017, these loans were past due.

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

23 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:

	2018	2017
	$'000	*$'000*
Within 3 months	**145,090**	33,394
Over 3 months but within 6 months	**476**	1,823
Over 6 months but within 1 year	**146**	7,646
Over 1 year but within 2 years	**10,409**	51,361
Over 2 years but within 3 years	**52,401**	76,484
Over 3 years	**84,923**	233
	293,445	170,941

24 OTHER FINANCIAL LIABILITIES

	2018	2017
	$'000	*$'000*
Other financial liabilities:		
— At amortised cost *(note (a))*	**487,873**	466,282
— At fair value *(note (b))*	**430,385**	430,385
	918,258	896,667
Among which:		
— Current portion	**918,258**	896,667

24 OTHER FINANCIAL LIABILITIES *(Continued)*

(a) Other financial liabilities at amortised cost

	For finance lease *(note (i))* *$'000*	For puttable shares *(note (ii))* *$'000*	Corporate bond *(note (iii))* *$'000*	Others *$'000*	Total *$'000*
At 1 April 2016	133,275	300,147	32,215	–	465,637
Unwinding interests *(note 6(a))*	–	7,853	3,954	–	11,807
Interest payable	–	–	(2,988)	–	(2,988)
Exchange adjustments	(8,174)	–	–	–	(8,174)
At 31 March 2017	125,101	308,000	33,181	–	466,282
Among which:					
Current portion	125,101	308,000	33,181	–	466,282
At 1 April 2017	125,101	308,000	33,181	–	466,282
Addition	–	–	–	7,000	7,000
Unwinding interests *(note 6(a))*	–	–	4,073	–	4,073
Interest payable	–	–	(2,988)	–	(2,988)
Exchange adjustments	13,506	–	–	–	13,506
At 31 March 2018	**138,607**	**308,000**	**34,266**	**7,000**	**487,873**
Among which:					
Current portion	138,607	308,000	34,266	7,000	487,873

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 20) 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 31 March 2018, ownership of equipment and Machineries amounting to $234,194,000 (2017: $191,386,000), which were recorded as plant and Machinery and construction in progress, was in possession of Cinda. As at 31 March 2018 and 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 31 March 2018 and 2017, the liabilities under the Agreements were past due.

(iii) As at 31 March 2018, 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 31 March 2018 due to the fact that the Company defaulted on the interest payments which makes the bonds repayable immediately upon the notice of the holders.

24 OTHER FINANCIAL LIABILITIES *(Continued)*

(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. On 12 August 2016, Hao Tian served a notice to the Company to issue 669,602,837 shares and pay $357,933,000 to it. As at 31 March 2018 and 2017, the Company has not issued shares nor paid the amount to Hao Tian. Hao Tian has filed a law suit against the Company with the Hong Kong Court to request the Company the settle the aforementioned obligations.

25 OTHER PAYABLES AND ACCRUALS

	2018	2017
	$'000	*$'000*
Payables for construction work and equipment purchases	**250,296**	226,976
Security deposits on construction work	**25,223**	23,207
Amounts due to de-consolidated subsidiaries	**23,904**	17,534
Amounts due to related parties *(note)*	**122,182**	113,313
Other taxes payable	**19,877**	15,959
Interest payables	**1,042,737**	590,433
Receipts in advance	**145,171**	22,027
Others	**105,875**	66,045
	1,735,265	1,075,494

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.

26 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 *(note 6(a))*	446,544	–	446,544
Interests payable	(158,419)	–	(158,419)
At 31 March 2018	**3,890,937**	**968,825**	**4,859,762**
Among which:			
— Current portion	3,890,937		
— Non-current portion	–		

As at 31 March 2018, 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 original 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.

26 CONVERTIBLE NOTES *(Continued)*

Tranche A and Tranche B *(Continued)*

$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 was no convertible note converted by note-holder into ordinary shares in the period from 1 April 2016 to 31 March 2018.

