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**PetroAsian Energy Holdings Limited**  
**中亞能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 850)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**ANNUAL RESULTS**

The board of directors (the “Board”) of PetroAsian Energy Holdings Limited (the “Company”) announces that the consolidated annual results for the year ended 31 March 2016 of the Company and its subsidiaries (together, the “Group”) together with the comparative financial information for the previous year are as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2016*

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i> (Restated)
Revenue	4	<b>5,932,235</b>	804,167
Cost of sales		<b>(5,808,056)</b>	(801,188)
Gross profit		<b>124,179</b>	2,979
Other losses, net	5	<b>(199,149)</b>	(61,339)
Selling and distribution costs		<b>(20,164)</b>	(3,116)
Administrative expenses		<b>(82,839)</b>	(76,962)
Operating loss		<b>(177,973)</b>	(138,438)
Finance income	6	<b>1,354</b>	1,322
Finance costs	6	<b>(32,779)</b>	(14,931)
Share of losses of associates		<b>(21,409)</b>	(20,557)
Loss before income tax		<b>(230,807)</b>	(172,604)
Income tax credit	7	<b>159</b>	5,332
Loss for the year		<b>(230,648)</b>	(167,272)
Loss for the year attributable to:			
Owners of the Company		<b>(227,059)</b>	(148,305)
Non-controlling interests		<b>(3,589)</b>	(18,967)
		<b>(230,648)</b>	(167,272)
Loss per share (HK cents)	8		
Basic		<b>(4.19)</b>	(3.13)
Diluted		<b>(4.19)</b>	(3.13)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Loss for the year	(230,648)	(167,272)
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(4,193)	(3,164)
Reclassification of exchange reserve upon deemed disposal of a subsidiary	(8,642)	–
Changes in fair value of available-for-sale investments	(23,114)	(26,667)
Share of exchange reserve of an associate	(18)	109
	(35,967)	(29,722)
Total comprehensive loss for the year	<u>(266,615)</u>	<u>(196,994)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(257,956)	(178,122)
Non-controlling interests	(8,659)	(18,872)
	<u>(266,615)</u>	<u>(196,994)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2016*

	<i>Note</i>	<b>2016</b>	2015
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>87,298</b>	159,952
Investment properties		<b>108,349</b>	23,862
Goodwill		<b>16,040</b>	16,711
Other intangible assets		<b>125,461</b>	231,095
Interests in associates		–	21,427
Prepayments, deposits and other receivables		<b>31,538</b>	44,097
Other financial assets		<b>24,533</b>	47,647
		<u><b>393,219</b></u>	<u>544,791</u>
<b>Current assets</b>			
Inventories		<b>2,626</b>	7,180
Trade receivables	<i>10</i>	<b>348,020</b>	313,606
Loan receivables		<b>19,913</b>	29,159
Prepayments, deposits and other receivables		<b>102,676</b>	48,537
Derivative financial assets		<b>510</b>	–
Other financial assets		<b>147</b>	132
Cash and bank balances		<b>208,168</b>	212,766
		<u><b>682,060</b></u>	<u>611,380</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>274,924</b>	295,061
Accruals and other payables		<b>49,754</b>	46,802
Derivative financial liabilities		–	26,742
Bank borrowings		–	46,624
Current income tax liabilities		<b>211</b>	–
		<u><b>324,889</b></u>	<u>415,229</u>
<b>Net current assets</b>		<u><b>357,171</b></u>	<u>196,151</u>
<b>Total assets less current liabilities</b>		<u><b>750,390</b></u>	<u>740,942</u>

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>62,174</b>	49,857
Reserves	<b>322,258</b>	415,826
	<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>	<b>384,432</b>	465,683
Non-controlling interests	<b>(3,096)</b>	9,133
	<hr/>	<hr/>
<b>Total equity</b>	<b>381,336</b>	474,816
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<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>2,224</b>	2,797
Bonds	<b>366,830</b>	263,329
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	<b>369,054</b>	266,126
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	<b>750,390</b>	740,942
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# NOTES

## 1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 19/F, 80 Gloucester Road, Wan Chai, Hong Kong, respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are trading of commodities, the exploitation and sale of crude oil, sale of chemical products, provision of exploration drilling services, property investment, money lending business and brokerage of securities.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of certain available-for-sale financial investments, held-for-trading investments and derivative financial assets and liabilities, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### (i) Changes in presentation of the consolidated income statement

In previous years, the Group presented an analysis of expenses recognised in consolidated income statement using a classification based on their nature.

