



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)

Interim Report 2018

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wang Chuan (*Co-chairman and Chief Executive Officer*)
Zhang Li (*Co-Chairman*)
Zheng Yuan

Independent Non-Executive Directors

Li Bao Guo
Liu Yongshun
Wu Yanfeng
Chui Man Lung, Everett (Appointed on 30 June 2016 and resigned on 31 August 2018)

COMPANY SECRETARY

Leung Wai Shun Wilson (Appointed on 12 October 2015 and resigned on 16 November 2016)

EXECUTIVE COMMITTEE

Wang Chuan (*Chairman*)
Zheng Yuan
Zhang Li

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 m³

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

Management Discussion and Analysis

BUSINESS REVIEW

The Company was incorporated in Bermuda with limited liability on 30 October 1992. The principal activities of the Company and its subsidiaries (collectively the “**Group**”) were the mining of coking coal and the production and sale of raw coking coal, clean coking coal, coking and chemical products.

APPOINTMENT OF THE PROVISIONAL LIQUIDATORS AND THE WINDING-UP HEARING

On 29 March 2016, Satinu Markets Limited (previously known as HEC Securities Limited) presented a petition in the 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 the 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 applications being made to the Bermuda Court to proceed with the scheme. The JPLs were granted further powers pursuant to the Order of the Bermuda Court dated 28 April 2017.

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

SUSPENSION OF TRADING IN SHARES OF THE COMPANY AND RESUMPTION STATUS

The shares of the Company are listed on the Main Board of the Stock Exchange 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.

Management Discussion and Analysis

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 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.

A fresh resumption proposal of the Company was submitted to the Stock Exchange on 25 February 2019. The Listing Committee decided to delist the Company on 6 April 2020 and, subsequently, the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the application and the review hearing was held on 28 September 2020.

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

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

Management Discussion and Analysis

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 has led to a delay in the issuance of the Hong Kong Court’s approval of the draft Scheme document and a consequent delay in the convening of the Scheme Meeting. A revised draft Scheme document was submitted to the Hong Kong Court for approval on 10 June 2019.

Due to the delay in obtaining the sanction from the Hong Kong Court, it was not be 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 on or before 30 September 2019.

On 24 June 2019, the Hong Kong Court approved the revised Scheme document. Subsequently on 25 June 2019, the Honourable Mr. Justice Harris approved the period for convening and holding of the Scheme Meeting 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 in the Scheme Meeting. Subsequently, the Scheme was sanctioned by the Bermuda Court pursuant to section 99(2) of the Companies Act 1981 of Bermuda in November 2019. The Company published and despatched a circular to convene a special general meeting (“**SGM**”) to approve, inter alia, the transaction contemplated under the Scheme and the SGM will be held on 25 January 2021. The Company intends to submit the Scheme to the Hong Kong Court for sanction upon completion of the SGM.

Further announcement(s) will be made by the Company if and when there is material development in relation to the progress of the Scheme.

Management Discussion and Analysis

COAL RESOURCES AND RESERVES

As at 30 September 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 30 September 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:

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

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

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

Name of Coal Mine	Coal Resources			
	Coal Resources (Mt)	(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.

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

Management Discussion and Analysis

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

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

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

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

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

PROSPECT

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

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

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

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.

Management Discussion and Analysis

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

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

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

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2018, the Group recorded a revenue of approximately HK\$349,210,000, representing an increase of HK\$336,441,000 or 26.3 times as compared with that of approximately HK\$12,769,000 for the same period of 2017. The increase in revenue was mainly due to the increase in the sale volume of coke and coal comparing in the same period last year.

Cost of sales

During the six months ended 30 September 2018, cost of sales was approximately HK\$330,195,000 representing an increase of approximately HK\$317,082,000 or 24.2 times as compared with that of approximately HK\$13,113,000 for the same period of 2017. The increase in cost of sales was mainly due to the increase in the production volume of coke, which basically is in line with the increase in sale revenue.

Other Net Loss

During the six months ended 30 September, 2018, the other net income was HK\$32,194,000, which mainly comprised net gain on sales of property, plant and equipment of approximately HK\$143,000 and a net gain on deconsolidation of subsidiaries of approximately HK\$32,051,000. For the same period in 2017, other net loss was approximately HK\$6,782,000, which mainly represented by a net realized loss on trading securities of approximately HK\$4,917,000 and net loss on sales of property, plant and equipment of approximately HK\$230,000.

Administrative Expenses

During the period under review, administrative expenses were approximately HK\$15,573,000, representing a decrease of approximately HK\$19,871,000 or 56% as compared with that of approximately HK\$35,444,000 for the same period of 2017. The decrease was primarily due to the significant decrease in staff costs and depreciation and amortization the during the period.