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 year 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, gain of $47,706,000 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 the year ended 31 March 2018, 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 $2,914,852,000 as at 31 March 2018, 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 31 March 2018 and 2017.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company operates a share option scheme, approved on 29 August 2011 (the "Share Option Scheme") to replace the share option scheme adopted by the Company on 29 October 2002, for the purpose of enabling the Company to continue to grant options to the eligible participants who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. Eligible participants of the Share Option Scheme include any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) who is in full time employment when an option is granted to such employee, or any person who, at the sole discretion of the Board, have contributed or may contribute to the Group. The Share Option Scheme became effective on 29 August 2011, the date on which the Share Option Scheme are conditionally adopted by an ordinary resolution of the shareholder and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption date.

During the year ended 31 March 2018, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the Share Option Scheme.

(b) Share award scheme

Pursuant to a written resolution of the board of Directors passed on 28 October 2013, the Company adopts a share award scheme ("Share Award Scheme"). The Share Award Scheme shall be subject to the administration of an executive committee and the trustee in accordance with the scheme rules and trust deed. As at 31 March 2018, no award has been made under the Share Award Scheme.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018	2017
	$'000	*$'000*
At 1 April	**16,200**	15,425
Provision for the year *(note 7)*	**1,729**	1,716
Exchange adjustments	**1,733**	(941)
At 31 March	**19,662**	16,200

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(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 2016	3,426,513
Credited to profit or loss	(336)
At 31 March 2017	3,426,177
At 1 April 2017	3,426,177
Credited to profit or loss	(1,700,235)
At 31 March 2018	**1,725,942**

(ii) Reconciliation to the consolidated statement of financial position

	2018 ***$'000***	2017 *$'000*
Net deferred tax liability recognised in the consolidated statement of financial position	**1,725,942**	3,426,177

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of $838,226,000 (2017: $756,423,000) 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).

29 CONTINGENCIES

(a) Environmental remediation

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except for amounts incurred pursuant to the environment compliance protection and precautionary measures in the PRC, the Group has not incurred any other significant expenditure for environmental remediation, is currently not involved in any other environmental remediation, and has not accrued any other amounts for environmental remediation relating to its operations except for the mine at Baicheng.

Under existing legislation, the Directors believe that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. However, environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. The outcome of environmental liabilities under future environmental legislations cannot be estimated reasonably at present and which could be material.

(b) Pending litigations

As at 31 March 2018, there were a number of pending litigations against the Group, including several legal actions from creditors demanding immediate payments. The JPLs have begun work on compiling a list of pending litigations and assessing whether the pending litigations indicate the existence of present or future 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. They are therefore not able to assess the probability of an outflow of economic benefits and make a reliable estimate as to the amount and timing of any such outflow of economic benefit.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium $'000	Other reserve $'000	Contributed surplus $'000	Equity component of convertible notes $'000	Share award scheme trusts $'000	Accumulated losses $'000	Total $'000
Balance at 1 April 2016		907,703	5,424,509	(606,665)	84,798	968,825	(31,495)	(1,119,604)	5,628,071
Changes in equity for 2017:									
Total comprehensive income for the year		–	–	–	–	–	–	(644,167)	(644,167)
Balance at 31 March 2017		907,703	5,424,509	(606,665)	84,798	968,825	(31,495)	(1,763,771)	4,983,904
Balance at 1 April 2017		907,703	5,424,509	(606,665)	84,798	968,825	(31,495)	(1,763,771)	4,983,904
Changes in equity for 2018:									
Total comprehensive income for the year		–	–	–	–	–	–	(3,355,350)	(3,355,350)
Balance at 31 March 2018		**907,703**	**5,424,509**	**(606,665)**	**84,798**	**968,825**	**(31,495)**	**(5,119,121)**	**1,628,554**

(b) Dividends

The Directors do not recommend the payment of a final dividend in respect of the years ended 31 March 2017 and 2018.

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2018		2017	
	No. of shares		No. of shares	
	('000)	***$'000***	*('000)*	*$'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 residual asset.

(d) 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 as set out in note 2(w).

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(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 (see note 27(b)). 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.

(e) 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.

(f) 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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits are placed in banks with a strong credit rating. Management does not expect any losses from non-performance by these banks.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group has certain concentration credit risk as five customers accounted for 15.8% (2017: 53.8%) of the total trade receivables as at 31 March 2018.