During the year, the Board has performed a review of the content and presentation of the financial statements to ensure compliance with relevant accounting standards as well as comparable to those of the other market participants within the same industry and the business development and operation of the Group. In view of the Group’s results of operations mainly driven by the commodity trading segment in the current year and placing less focus on the exploitation of crude oil, the Board considered that it is appropriate to adopt an analysis of expenses recognised in consolidated income statement using a classification based on their function which would be more relevant to the Group’s circumstances and for the users of the Group’s financial statements.

The changes in presentation have been adopted retrospectively, and certain corporate figures have been restated. The changes in the presentation of the consolidated income statement did not have any impact of the Group’s loss for the year or the calculation of the Group’s loss per share.

**(ii) New amendments to standards effective for annual periods beginning on 1 April 2015:**

Amendment to HKAS 19 (2011)	Defined benefit plans: Employee contributions
Amendment to HKFRSs	Annual improvements 2010-2012 cycle
Amendment to HKFRSs	Annual improvements 2011-2013 cycle

The adoption of the new amendments to standards did not have any material impact on the preparation of the Group's consolidated financial statements.

**(iii) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

**(iv) New standards and amendments to standards have been issued but are not effective and have not been early adopted**

		<b>Effective for annual periods beginning on or after</b>
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associates or joint venture	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRSs	Annual improvements 2012-2014 cycle	1 January 2016

The Group is assessing the impacts of these new standards and amendments to standards and will apply them once they are effective.

#### 4 REVENUE AND SEGMENT INFORMATION

The Executive Directors of the Company have been regarded as the chief operating decision maker (“CODM”). The Group’s operating segments, based on information reported to the CODM for the purpose of resource allocation and performance assessment, are as follows:

- Trading of commodities (“Commodity trading”);
- Exploitation and sale of crude oil (“Crude oil”);
- Sale of paints, blended solvents and plastic colorants (“Chemical products”);
- Provision of exploration drilling services (“Service contract”);
- Leasing of investment properties (“Property investment”); and
- Others.

The Group also carries out business as money lenders and securities brokerage in Hong Kong. The financing for these businesses was primarily obtained through the Group’s internal resources. The CODM, after reviewing for qualitative factors such as the business activities, economic and legal characteristics of the business and quantitative factors such as the financial performance of the business, has accordingly determined that the money lending and securities brokerage businesses did not qualify as reportable operating segments, and their financial information is included in “Others”.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the loss made or profit earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group’s operating performance, including bank interest income, central administration costs, directors’ emoluments, share of losses of associates, changes in fair value of held-for-trading investments and derivative financial instruments, share-based payments in respect of consultation fees and finance costs.

The CODM also reviews the earnings/loss before net finance income and costs, income tax expense, depreciation and amortisation, impairment losses of property, plant and equipment, investment properties and other intangible assets, unallocated other income less expenses and non-controlling interests (“EBITDA” or “LBITDA”) of the Group. Accordingly, EBITDA or LBITDA is also presented.

For the purposes of monitoring segment performance and allocating resources among segments, all assets are allocated to operating segments other than interests in associates, derivative financial assets, other financial assets, cash and bank balances and other corporate assets.

The CODM reviews the segment assets for the purposes of resource allocation and performance assessment, an analysis of the Group's liabilities is not regularly reviewed by the CODM and hence, the relevant information is not presented accordingly.