Net Finance Costs

During the period under review, net finance costs were approximately HK\$399,098,000 representing a slightly increase of approximately HK\$33,460,000 or 9.1% as compared with that of approximately HK\$365,638,000 for the same period of 2017. The increase in net finance costs were mainly due to the significant increase in interest on borrowings, default and unwinding interest of convertible notes.

Management Discussion and Analysis

Income Tax Expense

During the period under review, the income tax expenses was approximately HK\$699,000, which comprised with the current income tax expenses of HK\$867,000 and deferred tax credit of HK\$168,000, while income tax expense was approximately HK\$670,000 for the same period of 2017, which comprised with the current income tax expenses of HK\$838,000 and deferred tax credit of HK\$168,000.

Loss for the period

By reasons of the foregoing, the Group recorded a loss of approximately HK\$364,084,000, during the period under review, representing a decrease of 10.9% as compared with that of approximately HK\$408,877,000 for the same period of 2017.

Liquidity and Financial Resources

As at 30 September 2018, the Group's current ratio was 0.11 (31 March 2018: 0.08), with current assets of approximately HK\$961,273,000 (31 March 2018: HK\$602,084,000) against current liabilities of approximately HK\$8,355,250,000 (31 March 2018: HK\$7,764,455,000). Cash and cash equivalents were approximately HK\$591,000 (31 March 2018: HK\$500,000). The Group's gearing ratio (non-current liability/total equity) was 71.8% as at 30 September 2018 (31 March 2018: 59.7%). The Group's working capital is mainly financed through internal generated cash flows, borrowings and equity financing. The Group had short-term borrowings of HK\$857,936,000 (31 March 2018: HK\$906,878,000) and outstanding convertible notes of HK\$4,059,841,000 (31 March 2018: HK\$3,890,937,000).

Treasury Policies

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

Foreign Exchange Risk

The Group's assets and liabilities are mainly denominated in HKD, RMB and USD, in order to 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 30 September 2018, the Group had a total of 369 employees (31 March 2018: 418) in the PRC, Hong Kong. Employees' remuneration packages are reviewed and determined with reference to the market pay and individual performance. Staff benefits include contributions to the mandatory provident fund, medical schemes and share option schemes.

Consolidated Statement of Profit or Loss – Unaudited

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2018	2017
		\$'000	\$'000
Revenue	5	349,210	12,769
Cost of sales		(330,195)	(13,113)
Gross loss		19,015	(344)
Other revenue	6	77	1
Other net gain/(loss)	6	32,194	(6,782)
Impairment losses of non-current assets		–	–
Administrative expenses		(15,573)	(35,444)
Gain/(Loss) from operations		35,713	(42,569)
Finance costs	7(a)	(399,098)	(365,638)
Loss before taxation	7	(363,385)	(408,207)
Income tax	8	(699)	(670)
Loss for the period		(364,084)	(408,877)
Attributable to:			
Equity shareholders of the Company		(357,769)	(392,679)
Non-controlling interests		(6,315)	(16,198)
Loss for the period		(364,084)	(408,877)
Loss per share (basic and diluted)	10	(8.25) cents	(9.05) cents

The notes on pages 20 to 56 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2018	2017
	\$'000	\$'000
Loss for the period	(364,084)	(408,877)
(i) Other comprehensive income for the period (after tax adjustments):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Exchange differences arising on translation of financial statements of subsidiaries outside of Hong Kong	(122,637)	31,668
Total comprehensive income for the period	(486,721)	(377,209)
Attributable to:		
Equity shareholders of the Company	(472,138)	(365,901)
Non-controlling interests	(14,583)	(11,308)
Total comprehensive income for the period	(486,721)	(377,209)

The notes on pages 20 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 September 2018

(Expressed in Hong Kong dollars)

		At 30 September 2018 \$'000	At 31 March 2018 \$'000
Non-current assets			
Property, plant and equipment	11	9,788,078	10,083,348
Prepaid land lease payments	12	59,076	62,589
Interests in deconsolidated subsidiaries	13	1,624,987	1,564,500
Restricted bank deposits	18	15,644	17,181
Other non-current assets	14	34,253	49,693
		11,522,038	11,777,311
Current assets			
Inventories	15	59,945	62,214
Trade and bills receivable	16	587,289	230,138
Prepayments, deposits and other receivables	17	313,448	309,232
Cash and cash equivalents	18	591	500
		961,273	602,084
Current liabilities			
Borrowings	19	857,936	906,878
Trade and bills payable	20	598,275	293,445
Contract liabilities		36,936	–
Other financial liabilities	21	912,971	918,258
Other payables and accruals	22	1,869,618	1,735,265
Current taxation		19,673	19,662
Convertible notes	23	4,059,841	3,890,937
		8,355,250	7,764,445

The notes on pages 20 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 September 2018
(Expressed in Hong Kong dollars)