(b) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations. Note 2(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from equity holders and the use of payables to related parties.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 March**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Trade and bills payable	**293,445**	**–**	**–**	**–**	**293,445**	**293,445**
Other payables and accruals	**1,735,265**	**–**	**–**	**–**	**1,735,265**	**1,735,265**
Convertible notes	**3,890,937**	**–**	**–**	**–**	**3,890,937**	**3,890,937**
Borrowings	**906,878**	**–**	**–**	**–**	**906,878**	**906,878**
Other financial liabilities at amortised cost	**487,873**	**–**	**–**	**–**	**487,873**	**487,873**
Other financial liabilities at fair value	**430,385**	**–**	**–**	**–**	**430,385**	**430,385**
	7,744,783	**–**	**–**	**–**	**7,744,783**	**7,744,783**

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 March
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Derivatives settled gross:						
Trade and bills payable	170,941	–	–	–	170,941	170,941
Other payables and accruals	1,075,494	–	–	–	1,075,494	1,075,494
Convertible notes	3,602,812	–	–	–	3,602,812	3,602,812
Borrowings	881,027	–	–	–	881,027	881,027
Other financial liabilities at amortised cost	466,282	–	–	–	466,282	466,282
Other financial liabilities at fair value	430,385	–	–	–	430,385	430,385
	6,626,941	–	–	–	6,626,941	6,626,941

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings and convertible notes.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	2018		2017	
	Effective interest rate %	***$'000***	Effective interest rate %	*$'000*
Net fixed rate borrowings:				
Other financial liabilities	**9.2%–12.4%**	**918,258**	9.2%–12.4%	896,667
Convertible notes	**6.7%–16.92%**	**3,890,937**	6.7%–16.92%	3,602,812
Borrowings	**5.6%–33%**	**174,952**	5.6%–33%	172,034
		4,984,147		4,671,513
Variable rate borrowings:				
Borrowings	**4%–12%**	**731,926**	4%–12%	708,993
Total net borrowings		**5,716,073**		5,380,506

(ii) Sensitivity analysis

At 31 March 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately $7,320,000 (2017: $7,090,000).

In respect of the expose to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax and accumulated losses and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

Other than the exposure of bank deposits made in foreign currencies (see note 21), the Group are not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 March	**Fair value measurements as at 31 March 2018 categorised into**			Fair value at 31 March	Fair value measurements as at 31 March 2017 categorised into		
	2018	**Level 1**	**Level 2**	**Level 3**	2017	Level 1	Level 2	Level 3
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Recurring fair value measurements								
Financial assets								
Trading securities	-	-	-	-	19,008	19,008	–	–

During the year ended 31 March 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair value of financial assets and liabilities carried at other than fair value

In respect of cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of borrowings, other financial liabilities and the liability component of the convertible notes, considerable judgement is required to interpret market data to develop the estimate of fair values. Due to the limitation of developing estimates, the fair value amounts cannot be measured reliably, and therefore the fair value information of the liabilities as at 31 March 2017 has not been disclosed.

32 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2018 not provided for in the financial statements were as follows:

	2018	2017
	$'000	*$'000*
Contracted for	**353,878**	319,398

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's Directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2018	2017
	$'000	*$'000*
Salaries and other emoluments	**284**	7,186
Retirement scheme contributions	**–**	8
	284	7,194

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Material related party transactions

Related parties refer to enterprises over which the Group is able to exercise significant influence or control during the year. During the year, the Group entered into transactions with the following related parties.

	2018	2017
	$'000	*$'000*
Payments on behalf of the Group by related parties	**–**	–
Cash advances from related parties	**–**	–

The Directors and the JPLs are of the opinion that the above transactions were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

(c) Related party balances

	2018	2017
	$'000	*$'000*
Other receivables *(note 20)*	**100,931**	88,318
Other payables and accruals *(note 25)*	**122,182**	113,313

