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Tou Rong Chang Fu Group Limited

投融長富集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

ANNUAL RESULTS

The board of directors (the “Board”) of Tou Rong Chang Fu Group Limited (the “Company”) announces that the consolidated annual results for the year ended 31 March 2017 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 2017

| | <i>Note</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------------------------|-------------|--------------------------------|-------------------------|
| Revenue | 4 | 13,832,372 | 5,932,235 |
| Cost of sales | | (13,519,651) | (5,808,056) |
| Gross profit | | 312,721 | 124,179 |
| Other losses, net | 5 | (5,622) | (199,149) |
| Selling and distribution costs | | (45,456) | (20,164) |
| Administrative expenses | | (106,595) | (82,839) |
| Operating profit/(loss) | | 155,048 | (177,973) |
| Finance income | 6 | 106 | 1,354 |
| Finance costs | 6 | (38,367) | (32,779) |
| Share of loss of an associate | | – | (21,409) |
| Profit/(loss) before income tax | | 116,787 | (230,807) |
| Income tax (expense)/credit | 7 | (1,643) | 159 |
| Profit/(loss) for the year | | 115,144 | (230,648) |

| | | 2017 | 2016 |
|---|-------------|------------------------|------------------|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | 117,760 | (227,059) |
| Non-controlling interests | | <u>(2,616)</u> | <u>(3,589)</u> |
| | | <u>115,144</u> | <u>(230,648)</u> |
| Earnings/(loss) per share (HK cents) | | | |
| | <i>8</i> | | |
| Basic and diluted | | <u>1.57</u> | <u>(4.19)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | 2017 | 2016 |
|--|------------------------|------------------|
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the year | <u>115,144</u> | <u>(230,648)</u> |
| Other comprehensive loss: | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations | (17,348) | (4,193) |
| Reclassification of exchange reserve upon deemed disposal of a subsidiary | – | (8,642) |
| Changes in fair value of available-for-sale investments | (2,292) | (23,114) |
| Share of exchange reserve of an associate | – | (18) |
| | <u>(19,640)</u> | <u>(35,967)</u> |
| Total comprehensive income/(loss) for the year | <u>95,504</u> | <u>(266,615)</u> |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Company | 94,430 | (257,956) |
| Non-controlling interests | <u>1,074</u> | <u>(8,659)</u> |
| | <u>95,504</u> | <u>(266,615)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

| | | 2017 | 2016 |
|---|-------------|-------------------------|-------------------------|
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 83,266 | 87,298 |
| Investment properties | | 106,118 | 108,349 |
| Intangible assets | | 129,273 | 141,501 |
| Interests in an associate | | – | – |
| Prepayments, deposits and other receivables | | 32,346 | 31,538 |
| Other financial assets | | 29,241 | 24,533 |
| | | <u>380,244</u> | <u>393,219</u> |
| | | ----- | ----- |
| Current assets | | | |
| Inventories | | 2,225 | 2,626 |
| Trade receivables | <i>10</i> | 446,441 | 348,020 |
| Loans receivable | <i>11</i> | 117,125 | 19,913 |
| Prepayments, deposits and other receivables | | 202,206 | 102,676 |
| Derivative financial assets | | – | 510 |
| Other financial assets | | 256 | 147 |
| Cash and bank balances | | 283,922 | 208,168 |
| | | <u>1,052,175</u> | <u>682,060</u> |
| | | ----- | ----- |
| Total assets | | <u>1,432,419</u> | <u>1,075,279</u> |

| | <i>Note</i> | 2017 HK\$'000 | 2016 HK\$'000 |
|---|-------------|--------------------------------|-------------------------|
| Equity and liabilities | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 75,507 | 62,174 |
| Reserves | | <u>581,074</u> | <u>322,258</u> |
| | | 656,581 | 384,432 |
| Non-controlling interests | | <u>(2,671)</u> | <u>(3,096)</u> |
| Total equity | | <u>653,910</u> | <u>381,336</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 1,816 | 2,224 |
| Bonds | | <u>438,223</u> | <u>366,830</u> |
| | | <u>440,039</u> | <u>369,054</u> |
| Current liabilities | | | |
| Trade payables | 12 | 135,197 | 274,924 |
| Accruals and other payables | | 167,474 | 49,754 |
| Bank borrowings | | 32,818 | – |
| Current income tax liabilities | | 1,977 | 211 |
| Bonds | | <u>1,004</u> | <u>–</u> |
| | | <u>338,470</u> | <u>324,889</u> |
| Total liabilities | | <u>778,509</u> | <u>693,943</u> |
| Total equity and liabilities | | <u>1,432,419</u> | <u>1,075,279</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Tou Rong Chang Fu Group Limited (the “Company”) (formerly known as PetroAsian Energy Holdings Limited) 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 21st Floor, 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 and chemical products, property investment, money lending business, securities brokerage, asset management, insurance brokerage and exploitation and sale of crude oil.

These financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiaries (together, 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 investments and held-for-trading investments, 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) **New standard and amendments to standards effective for annual periods beginning on 1 April 2016:**

| | |
|------------------------------------|---|
| Amendment to HKAS 1 | Disclosure initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendment to HKAS 27 | Equity method in separate financial statements |
| Amendments to HKFRS 10 and HKAS 28 | Sales or contribution of assets between an investor and its associates or joint venture |
| HKFRS 14 | Regulatory deferred accounts |
| Amendments to HKFRSs | Annual improvements 2012-2014 cycle |

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

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

| | | Effective for annual periods beginning on or after |
|------------------------------------|---|---|
| Amendment to HKAS 7 | Disclosure initiative | 1 January 2017 |
| Amendment to HKAS 12 | Recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| Amendment to HKFRS 2 | Classification and measurement of share-based payment transactions | 1 January 2018 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

Other than HKFRS 15 and HKFRS 16, the management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

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 and chemical products (“Commodity trading”);
- Exploitation and sale of crude oil (“Crude oil”);
- Leasing of investment properties (“Property investment”);
- Money lending, securities brokerage and asset management business (“Financial services”); and
- Others.

The Group also carries out business as insurance brokerage and service contract. 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 insurance brokerage and service contract businesses did not qualify as reportable operating segments, and their financial information is included in “Others”.

Certain operating segments with similar nature were re-grouped together and comparative figures have been reclassified to conform with presentation of segment information adopted for the current year.

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 loss of an associate, 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/credit, depreciation and amortisation, impairment losses of property, plant and equipment, investment properties and 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 an associate, 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 2017 | | | | | Total HK\$'000 |
|---|----------------------------------|-----------------------|---------------------------------|--------------------------------|--------------------|-------------------|
| | Commodity trading HK\$'000 | Crude oil HK\$'000 | Property investment HK\$'000 | Financial services HK\$'000 | Others HK\$'000 | |
| Segment revenue | <u>13,802,960</u> | <u>-</u> | <u>2,235</u> | <u>26,248</u> | <u>929</u> | <u>13,832,372</u> |
| Segment EBITDA/(LBITDA) | 100,296 | (3,545) | 814 | 14,231 | (308) | 111,488 |
| Segment depreciation and amortisation | (1,479) | (14,059) | (2,231) | (204) | (4,155) | (22,128) |
| Impairment losses on property, plant, equipment, investment properties and intangible assets | - | - | - | - | - | - |
| Segment results | <u>98,817</u> | <u>(17,604)</u> | <u>(1,417)</u> | <u>14,027</u> | <u>(4,463)</u> | <u>89,360</u> |
| Unallocated income | | | | | | 65,688 |
| Finance income | | | | | | 106 |
| Finance costs | | | | | | (38,367) |
| Profit before income tax | | | | | | <u>116,787</u> |
| | | | | | | |
| | For the year ended 31 March 2016 | | | | | |
| | Commodity trading HK\$'000 | Crude oil HK\$'000 | Property investment HK\$'000 | Financial services HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Segment revenue | <u>5,919,178</u> | <u>-</u> | <u>643</u> | <u>10,834</u> | <u>1,580</u> | <u>5,932,235</u> |
| Segment EBITDA/(LBITDA) | 80,751 | (9,379) | 304 | 4,297 | (16,305) | 59,668 |
| Segment depreciation and amortisation | (1,653) | (495) | (1,000) | (41) | (7,735) | (10,924) |
| Impairment losses on property, plant, equipment, investment properties and intangible assets | - | (145,086) | (11,525) | - | - | (156,611) |
| Segment results | <u>79,098</u> | <u>(154,960)</u> | <u>(12,221)</u> | <u>4,256</u> | <u>(24,040)</u> | <u>(107,867)</u> |
| Unallocated expenses | | | | | | (70,106) |
| Finance income | | | | | | 1,354 |
| Finance costs | | | | | | (32,779) |
| Share of loss of an associate | | | | | | (21,409) |
| Loss before income tax | | | | | | <u>(230,807)</u> |

Revenue from one (2016: one) customer in relation to commodity trading amounted to approximately HK\$13,449,818,000 (2016: HK\$5,329,119,000), 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:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Segment assets | | |
| Commodity trading | 611,951 | 448,105 |
| Crude oil | 163,263 | 183,873 |
| Property investment | 117,894 | 118,236 |
| Financial services | 126,328 | 21,072 |
| Others | 19,635 | 21,274 |
| Total segment assets | 1,039,071 | 792,560 |
| Unallocated | 393,348 | 282,719 |
| Total assets | <u>1,432,419</u> | <u>1,075,279</u> |