**(a) Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segments.

	For the year ended 31 March 2016						Total HK\$'000
	Commodity trading HK\$'000	Crude oil HK\$'000	Chemical products HK\$'000	Service contract HK\$'000	Property investment HK\$'000	Others HK\$'000	
Segment revenue	<u>5,856,335</u>	<u>-</u>	<u>62,843</u>	<u>1,580</u>	<u>643</u>	<u>10,834</u>	<u>5,932,235</u>
Segment EBITDA/(LBITDA)	85,148	(9,379)	(4,397)	(16,305)	304	4,297	59,668
Segment depreciation and amortisation	(1,578)	(495)	(75)	(7,735)	(1,000)	(41)	(10,924)
Impairment losses of property, plant, equipment, investment properties and other intangible assets	-	(145,086)	-	-	(11,525)	-	(156,611)
Segment results	<u>83,570</u>	<u>(154,960)</u>	<u>(4,472)</u>	<u>(24,040)</u>	<u>(12,221)</u>	<u>4,256</u>	<u>(107,867)</u>
Unallocated expenses							(70,106)
Finance income							1,354
Finance costs							(32,779)
Share of loss of associates							(21,409)
Loss before income tax							<u>(230,807)</u>
	For the year ended 31 March 2015						
	Commodity trading HK\$'000	Crude oil HK\$'000	Chemical products HK\$'000	Service contract HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	<u>686,767</u>	<u>3,173</u>	<u>104,577</u>	<u>5,163</u>	<u>-</u>	<u>4,487</u>	<u>804,167</u>
Segment EBITDA/(LBITDA)	1,728	(11,749)	1,819	(566)	(215)	4,308	(4,675)
Segment depreciation and amortisation	(1,635)	(1,831)	(82)	(11,993)	(537)	(1)	(16,079)
Impairment losses of property, plant, equipment and other intangible assets	-	(9,365)	-	(23,693)	-	-	(33,058)
Segment results	<u>93</u>	<u>(22,945)</u>	<u>1,737</u>	<u>(36,252)</u>	<u>(752)</u>	<u>4,307</u>	<u>(53,812)</u>
Unallocated expenses							(84,626)
Finance income							1,322
Finance costs							(14,931)
Share of loss of an associate							(20,557)
Loss before income tax							<u>(172,604)</u>



Revenue from one (2015: four) customer in relation to commodity trading amounted to approximately HK\$5,329,119,000 (2015: HK\$606,456,000), which individually represents more than 10% of the Group's total revenue.

**(b) Segment assets**

The following is an analysis of the Group's assets by reportable operating segment:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Segment assets		
Commodity trading	436,733	360,054
Crude oil	183,873	342,910
Chemical products	11,372	16,201
Service contract	21,274	52,339
Property investment	118,236	23,892
Others	21,072	29,159
Total segment assets	792,560	824,555
Unallocated	282,719	331,616
Total assets	<u>1,075,279</u>	<u>1,156,171</u>

**(c) Other segment information**

	For the year ended 31 March 2016							
	Commodity trading	Crude oil	Chemical products	Service contract	Property investment	Others	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount included in the measure of segment results or segment assets:								
Additions to non-current assets	-	4,338	-	-	97,010	992	1,188	103,528
Waiver of trade payables	-	-	3,411	-	-	-	-	3,411
Inventories written off	-	(3,377)	-	-	-	-	-	(3,377)
Impairment losses of trade receivables	(9,108)	-	(30)	-	-	-	-	(9,138)
Impairment losses of prepayments, deposits and other receivables	(5,934)	(854)	-	-	-	-	-	(6,788)
Impairment losses of property, plant and equipment	-	(50,205)	-	-	-	-	-	(50,205)
Impairment losses of other intangible assets	-	(94,881)	-	-	-	-	-	(94,881)
Impairment loss of investment properties	-	-	-	-	(11,525)	-	-	(11,525)
Loss on deemed disposal of a subsidiary	-	-	-	(9,789)	-	-	-	(9,789)
Gains on disposals of property, plant and equipment	-	-	-	-	-	-	89	89
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>89</u>

	For the year ended 31 March 2015							Total HK\$'000
	Commodity Trading HK\$'000	Crude oil HK\$'000	Chemical products HK\$'000	Service contract HK\$'000	Property investment HK\$'000	Others HK\$'000	Unallocated HK\$'000	
	Amount included in the measure of segment results or segment assets:							
Additions to non-current assets	108	6,451	-	1	-	12	-	6,572
Impairment losses of prepayments, deposits and other receivables	-	-	(2,415)	-	-	-	(29,997)	(32,412)
Impairment losses of property, plant and equipment	-	(3,246)	-	(23,693)	-	-	-	(26,939)
Impairment losses of other intangible assets	-	(6,119)	-	-	-	-	-	(6,119)
Losses on disposals of property, plant and equipment	(51)	-	(4)	-	-	-	-	(55)

**(d) Geographical information**

The Group's operations are located in the People's Republic of China (the "PRC") and Hong Kong. The Group's revenue from external customers is based on the location of their key operations and information about its non-current assets is based on geographical location of the assets that are shown below:

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC	<b>5,586,320</b>	292,186	<b>205,709</b>	363,409
Hong Kong	<b>158,818</b>	97,671	<b>166,292</b>	137,523
Malaysia	<b>185,517</b>	393,009	-	-
Others	<b>1,580</b>	21,301	<b>21,218</b>	43,859
	<b>5,932,235</b>	804,167	<b>393,219</b>	544,791