	At	At
	30 September	31 March
	2018	2018
<i>Note</i>	\$'000	\$'000
Net current liabilities	(7,393,977)	(7,162,361)
Total assets less current liabilities	4,128,061	4,614,950
Non-current liabilities		
Deferred tax liabilities	1,725,774	1,725,942
Total non-current liabilities	1,725,774	1,725,942
NET ASSETS	2,402,287	2,889,008
CAPITAL AND RESERVES		
Share capital	907,703	907,703
Equity component of convertible notes	968,825	968,825
Reserves	(593,740)	(121,602)
Total equity attributable to equity shareholders of the Company	1,282,788	1,754,926
Non-controlling interests	1,119,499	1,134,082
TOTAL EQUITY	2,402,287	2,889,008

The notes on pages 20 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 September 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	Share	Accumulated losses	Total	Non-controlling interests	Total equity
							component of	award				
							convertible notes	scheme trusts				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
(note 25(b))	(note 25(c)(i))	(note 25(c)(ii))	(note 25(c)(iii))	(note 25(c)(iv))	(note 25(c)(v))	(note 23)	(note 25(c)(vi))					
Balance at 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
Loss for the period	-	-	-	-	-	-	-	-	(392,679)	(392,679)	(16,198)	(408,877)
Other comprehensive income for the period	-	-	-	-	26,779	-	-	-	-	26,779	4,890	31,669
Total comprehensive income for the period	-	-	-	-	26,779	-	-	-	(392,679)	(365,900)	(11,308)	(377,208)
Balance at 30 September 2017	907,703	5,424,509	(606,665)	385,168	(80,882)	3,490	968,825	(31,495)	(1,245,200)	5,725,453	2,557,357	8,282,810
Balance at 30 September 2017 and 1 October 2017	907,703	5,424,509	(606,665)	385,168	(80,882)	3,490	968,825	(31,495)	(1,245,200)	5,725,453	2,557,357	8,282,810
Loss for the period	-	-	-	-	-	-	-	-	(4,070,151)	(4,070,151)	(1,429,793)	(5,499,944)
Other comprehensive income for the period	-	-	-	-	99,624	-	-	-	-	99,624	6,518	106,142
Total comprehensive income for the period	-	-	-	-	99,624	-	-	-	(4,070,151)	(3,970,527)	(1,423,275)	(5,393,802)
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
Balance at 1 April 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
Loss for the period	-	-	-	-	-	-	-	-	(357,769)	(357,769)	(6,315)	(364,084)
Other comprehensive income for the period	-	-	-	-	(114,369)	-	-	-	-	(114,369)	(8,268)	(122,637)
Total comprehensive income for the period	-	-	-	-	(114,369)	-	-	-	(357,769)	(472,138)	(14,583)	(486,721)
Balance at 30 September 2018	907,703	5,424,509	(606,665)	385,168	(95,627)	3,490	968,825	(31,495)	(5,673,120)	1,282,788	1,119,499	2,402,287

The notes on pages 20 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
	<i>Note</i>	2018	2017
		\$'000	\$'000
Operating activities			
Cash generated from/(used in) operations		101	(12,008)
Tax paid		–	–
Net cash used in operating activities		101	(12,008)
Investing activities			
Proceeds from sales of property, plant and equipment		–	–
Investment in trading securities		–	–
Proceeds from disposal of trading securities		–	12,003
Interest received		1	1
Net cash generated from investing activities		1	12,004
Financing activities			
Repayment of other loans		–	–
Net cash generated from financing activities		–	–
Net increase in cash and cash equivalents		102	(4)
Cash and cash equivalents at 1 April		500	660
Effect of foreign exchange rate changes		(11)	14
Cash and cash equivalents at 30 September	<i>18</i>	591	670

The notes on pages 20 to 56 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

(a) Going concern basis

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

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

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

Suspension of Trading in Shares of the Company

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION (Continued)

(a) Going concern basis (Continued)

Listing Status

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

- (i) On 19 September 2016, the Supreme Court of Bermuda (the “**Bermuda Court**”) ruled that an application to appoint the JPLs is granted. On 7 October 2016, the Court appointed Mr Osman Mohammed Arab and Mr Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, as the JPLs of the Company. There is another winding-up petition against the Company to be heard in the Court of First Instance of the High Court of Hong Kong (the “**Hong Kong Court**”), with the hearing scheduled for 28 November 2016. The Company (together with its subsidiaries) has submitted that over \$8 billion of indebtedness has become due as a result of a cross default.
- (ii) The scale of the Company’s operation is insufficient to justify the continuing listing of its shares. The Company has substantially reduced its operation due to financial difficulties and the drop in coal price.
- (iii) Based on the Company’s management accounts as at 31 March 2016, the Company (together with its subsidiaries) had total assets of \$24 billion, which mainly consists of its mining assets. However, the Company has failed to substantiate such carrying value with an updated valuation and, in particular, has not performed any impairment test on such assets.
- (iv) The Company has recorded gross loss and net loss in the past three years.