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		2018	2017
		$'000	*$'000*
Non-current assets			
Investments in subsidiaries	*14*	**5,104,238**	7,800,010
Amount due from subsidiaries		**2,099,432**	2,099,272
		7,203,670	9,899,282
Current assets			
Cash and cash equivalents		**361**	361
Trade and other receivables		**18,342**	16,912
Amount due from related companies		**37,139**	37,139
		55,842	54,412
Current liabilities			
Borrowings		**115,000**	115,000
Other financial liabilities		**779,651**	771,566
Convertible notes		**3,890,937**	3,602,812
Other payables and accruals		**845,370**	480,412
Total current liability		**5,630,958**	4,969,790
Net current liabilities		**(5,575,116)**	(4,915,378)
Total assets less current liabilities		**1,628,554**	4,983,904
Net assets		**1,628,554**	4,983,904
CAPITAL AND RESERVES			
Share capital		**907,703**	907,703
Equity component of convertible notes		**968,825**	968,825
Reserves		**(247,974)**	3,107,376
Total Equity		**1,628,554**	4,983,904

Approved an authorised for issue by the Company on 18 September 2019 and signed on its behalf by:

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

Osman Mohammed Arab
Joint Provisional Liquidator
Acting as agent of the Company without liability and recourse

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

Lai Wing Lun
Joint Provisional Liquidator
Acting as agent of the Company without liability and recourse

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

Roy Bailey
Joint Provisional Liquidator
Acting as agent of the Company without liability and recourse

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2018, the Directors consider the immediate parent and ultimate controlling party of the Group to be J & J Trust, a discretionary trust set up by Mr. Wang Mingquan.

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Winding-up Petition in Bermuda

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

Subsequently, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, together with Mr. Roy Bailey of EY Bermuda Limited were appointed the JPLs 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 12 July 2019, the Bermuda Court directed that the Bermuda winding-up petition hearing be adjourned to 11 October 2019.

(b) Winding-up Petition in Hong Kong

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment*: *Classification and measurement of share-based payment transactions*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 *(Continued)*

HKFRS 9, *Financial instruments* *(Continued)*

Expected impacts of the new requirements on the Group's financial statements are as follows:

- *Impairment*

  The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. However, based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade receivables held at amortised cost.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in Note 2(v). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 *(Continued)*

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

(a) Timing of revenue recognition (Continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of coal products.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

(c) Sales with right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 *(Continued)*

HKFRS 16, *Leases*

As disclosed in Note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

38 APPROVAL OF FINANCIAL STATEMENTS

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

Five-Year Financial Summary

RESULTS *(Year ended 31 March)*

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
REVENUE					
Continuing operations	152,836	245,314	131,860	97,449	**190,630**
Discontinued operation	–	–	–	–	**–**
	152,836	245,314	131,860	97,449	**190,630**
OPERATING LOSS					
Continuing operations	(134,568)	(543,940)	(1,301,917)	(795,767)	**(7,607,327)**
Discontinued operation	–	–	–	–	**–**
LOSS BEFORE TAX	(134,568)	(543,940)	(1,301,917)	(795,767)	**(7,607,327)**
Income tax expense	10,967	(4,469)	(10,999)	(1,380)	**1,698,506**
LOSS FOR THE YEAR	(123,601)	(548,409)	(1,312,916)	(797,147)	**(5,908,821)**
Attributable to:					
Owners of the Company	(98,617)	(495,698)	(1,260,530)	(761,832)	**(4,462,830)**
Non-controlling interests	(24,984)	(52,711)	(52,386)	(35,315)	**(1,445,991)**
	(123,601)	(548,409)	(1,312,916)	(797,147)	**(5,908,821)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS *(Year ended 31 March)*

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
TOTAL ASSETS	19,442,268	19,999,614	19,003,995	18,729,336	**12,379,395**
TOTAL LIABILITIES	(10,135,948)	(9,639,463)	(9,457,391)	(10,069,318)	**(9,490,387)**
	9,306,320	10,360,151	9,546,604	8,660,018	**2,889,008**
TOTAL EQUITY					
Attributable to:					
Owners of the Company	6,581,154	7,687,514	6,933,655	6,091,353	**1,754,926**
Non-controlling interests	2,725,166	2,672,637	2,612,949	2,568,665	**1,134,082**
	9,306,320	10,360,151	9,546,604	8,660,018	**2,889,008**