**5 OTHER LOSSES, NET**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Exchange losses, net	(11,334)	(370)
Impairment losses of property, plant and equipment	(50,205)	(26,939)
Impairment losses of other intangible assets	(94,881)	(6,119)
Impairment loss of investment properties	(11,525)	–
Impairment losses of prepayments, deposits and other receivables	(6,788)	(32,412)
Impairment losses of trade receivables	(9,138)	–
Gains/(losses) on disposals of property, plant and equipment	89	(55)
Gain on disposal of an available-for-sale investment	–	107
(Losses)/gains from changes in fair value of derivative financial instruments	(5,786)	4,479
Gains/(losses) from changes in fair value of held-for-trading investments	15	(30)
Waiver of trade payables	3,411	–
Inventories written off	(3,377)	–
Loss on deemed disposal of a subsidiary	(9,789)	–
Others	159	–
	<u>(199,149)</u>	<u>(61,339)</u>

## 6 FINANCE INCOME AND COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expenses on:		
– bonds	(32,183)	(13,830)
– bank loans and overdrafts	(596)	(1,101)
	<u>(32,779)</u>	<u>(14,931)</u>
Finance costs	(32,779)	(14,931)
Interest income on:		
– bank deposits	1,354	1,322
	<u>1,354</u>	<u>1,322</u>
Finance income	1,354	1,322
Finance costs, net	<u>(31,425)</u>	<u>(13,609)</u>

## 7 INCOME TAX CREDIT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong profits tax	(211)	–
Deferred income tax	370	5,332
	<u>159</u>	<u>5,332</u>
Income tax credit	<u>159</u>	<u>5,332</u>

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation in the relevant jurisdiction of which the most significant jurisdictions are the PRC which has a corporate income tax rate of 25% (2015: 25%) and Macau which has a complementary corporate tax rate of 12% (2015: 12%).

No current Macau complementary corporate tax and PRC corporate income tax have been provided for as the Group did not have any assessable profits in Macau nor in the PRC for the year (2015: Nil).

There is no tax impact relating to components of other comprehensive income for the year ended 31 March 2016 (2015: Nil).

## 8 LOSS PER SHARE

Basic loss per share attributable to the owners of the Company is calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

	2016	2015
Loss for the year <i>(HK\$'000)</i>	<b>(227,059)</b>	(148,305)
Weighted average number of ordinary shares in issue <i>(shares in thousands)</i>	<u><b>5,416,315</b></u>	<u>4,744,838</u>
Basic loss per share <i>(HK cents)</i>	<u><b>(4.19)</b></u>	<u>(3.13)</u>

The share options, warrants and share awards outstanding at 31 March 2016 (2015: share options and warrants) have no dilutive effect on basic loss per share.

## 9 DIVIDEND

The Board does not recommend the payment of any dividend during the year (2015: Nil).

## 10 TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	359,743	317,385
Less: Provision for impairment	<u>(11,723)</u>	<u>(3,779)</u>
	<b><u>348,020</u></b>	<b><u>313,606</u></b>

### Notes:

- (a) Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customer's credit quality and defines credit limits by customer. The management considers adequate allowance has been made at end of the year. Balances which are neither past due nor impaired are all receivable from customers with good historical repayment records and good credit quality.
- (b) Trade receivables are due within 30 to 120 days (2015: 30 to 90 days) from the date of invoicing.
- (c) Aging analysis of trade receivables based on invoice date net of impairment is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 1 month	178,547	82,929
1 month to 3 months	72,463	188,907
More than 3 months but less than 1 year	94,768	40,473
Over 1 year	<u>2,242</u>	<u>1,297</u>
	<b><u>348,020</u></b>	<b><u>313,606</u></b>

## 11 TRADE PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	255,020	266,485
Bills payable	<u>19,904</u>	<u>28,576</u>
	<u><u>274,924</u></u>	<u><u>295,061</u></u>

The following is an aging analysis of trade and bills payable presented based on the invoice date and date of the bills at end of the year.