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(a) Going concern basis *(Continued)*

Listing Status *(Continued)*

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

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

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

The Listing Committee decided to delist the Company on 6 April 2020 and, subsequently, the Company lodged a review application against the Listing Committee's decision. The Listing (Review) Committee accepted the application and the review hearing was held on 28 September 2020.

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

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

Winding up petitions

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(a) Going concern basis *(Continued)*

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 6 months ended 30 September 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 6 months ended 30 September 2018, the Group had incurred a loss of approximately \$364 million. As at 30 September 2018, the Group’s current liabilities exceeded its current assets by \$7,394 million. The financial performance and financial position have not improved significantly subsequently in the financial years.

Borrowings and bonds default

As disclosed in notes 19 and 23, 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 \$857.9 million which are included in the Group’s interest-bearing borrowings and convertible notes with carrying amount of \$4,059.8 million as at 30 September 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(a) Going concern basis *(Continued)*

Expiration of mining licenses

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

The management of the Company are actively communicating with the relevant government authorities, preparing the application documents and undertaking actions, including engaging constructors to complete the construction of relevant mine properties, as required by government authorities to obtain the renewed mining licenses of Shizhuanggou, Quanshuigou and Xiaohuangshan coal mines for the foreseeable future. However, because of the liquidity issues faced by the Group, the Group might not meet the requirements for the renewal of mining licenses, or the further extension of the license period for Xiaohuangshan coal mine, including, among others, the ability to complete the construction of relevant mine properties and proceed the mining activities as outlined in the mining plan previously submitted to government authority for the obtaining of the mining licenses. In view of these, there is a heightened risk that the relevant authorities may not approve the application for the renewal of the mining licenses.

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

Proposed restructuring of the Company

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

(i) Debt-to-equity swap

Under the proposed restructuring, upon completion of the scheme of arrangement (the "**Scheme**"), all the existing debts of the creditors of the Company (the "**Creditors**") will be converted to the corresponding proportion of the Company's common stock. The key principles are: (1) all admitted debts owed to the financial creditors and contingent liability creditors (subject to adjudication) will convert at the same conversion price; (2) all existing debts of the Creditors will participate in the conversion voluntarily and/or compulsorily pursuant to 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.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(a) Going concern basis *(Continued)*

Proposed restructuring of the Company (Continued)

(i) Debt-to-equity swap *(Continued)*

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

If the Scheme is implemented, each of the Creditors will discharge and waive all its claims in consideration for the right to participate with each of the other Creditors in the distribution of the dividends pursuant to the terms of the Scheme.

(ii) Financing opportunities

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(a) 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 Shizhuangou, Quanshuigou and Xiaohuangshan coal mines.

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

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

(b) De-consolidation of Subsidiaries

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(b) De-consolidation of Subsidiaries *(Continued)*

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

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

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

Upon the application of, among others, CMBC, in respect of GCC Group and 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 the and 0925165 B.C. Ltd..

Subsequent to the appointment of receivership, the Company considered that it is appropriate to deem that the control over GCC Group had been lost since 3 February 2017. In addition, as there is insufficient access to the books and records of the GCC Group for the period from the completion of the acquisition to 3 February 2017, GCC Group were not included in the consolidated financial statements of the Group from the acquisition completion date (2 September 2015).

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

- (i) USD410,000,000 being payable in cash for the settlement of the facility made by CMBC to GCC under a facility agreement;
- (ii) an amount which shall not exceed USD15,000,000 being repayment of the Receiver’s Borrowings Charge; and
- (iii) USD5,910,000 being a repayment of an assigned loan by Sonicfield to GCC Maple Holdings Ltd.

This transaction was completed on 18 July 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(b) De-consolidation of Subsidiaries *(Continued)*

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

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(b) De-consolidation of Subsidiaries *(Continued)*

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

(b) De-consolidation of Subsidiaries *(Continued)*

(iii) De-consolidation of Up Energy Trading Limited (“UE Trading”)

The Company directly held 100% equity interest in UE Trading. UE Trading was resolved to be wound up by the mode of creditors’ voluntary winding up on 8 June 2018. On the same dates, liquidators have also been appointed for the purpose of such winding-up. Accordingly, the Company considered that it is appropriate to deem that the control over UE Trading had been lost since 8 June 2018 and the Group deconsolidated this subsidiary from that dates.

A net gain on deconsolidation of a subsidiary amounting to \$32 million was recorded in respect of the deconsolidation of this subsidiary.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments.