Aging analysis of trade payables is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 1 month	113,886	47,886
1 month to 3 months	58,767	148,310
More than 3 months but less than 1 year	79,474	69,950
Over 1 year	<u>2,893</u>	<u>339</u>
	<u><u>255,020</u></u>	<u><u>266,485</u></u>

Aging analysis of bills payable is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 1 month	2,302	17,605
1 month to 3 months	13,526	10,971
More than 3 months but less than 1 year	<u>4,076</u>	<u>–</u>
	<u><u>19,904</u></u>	<u><u>28,576</u></u>

## **12 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION**

Saved as disclosed in elsewhere in this preliminary announcement, the events after the date of the statement of financial position are as follows:

- (a) Subsequent to 31 March 2016, the Company issued bonds with an aggregate amount of HK\$15,000,000 to several independent third parties with coupon rates of 6% and maturities of 5 to 7 years.
- (b) On 5 April 2016, the Company issued 1,333,332,000 ordinary shares of HK\$0.01 each through placement with a price of HK\$0.13 each. The net proceeds from the placement was approximately HK\$165,533,000 after netting off related transaction cost of approximately HK\$7,800,000.
- (c) On 24 April 2016, the Company granted 215,300,000 share options to subscribe for an aggregate of 215,300,000 ordinary shares of HK\$0.01 each in the share capital of the Company to certain eligible employees under the share options scheme of the Company adopted on 24 June 2013 at the exercise price of HK\$0.193 at any time from 22 October 2016 to 21 April 2018.
- (d) On 4 May 2016, a subsidiary of the Group entered into a non-legally binding memorandum of understanding with a vendor in relation to a possible acquisition of an entire interest of a company, which is principally engaged in the sale of insurance products, collection of insurance premium, loss investigation and claim settlement in respect of relevant insurance businesses as agent in Zhejiang Province, the PRC.

## **13 COMPARATIVE AMOUNTS**

For comparative purpose, certain comparable amounts have been reclassified to conform to the current year's presentation.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW ON CONSOLIDATED OPERATING RESULTS**

During the year ended 31 March 2016, the Group achieved a revenue of approximately HK\$5,932,235,000 (2015: HK\$804,167,000) and a gross profit of approximately HK\$124,179,000 (2015: HK\$2,979,000), representing an increase of 637.69% and 4,068.48% from the year of 2015 respectively. The increase in the Group's revenue and gross profit was mainly attributable to the significant rise in revenue of commodity trading segment.

The Group recorded consolidated operating loss of approximately HK\$177,973,000 (2015: HK\$138,438,000) representing an increase of 28.56% from the year of 2015. The Group's operating loss was mainly as a result of the following: (1) recognition of impairment losses of assets including property, plant and equipment, other intangible assets, investment properties, trade receivables and prepayments, deposits and other receivables and inventories written off amounting to approximately HK\$175,914,000 (2015: HK\$65,470,000), (2) recognition of share-based payments amounting to approximately HK\$11,998,000 (2015: HK\$6,357,000), and (3) depreciation and amortisation amounting to approximately HK\$11,791,000 (2015: HK\$17,330,000).

Excluding the above non-recurring items (1) and (2), totalling approximately HK\$187,912,000 (2015: HK\$71,827,000), the Group's performance on operating profit would be approximately HK\$9,939,000 (2015: operating loss of HK\$66,611,000).

### **BUSINESS REVIEW**

#### **Commodity trading**

In the reporting period, the commodity trading business contributed the majority revenue of the Group, amounting to approximately HK\$5,856,335,000 (2015: HK\$686,767,000) which accounted for 98.72% of the Group's revenue (2015: 85.40%). This was mainly due to the increase in trading volume of oil products and new product lines in particularly Indium Tin Oxide ("ITO") product, an electricity-conductive material, and plastic products during the reporting period. ITO is an electricity-conductive material, with its characteristic of turning into transparent when electricity is connected. ITO is often used to make transparent conductive coatings for displays such as liquid crystal displays, touch panel, etc.

Despite of slow recovery of the global economy since 2015 and relatively uncertain economic circumstance in China, the fluctuation of oil market is relatively mitigated. The demand for petroleum products and corresponding derivatives chemicals products increased significantly as compared to last year, even though the oil prices remained at low level as a result of geopolitical factors. Our operation teams were able to grab the market opportunities and delivered a sound performance in terms of trading volume and revenue of the Group's commodity trading business during the reporting period.

As for the oil products trading, the Group recorded revenue of approximately HK\$1,162,727,000 for the reporting period (2015: HK\$686,767,000), representing an increase of 69.30% as compared with 2015. A total of 55,493 tons (2015: 43,206 tons) and 319,677 tons (2015: 124,357 tons) of oil products were traded in China and in other Asia Pacific countries respectively, maintaining steady gross profit.

In order to ensure a steady profit growth in commodity trading business and achieve risk diversification, our operating teams carried out new product lines for trading such as ITO products and plastic products. During the reporting period, revenue of approximately HK\$4,693,608,000 was generated from these new product lines (2015: Nil).

Looking forward into the next year, the international oil price is expected to remain at low level. Meanwhile, China is believed to import more oil, and thereby bring positive impact to the Group's oil trading business. The Group will keep up the satisfactory performance in the existing product lines and explore new opportunity in clean energy, chemicals or electronic related markets, by optimising the sales network and integrating privilege customer from both parties and suppliers and buyers, cross selling to increase the volume; by utilising domestic and international resources and market to achieve the Group's revenue commodity diversification and steady profit growth.

## **Crude oil**

The Group has a 96% interest of an indirect owned subsidiary 齊齊哈爾市東北石油開發有限責任公司, which owns an oilfield project in Fulaerji District near Qiqihar City of Heilongjiang Province of China. Since last year, the Group subcontracted the operation of the oilfields in the Fu 718, Fu 710 and Meilisi 723 areas in Qiqihar (“Oilfields”) to an independent oil service professional (the “Contractor”), which the Contractor provides on-site technical and management services in respect of the latter’s exploration and production activities on Oilfields. The Contractor is responsible for all operation costs as well as to invest funds in drilling new wells and oilfields related long term investment. In return for the provision of those services, the Contractor will share majority of total crude oil revenue during the service period.

During the reporting period, due to the significant decline of the international price of crude oil, the impairment in relation to oil properties and oil exploitation licences amounted to HK\$145,086,000, which has dragged down the performance of crude oil segment.

During the reporting period, the supply in the international oil market was still ample. International oil prices continued to fluctuate at a low level. In view of the low oil prices and high production cost, the management and the Contractor considered to diminish the risk and loss by fine tuning the development plan in the Oilfields and slowing down the oil exploitation process in the Oilfields. The management expected that the development progress will be further delayed.

## **Chemical products**

The Group strived to maintain its loyal customers and suppliers for chemical products trading business during the reporting period. The revenue of approximately HK\$62,843,000 was recognised for the year ended 31 March 2016 (2015: HK\$104,577,000), representing a decrease of 39.91%. On the other hand, another subsidiary within this segment which is based in Beijing and providing paint services, recorded a total revenue of approximately HK\$362,000 for the year ended 31 March 2016 (2015: HK\$11,393,000), representing a decrease of 96.82%. In view of the risk relating to the increment of materials cost and staff cost; and facing to the uncertain economic environment of the industry in the PRC, the operation in Beijing will be gradually reduced.

## **Service contract**

The Group has a business in the Republic of Kazakhstan (“Kazakhstan”), the business is principally engaged in exploitation of crude oil and natural gas, production of crude oil products, exploration drilling, crude oil and gas field and oilfield construction and installation works in Kazakhstan. During the reporting period, the Group considered to minimise the business risk, including adverse impact of the fluctuation in oil price and foreign exchange in Kazakhstani Tenge, the Group diminished the investment and gave up the control over its major business in Kazakhstan but maintained the shareholding since March 2016, resulting of a loss of HK\$9,789,000. In the reporting period, this service contract segment business recorded a total revenue of approximately HK\$1,580,000 (2015: HK\$5,163,000), representing a decrease of 69.40%.

## **Other business**

The Group started the money lending business in Hong Kong since June 2014. During the reporting period, two indirect wholly-owned subsidiaries of the Company have obtained the money lending licences in Hong Kong. It is presently anticipated that this lending business will be considered as one of the side businesses to generate additional revenue. During the reporting period, interest revenue was HK\$9,823,000 (2015: HK\$4,487,000).

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong. The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. In order to maximise the market share in this business but also to ensure the compliance of the related laws and regulations, the operation team has established a credit policy and loan approval process to minimise the credit risk.

## **FUTURE PROSPECT**

To cope with the development strategy of stepping into the financial services in Hong Kong, an indirect wholly-owned subsidiary of the Company has successfully obtained a licence by Securities and Future Commission of Hong Kong to carry out type 1 (dealing in securities) regulated activities on 30 September 2015. The Group commenced the business on 30 March 2016. In view of its expected revenue growth with promising market outlook, the Group intends to deploy more resources in brokerage and assets management services. The management also positions these as key businesses of the Group in the long run.

On 4 May 2016, a subsidiary of the Group entered into a non-legally binding memorandum of understanding with a vendor in relation to a possible acquisition of an entire interest of a company, which is principally engaged in the sale of insurance products, collection of insurance premium, loss investigation and claim settlement in respect of relevant insurance businesses as agent in Zhejiang Province, the PRC. The Board believes that the above possible acquisition represents a viable business opportunity to step forward in strengthening the Group’s business development in the financial sector and to further expand the Group’s financial services business into the PRC market. The Directors are also of the view that the possible acquisition represents a good opportunity for the Group to expand its existing business so as to broaden its sources of income, aiming at maximising profit and return for the Group and its Shareholders.