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*
- (iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

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

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

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

4 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE

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

	Six months ended 30 September	
	2018 \$'000	2017 \$'000
Coke	310,541	11,500
Others	38,669	1,269
	<hr/>	<hr/>
	349,210	12,769

6 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 September	
	2018 \$'000	2017 \$'000
Other revenue		
Others	77	1
	<hr/>	<hr/>
	77	1
Other net (loss)/income		
Net loss on trading securities	-	(4,917)
Net gain on deconsolidation of subsidiaries (note 2(b)(iii))	32,051	-
Net (loss)/gain on sales of property, plant and equipment	143	(230)
Others	-	(1,635)
	<hr/>	<hr/>
	32,194	(6,782)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Interest on borrowings	69,958	66,256
Unwinding interest of convertible notes (note 23)	253,828	223,689
Default interest of convertible notes	73,206	73,206
Unwinding interest of other financial liabilities (note 21)	2,106	2,487
	<hr/>	<hr/>
Finance costs	399,098	365,638

(b) Staff costs

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Salaries, wages, bonus and other benefits	3,629	6,058
Retirement scheme contributions	214	626
	<hr/>	<hr/>
	3,843	6,684

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (“the Schemes”) organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2017: 20%) of the eligible employees’ salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 LOSS BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Amortisation of prepaid land lease payments	942	1,180
Depreciation of property, plant and equipment	8,506	9,494
Operating lease charges: minimum lease payments hire of property	250	–

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Current tax		
Provision for the period*	867	838
Deferred tax		
Origination and reversal of temporary differences	(168)	(168)
Total income tax charge for the period	699	670

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the subsidiaries incorporated in Bermuda and BVI of the Group are not subject to any income tax.

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 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.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

	Six months ended 30 September	
	2018	2017
	\$'000	\$'000
Loss before taxation	(363,385)	(408,207)
Notional tax on loss before taxation, calculated at the rates applicable to results in the jurisdictions concerned	(93,158)	(71,840)
Tax effect of non-deductible expenses	99,711	61,126
Tax effect of using tax losses previously unrecognised	(4,398)	–
Tax effect of non-taxable income	(7,209)	–
Tax effect of tax losses not recognised	5,753	11,384
Actual tax expenses	699	670

9 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 September 2018 and 2017.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2018 of \$357,769,000 (six months ended 30 September 2017: \$392,679,000) and the weighted average of 4,337,325,000 ordinary shares (six months ended 30 September 2017: 4,337,325,000) in issue during the interim period, as adjusted to reflect the puttable shares arising from the acquisition of Champ Universe Limited (“**Champ Universe**”) and share purchased under the share award scheme.

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 September 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 and Puttable Share arising from the acquisition of Champ Universe at 28 June 2013 during the six months ended 30 September 2018 and 2017 have anti-dilutive effect to basic loss per share.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT, NET

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

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

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

Subsequent to the suspension of trading of the Company's shares in June 2016, certain of its key management left the Group and the activities to formulate mine development plans were suspended. Therefore, in preparing the financial statements for 6 months ended 30 September 2018, the JPLs do not have sufficient information to perform an assessment of recoverable amount of the property, plant and equipment as at 30 September 2018, due to the fact that no reliable discounted cash flow can be prepared without valid mine development plan.

As at 30 September 2018, the ownership of equipment and machineries amounting to \$193,084,000 (As at 31 March 2018: \$234,194,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda.

As at 30 September 2018, mine properties of the Group of \$3,568,861,000 (As at 31 March 2018: \$3,727,550,000 and construction in progress of the Group of \$51,128,000 (As at 31 March 2018: \$69,898,000) have been pledged as collateral for the Group's borrowings

12 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 at 30 September 2018, prepaid land lease payments of the Group of \$25,086,000 (31 March 2018: \$25,055,000) have been pledged to certain banks for the Group's borrowings (see note 19).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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 30 September 2018, the interests in these deconsolidated subsidiaries as below:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Investment costs in GCC Group	-	-
Amounts due from GCC Group	537,785	537,785
Less: provision	(537,785)	(537,785)
	-	-
Investment costs in Champ Universe Group	10,710	11,245
Amounts due from Champ Universe Group	1,553,255	1,553,255
Less: provision	-	-
Sub-total	1,563,965	1,564,500
Investment costs UE Trading	-	-
Amounts due from UE Trading	61,022	-
Less: provision	-	-
	61,022	-
Total	1,624,987	1,564,500

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 OTHER NON-CURRENT ASSETS

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Prepayments to suppliers for property, plant and equipment	2,841	15,058
Deductible input Value Added Tax ("VAT")	31,412	34,635
	34,253	49,693

15 INVENTORIES

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

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Raw materials	21,773	2,477
Work in progress	457	2,055
Finished goods	31,212	51,161
Materials and supplies	6,503	6,521
	59,945	62,214
Less: provision for diminution in value of inventories	-	-
	59,945	62,214

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

	Six months ended 30 September 2018 \$'000	2017 \$'000
Carrying amount of inventories sold	330,195	13,113
	330,195	13,113

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

16 TRADE AND BILLS RECEIVABLES

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Trade receivables due from third party customer	587,289	228,890
Bills receivable	–	1,248
	587,289	230,138