## **FINANCIAL REVIEW**

### **Revenue and operating review**

For the financial year ended 31 March 2016, the Group recorded a consolidated revenue of approximately HK\$5,932,235,000 (2015: HK\$804,167,000), representing an increase of 637.69% from the year of 2015. The Group's loss for the year attributable to owners of the Company was approximately HK\$227,059,000 (2015: HK\$148,305,000), representing an increase of 53.10%.

Increase in the Group's revenue was mainly attributable to the increase in revenue in commodity trading segment. While the Group's loss for the year attributable to owners of the Company was mainly attributable from the (1) recognition of impairment losses of assets including property, plant and equipment, other intangible assets, investment properties, trade receivables and prepayments, deposits and other receivables and inventories written off amounting to approximately HK\$175,914,000 (2015: HK\$65,470,000), (2) recognition of fair value of share-based payments amounting to approximately HK\$11,998,000 (2015: HK\$6,357,000), (3) depreciation and amortisation amounting to approximately HK\$11,791,000 (2015: HK\$17,330,000) and (4) finance costs amounting to approximately HK\$32,779,000 (2015: HK\$14,931,000).

### **Working capital**

As at 31 March 2016, the Group's current assets were kept at approximately HK\$682,060,000 (2015: HK\$611,380,000) whilst current liabilities were approximately HK\$324,889,000 (2015: HK\$415,229,000). The current ratio, being the proportion of total current assets against total current liabilities, was 2.10 (2015: 1.47). The directors consider that the present working capital level is conservatively sufficient to meet the upcoming operation needs.

### **Liquidity and financial resources**

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in China.

The Group had cash and bank balances of approximately HK\$208,168,000 as at 31 March 2016 (2015: HK\$212,766,000). The Group's cash and bank balances were mostly held in Hong Kong dollar and Renminbi.

As at 31 March 2016, the Group's total outstanding bonds were approximately HK\$366,830,000 (2015: total bank borrowing and bonds of HK\$309,953,000) and total assets were approximately HK\$1,075,279,000 (2015: HK\$1,156,171,000). Except for bonds, the Group did not have any long term borrowings nor long term debt due to third party.

The gearing ratio, calculated by dividing the total borrowings by the total assets, was equal to 34.11% at 31 March 2016 (2015: 26.81%).

### **Pledged assets**

As at 31 March 2016, the Group pledged the following assets to secure the Group's trading facilities:

- (1) Corporate guarantee executed by the Company for an unlimited amount (2015: same);
- (2) An investment property with a carrying value of HK\$23,349,000 (2015: HK\$23,862,000);
- (3) As at 31 March 2016, the Group has not pledged any trade receivable (2015: HK\$196,051,000); and
- (4) Fixed deposit placed in banks for the bank borrowings and trading facilities utilised. As at 31 March 2016, the Group has not maintained any fixed deposit (2015: RMB37,542,000 (approximately HK\$46,980,000)) for the aforesaid purpose.

### **INFORMATION ON CRUDE OIL RESERVES AS OF 31 MARCH 2016**

During the reporting period, the management appointed APEX Reservoir Service Inc. ("APEX") as independent professional technical valuer (the "Technical Valuer") to evaluate the estimated oil reserve and recoverable amount of Qiqihar oilfield for impairment assessment purpose as of 31 March 2016.

The reserves evaluation performed by APEX was conducted in accordance with Petroleum Resources Management System (the “PRMS”), an internationally recognised reserve standards and guideline. The evaluation subject was petroleum asset (the “Asset”) owned by the Company in Fulaerji Oilfield, including Fu 710, Fu 718 and Meilisi 723. The management of the Group has accepted the newly calculated reserve and a set of technical and economic parameters proposed by APEX (including discount rates, oil price and cost projections, and oilfield development plan) as the basis for recoverable amount calculations. According to the PRMS definition, the oil reserve should be classified into Proved reserve (“P1”); Probable reserve (“P2”) and Possible reserve (“P3”). Based on management internal assessment of reserve, the total 1P, 2P (“sum of P1 and P2”) and 3P (“sum of P1, P2 and P3”) reserve of Qiqihar oilfields as of 31 March 2016, are approximately 602,000 tons, 1,524,000 tons and 1,971,000 tons respectively.

### Report on crude oil reserve

	<b>Proved reserve</b> <i>(’000 tons)</i>	<b>Probable reserve</b> <i>(’000 tons)</i>	<b>Possible reserve</b> <i>(’000 tons)</i>	<b>Total oil reserve</b> <i>(’000 tons)</i>
Crude oil reserve				
As at 1 April 2014	433	843	1,366	2,642
Adjustment to estimation*	323	71	98	492
Production for the year	(1)	–	–	(1)
	<u>755</u>	<u>914</u>	<u>1,464</u>	<u>3,133</u>
As at 31 March 2015	755	914	1,464	3,133
Adjustment to estimation*	(153)	8	(1,017)	(1,162)
	<u>602</u>	<u>922</u>	<u>447</u>	<u>1,971</u>
As at 31 March 2016	<u>602</u>	<u>922</u>	<u>447</u>	<u>1,971</u>

\* During the year ended 31 March 2016, due to the change of market condition, the Contractor revised a development plan.

## **Reserve evaluation criteria**

The volumetric estimate method was used to calculate hydrocarbon in place and then recover using the huff and puff recovery method and oil reservoir fire-flooding thermal-ignition method. As at 31 March 2016, APEX has used the deterministic method (as opposed to the probabilistic method) to calculate the reserves estimates, in which three discrete scenarios were delineated to represent high, medium and low cases.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at end of the reporting period.

## **EXPOSURE TO FOREIGN EXCHANGE RISK AND INTEREST RATE RISK**

The Group's business transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Most of the Group's borrowings are interest bearing at fixed rate basis. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group also uses derivative financial instruments to manage interest rate exposures for hedging purpose only.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2016, the Group has an aggregate of 88 (2015: 104) employees of which about 37 (2015: 66) were located in mainland China while the rest were based in Hong Kong, Republic of Kazakhstan and Macau. The employees' remuneration package includes salary, bonus, share options and share awards. Pursuant to the Group's remuneration policy, employees are rewarded on the basis of merit and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees locate.

## **DIVIDEND**

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



## **CORPORATE GOVERNANCE**

The Group has adopted the Corporate Governance Code (“Code”) as set out in Appendix 14 of the Listing Rules as the corporate governance codes of the Company.

During the year, the Company has complied with all the Code Provisions set out in the Code except for the deviations as follows:

Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors (including the Independent Non-executive Directors) of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

Code Provision E.1.2 requires that the chairman of the board should attend the annual general meeting.

After the resignation of Mr. Wang Bo as Executive Director and the Chairman of the Board on 30 June 2014, the Company did not have the Chairman of the Board. Mr. Poon Sum was elected as the Chairman of the meeting at the annual general meeting held on 11 September 2015 (“AGM”) in accordance with the Articles of Association of the Company. The Honorary Chairman, chief executive officer, the chief financial officer, the chairman and/or the members of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company attended the AGM. The Company considers that their presence is sufficient for answering questions of the shareholders at the AGM. Besides, Mr. Poon Sum, the Honorary Chairman, has taken up the responsibilities of the Chairman of the Board temporarily until 7 January 2016. On 8 January 2016, Mr. Li Zhenjun, an Executive Director, has been appointed as the Chairman of the Board with effect from 8 January 2016.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the reporting period.

## **PURCHASES, SALE OR REDEMPTION OF SECURITIES**

During 22 October to 27 October 2015, a subsidiary of the Company purchased the Company’s 45,000,000 ordinary shares at weighted average market price of HK\$0.18 per share under share award scheme.

Apart from the aforesaid, neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the securities of the Company during the year.

## **REVIEW OF FINANCIAL STATEMENTS**

The Group’s consolidated financial statements and annual results for the year ended 31 March 2016 have been reviewed by the Company’s Audit Committee which comprises three independent non-executive directors.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2016 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The electronic version of this announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the Company's website (<http://www.petroasian.com>). The annual report for the year ended 31 March 2016, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the Stock Exchange's website and the Company's website in due course.

By order of the Board  
**PetroAsian Energy Holdings Limited**  
**Li Zhenjun**  
*Chairman*

Hong Kong, 24 June 2016

*As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Li Zhenjun, Mr. Poon Sum, Mr. Wong Kwok Leung, Mr. Poon Wai Kong and Mr. Hu Dehua; (ii) one non-executive director, namely Mr. Zaid Latif; and (iii) three independent non-executive directors, namely Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.*