Trade and bills receivables are invoiced amounts due from the Group's customers which are due within 60 days from the date of billing.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and bills receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Within 3 months	200,167	136,723
3 to 6 months	117,329	29,369
Over 6 months but within 1 year	214,114	534
Over 1 year but within 2 years	3,841	5,918
Over 2 years but within 3 years	51,838	55,606
Over 3 years	–	1,988
	587,289	230,138

(b) Impairment of trade debtors and bills receivable

Bills receivable are generally due within 180 days from the date of billing. As at 30 September 2018, the Group has no impairment losses on trade and bills receivable (31 March 2018: 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Prepayments (note (i))	97,860	54,868
Deposits (note (i))	93,493	86,850
Current portion of land lease prepayment	2,373	2,445
VAT and other tax receivables (note (ii))	11,166	18,592
Amount due from related parties (note (iii))	46,539	100,931
Other receivables	62,017	45,546
	313,448	309,232

Notes:

- (i) Prepayment and deposits mainly represent advance to suppliers, deposits and current portion of prepaid land lease payments.
- (ii) VAT and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the local tax authorities. Based on current available information the Group anticipates full recoverability of such amount after commercial production.
- (iii) Related parties mainly represent the founder of a trust that owns, indirectly through certain intermediate companies, the controlling shareholder of the Company, companies controlled by the founder of the aforementioned trust and the former Chairman and Chief Executive Officer of the Company who is also a beneficiary of the aforementioned trust.

18 CASH AND CASH EQUIVALENTS

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Cash at bank and in hand	16,235	17,681
Less: restricted bank deposits	(15,644)	(17,181)
Cash and cash equivalents	591	500

As at 30 September 2018, the Group's bank balances of approximately \$15,644,000 (31 March 2018: \$17,181,000) were deposited at banks as a mine geological environment protection guarantee fund pursuant to the relevant government regulations. Such guarantee deposit will be released when the obligations of environment protection are fulfilled and accepted by the competent government entities.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 BORROWINGS

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

	At	At
	30 September	31 March
	2018	2018
	\$'000	\$'000
Bank loans		
– secured	398,662	419,709
– guaranteed	317,000	312,216
Less: current portion	715,662	731,925
	–	–

As at 30 September 2018, the interest-bearing borrowings, including loans from Minsheng Bank Hong Kong and ICBC Fukang (as defined below), were repayable as follows:

	At	At
	30 September	31 March
	2018	2018
	\$'000	\$'000
Within 1 year or on demand	715,662	731,925

On 28 June 2013, UE Mining, a wholly owned subsidiary of the Group, obtained a loan facility, amounting to \$480,000,000, from Minsheng Bank Hong Kong. As at 30 September 2018, the balance under this loan facility is \$184,347,000 (31 March 2018: \$184,347,000). As at 30 September 2018, 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 China Minsheng Bank Corporation Limited Hong Kong Branch (“**Minsheng Bank Hong Kong**”).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 BORROWINGS *(Continued)*

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

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 \$317,000,000. As at 30 September 2018, \$317,000,000 (As at 31 March 2018: \$317,000,000) had been drawn down under this loan facility. 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. As at 30 September 2018, these loans were past due.

On 5 March 2014, UE Xinjiang as borrower entered into a long-term facility loan agreement of RMB250 million (equivalent to \$315 million) and RMB270 million (equivalent to \$340 million), respectively with Industrial and Commercial Bank of China Limited Fukang Branch (“**ICBC Fukang**”) for the construction of the Shizhuanggou Mine and Quanshuigou Mine. As at 30 September 2018, the balance under this loan facility is RMB188,591,000 (equivalent to \$214,315,000). The loan period is 2 years, and the interest rate is 110% of the prime loan rate of People's Bank of China. As at 30 September 2018, these loans were past due. Mine properties with an aggregate carrying value of \$3,394,221,000 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 BORROWINGS (Continued)

(b) The short-term borrowings comprise:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Unsecured loans (note (i))	25,228	56,232
Secured bank loans (note (ii))	17,046	18,721
Guaranteed bank loans (note (iii))	100,000	100,000
Current portion of long-term borrowings		
— Bank loan	715,662	731,925
	857,936	906,878

Notes:

(i) As at 30 September 2018, loan amounting to \$15,000,000 (31 March 2018: \$15,000,000) were borrowed from the Kaisun Holdings Limited (previously known as Kaisun Energy Group Limited), and the interest rate is 17% per annum. As at 30 September 2018, these loans were past due.

As at 30 September 2018, bank loan amounting to \$10,228,000 (31 March 2018: \$11,232,000) was borrowed from China Construction Bank Fukang Branch, and the interest rate is 5.6% per annum. As at 30 September 2017, the loan was past due.

(ii) As at 30 September 2018, banks loans amounting to \$17,046,000 (31 March 2018: \$18,721,000) were secured by prepaid land lease payments and property, plant and equipment with an aggregate carrying value of \$22,814,000 (31 March 2018: \$25,055,000) and \$63,647,000 (31 March 2018: \$69,898,000) respectively. As at 30 September 2018, the loans were past due.

(iii) As at 30 September 2018, loans amounting to \$50,000,000 and \$50,000,000 were borrowed from third parties, and the interest rates are 33% and 18% per annum, respectively. As at 30 September 2018, these loans were past due.

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

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20 TRADE AND BILLS PAYABLES

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

At 30 September 2018, the ageing analysis of trade creditors and bills payables, based on invoice date, is as follows:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Within 3 months	180,651	145,090
Over 3 months but within 6 months	146,878	476
Over 6 months but within 1 year	109,192	146
Over 1 year but within 2 years	5,004	10,409
Over 2 years but within 3 years	94,039	52,401
Over 3 years	62,511	84,923
	598,275	293,445

21 OTHER FINANCIAL LIABILITIES

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Other financial liabilities:		
– At amortised cost (<i>note (a)</i>)	482,586	487,873
– At fair value (<i>note (b)</i>)	430,385	430,385
	912,971	918,258
Among which:		
– Current portion	912,971	918,258
– Non-current portion	–	–

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

21 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 2017	125,101	308,000	33,181		466,282
Addition				7,000	7,000
Unwinding interests			4,073		4,073
Interest payables			(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
At 1 April 2018	138,607	308,000	34,266		487,873
Addition				6,500	6,500
Unwinding interests (note 7(a))			2,106		2,106
Interest payables			(1,497)		(1,497)
Exchange adjustments	(12,396)				(12,396)
At 30 September 2018	126,211	308,000	34,875	13,500	482,586
Among which:					
Current Portion	126,211	308,000	34,875	13,500	482,586
Non-current portion	-	-	-	-	-

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

21 OTHER FINANCIAL LIABILITIES (Continued)

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

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 17) made by two subsidiaries of the Company, respectively. Mr. Qin Jun, the controlling shareholder of the Company, provided an irrevocable guarantee for the Group’s performance of obligations in favour of Cinda for, including but not limited to, all amounts payable by the Group under the Agreements. As at 30 September 2018 ownership of equipment and machineries amounting to \$193,084,000 (31 March 2018: \$234,194,000), which were recorded as plant and machinery and construction in progress, was in possession of Cinda. As at 30 September 2018, the liabilities under the Agreements were past due.
- (ii) 140,000,000 ordinary shares (the “**Puttable Shares**”) of the Company, to which put option was attached, was issued on 28 June 2013 as part of consideration for acquisition of Champ Universe. Pursuant to the put option, Hao Tian Resources Group Limited (“**Hao Tian**”) has the right to request the Group to repurchase the Puttable Shares at \$2.2 per share with 20 business days after 28 June 2016. The financial liabilities was amortised at a rate of 10.47% per annum till June, 2016. As at 30 September 2018, the liabilities under the Agreements were past due.
- (iii) As at 30 September 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 30 September 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.

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

22 OTHER PAYABLES AND ACCRUALS

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Payables for construction work and equipment purchases	432,407	250,296
Security deposits on construction work	15,662	25,223
Amounts due to deconsolidated subsidiaries	40,061	23,904
Amounts due to related parties (<i>note</i>)	93,788	122,182
Other taxes payable	24,913	19,877
Interest payables	1,228,922	1,042,737
Receipts in advance	–	145,171
Others	33,865	105,875
	1,869,618	1,735,265

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.

23 CONVERTIBLE NOTES

	Liability component \$'000	Equity component \$'000	Total \$'000
At 1 April 2018	3,890,937	968,825	4,859,762
Interest charged during the year (<i>note 7(a)</i>)	253,828		253,828
Interests payable	(84,924)		(84,924)
At 30 September 2018	4,059,841	968,825	5,028,666
Among which:			
– Current portion	4,059,841		
– Non-current portion	–		

As at 30 September 2018, two tranches of convertible notes of the Company are outstanding, namely Tranche A and Tranche B convertible notes.

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(Expressed in Hong Kong dollars unless otherwise indicated)

23 CONVERTIBLE NOTES *(Continued)*

Tranche A and Tranche B

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

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

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

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

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

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

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

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

There was no convertible note converted by note holder into ordinary shares in the period from 1 April 2016 to 30 September 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

23 CONVERTIBLE NOTES *(Continued)*

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

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

The convertible notes with carrying amount of \$4,059,841,000 are past due as at 30 September 2018.

24 SHARE OPTION SCHEME

(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 six months ended 30 September 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE OPTION SCHEME (Continued)

(b) Share award scheme

Pursuant to a written resolution of the board of director 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 30 September 2018, no award has been made under the Share Award Scheme.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of interim dividend in respect of the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

(b) Share capital

	At 30 September 2018		At 31 March 2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Authorised:				
Ordinary shares of \$0.2 each	20,000,000	4,000,000	20,000,000	4,000,000
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 period/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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Nature and purpose of reserves

(i) **Share premium**

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

(ii) **Other reserve**

Pursuant to Bermuda Company Law, difference between the issue price and fair value of the issued shares amounting to \$345,800,000 and issue price of the Puttable Shares amounting 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**

This 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 operations which are dealt with in accordance with the Group's accounting policies.

(v) **Capital reserve**

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

(vi) **Share award scheme trusts**

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Distributability of reserves

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

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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

During the six months ended 30 September 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.

(b) Fair value of financial instruments 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 30 September 2018 has not been disclosed.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

27 COMMITMENTS

(a) Capital commitments

	At	At
	30 September	31 March
	2018	2018
	\$'000	\$'000
Contracted for	322,234	353,878

28 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 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 mines 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 30 September 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the six months ended 30 September 2017:

(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, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended	
	30 September	
	2018	2017
	\$'000	\$'000
Salaries and other emoluments	35	284

The remuneration is included in "staff costs" (see note 7 (b)).

(b) Material related party transactions

During the six months ended 30 September 2018, the Group entered into the following material related party transactions:

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Cash advance from related parties	-	-
Advances to related parties	-	-

Notes:

The directors 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	At 30 September 2018 \$'000	At 31 March 2018 \$'000
Other receivables (note 17)	46,539	100,931
Other payables and accruals (note 22)	93,788	122,182

30 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 Supreme Court of Bermuda (the **Bermuda Court**) to wind up the Company based on a purported debt of at least HK\$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 Joint Provisional Liquidators (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 30 October 2020, the Bermuda Court ordered that the Bermuda winding-up petition hearing be adjourned to 29 January 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

30 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) Winding-up Petition in Hong Kong

On 29 March 2016, Enerchina Securities Limited (previously known as HEC Securities Limited) filed a winding-up petition against the Company in the High Court of Hong Kong (the “**Hong Kong Court**”) based on the matured convertible Notes which amounted to an outstanding debt of HK\$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 18 November 2020, the Hong Kong Court ordered that the Hong Kong winding-up petition hearing be adjourned to 8 February 2021.

(c) Impact of COVID-19

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

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 September 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 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

Name of Director	Capacity	Number of Shares/underlying Shares held in the Company			Total number of Shares and underlying Shares	Approximate percentage of issued capital of the Company as at 30 September 2018	Notes
		Number of Shares	Number of underlying Shares				
Zhang Li	Beneficiary Interest	24,100,000 (L)	–		24,100,000 (L)	0.53%	2

Abbreviations: "L" stands for long position

Notes:

- 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.
- As at 30 September 2018, the number of issued Shares of the Company was 4,538,515,411 Shares.

Other Information

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

As at 30 September 2018, so far as is known to the Directors, the following persons, not being a Director or the chief executive of the Company, have 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 Division 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Interest and short positions in the Shares and Underlying Shares

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%	
Perfect Harmony Holdings 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%	
Seletar 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%	
Serangoon 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%	
Credit Suisse Trust Limited	Trustee	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	4
		1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	
Liu Huihua	Spouse Interest	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	5
		1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	
Wang Mingquan	Founder of Trust	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	5
		1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	
Wang Jue	Beneficiary	1,377,073,492 (L)	3,070,757,880 (L)	4,447,831,372 (L)	98.00%	6
	Interest of Trust/ Spouse Interest	1,331,051,890 (S)	2,628,101,945 (S)	3,959,153,835 (S)	87.23%	
Up Energy Capital Limited	Corporate Interest	–	318,578,135 (L)	318,578,135 (L)	7.02%	7

Other Information

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	Notes
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
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 (S)	–	300,000,000 (L) 300,000,000 (S)	6.61% 6.61%	12
Exploratory Capital Limited	Beneficiary Interest	300,000,000 (L) 300,000,000 (S)	–	300,000,000 (L) 300,000,000 (S)	6.61% 6.61%	12
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) 140,000,000 (S)	–	367,500,000 (L) 140,000,000 (S)	8.10% 3.08%	
	Corporate Interest	4,000,000 (L)	134,138,162 (L)	138,138,162 (L)	3.04%	

Other Information

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued capital	Notes
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

Notes:

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

Other Information

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 30 September 2018, the number of issued Shares of the Company was 4,538,515,411 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

To the best knowledge of the JPLs, during the six months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Due to the financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the Directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2018.

CHANGE OF DIRECTORS' INFORMATION

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.

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

Other Information

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 Period, including the accounting principles and practices adopted by the Group, have not been reviewed by the audit committee.

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

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

Hong Kong, 13 January 2021