(c) **Other segment information**

| | For the year ended 31 March 2017 | | | | | | |
|---|---|------------------------------|---|---|---------------------------|--------------------------------|--------------------------|
| | Commodity trading <i>HK\$'000</i> | Crude oil <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Financial services <i>HK\$000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Amount included in the measure of segment results or segment assets: | | | | | | | |
| Additions to non-current assets | 205 | 3,076 | - | 5,839 | 2,021 | 13,115 | 24,256 |
| Impairment losses of prepayments, deposits and other receivables | (3,945) | - | (319) | - | - | - | (4,264) |
| Impairment losses of loans receivable | - | - | - | (4,809) | - | - | (4,809) |
| Gains on disposals of property, plant and equipment | 40 | - | - | - | - | - | 40 |
| Gain on deregistration of a subsidiary | 2,222 | - | - | - | - | - | 2,222 |

| | For the year ended 31 March 2016 | | | | | | Total <i>HK\$'000</i> |
|--|----------------------------------|-----------------|---------------------|--------------------|-----------------|-----------------|--------------------------|
| | Commodity trading | Crude oil | Property investment | Financial services | Others | Unallocated | |
| | <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 | (9,138) | - | - | - | - | - | (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 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>89</u> | <u>89</u> |

(d) Geographical information

The Group's operations are located in the People's Republic of China ("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 | |
|-----------|---------------------------------|-------------------------|-------------------------|-------------------------|
| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
| PRC | 13,700,631 | 5,586,320 | 181,542 | 205,709 |
| Hong Kong | 124,261 | 158,818 | 181,582 | 166,292 |
| Malaysia | - | 185,517 | - | - |
| Others | 7,480 | 1,580 | 17,120 | 21,218 |
| | <u>13,832,372</u> | <u>5,932,235</u> | <u>380,244</u> | <u>393,219</u> |

5 OTHER LOSSES, NET

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Exchange losses, net | (2,716) | (11,334) |
| Impairment losses of property, plant and equipment | – | (50,205) |
| Impairment loss of intangible assets | – | (94,881) |
| Impairment loss of investment properties | – | (11,525) |
| Impairment losses of prepayments, deposits and other receivables | (4,264) | (6,788) |
| Impairment losses of trade receivables | – | (9,138) |
| Impairment losses of loans receivable | (4,809) | – |
| Gains on disposals of property, plant and equipment | 40 | 89 |
| Losses from changes in fair value of derivative financial instruments | – | (5,786) |
| Gains from changes in fair value of held-for-trading investments | 109 | 15 |
| Waiver of trade payables | – | 3,411 |
| Inventories written off | – | (3,377) |
| Gain on deregistration/(loss on deemed disposal) of a subsidiary | 2,222 | (9,789) |
| Fund investment income | 3,793 | – |
| Others | 3 | 159 |
| | <u>(5,622)</u> | <u>(199,149)</u> |

6 FINANCE COSTS, NET

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Interest expenses on: | | |
| – bonds | (37,796) | (32,183) |
| – bank borrowings | <u>(571)</u> | <u>(596)</u> |
| Finance costs | (38,367) | (32,779) |
| Interest income on: | | |
| – bank deposits | <u>106</u> | <u>1,354</u> |
| Finance costs, net | <u>(38,261)</u> | <u>(31,425)</u> |

7 INCOME TAX (EXPENSE)/CREDIT

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Hong Kong profits tax | (1,895) | (211) |
| Deferred income tax | <u>252</u> | <u>370</u> |
| Income tax (expense)/credit | <u>(1,643)</u> | <u>159</u> |

Hong Kong profits tax is calculated at 16.5% (2016: 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% (2016: 25%) and Macau which has a complementary corporate tax rate of 12% (2016: 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 (2016: Nil).

There is no tax impact relating to components of other comprehensive income for the year ended 31 March 2017 (2016: Nil).

8 EARNINGS/(LOSS) PER SHARE

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

| | 2017 | 2016 |
|---|--------------------|------------------|
| Profit/(loss) attributable to the owners of the Company (<i>HK\$'000</i>) | 117,760 | (227,059) |
| Weighted average number of ordinary shares in issue (<i>shares in thousands</i>) | <u>7,519,884</u> | <u>5,416,315</u> |
| Basic earnings/(loss) per share (<i>HK cents</i>) | <u>1.57</u> | <u>(4.19)</u> |

The share options outstanding at 31 March 2017 (2016: share options, warrants and share awards outstanding) have no dilutive effect on basic earnings/(loss) per share.

9 DIVIDEND

The Board of Directors does not recommend the payment of any dividend during the year (2016: Nil).

10 TRADE RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Trade receivables | 456,580 | 359,743 |
| Provision for impairment | <u>(10,139)</u> | <u>(11,723)</u> |
| | <u>446,441</u> | <u>348,020</u> |

Notes:

- (a) As at 31 March 2017, included in the trade receivables were amounts due from clearing houses of approximately HK\$2,027,000 (2016: Nil) and amounts due from securities brokerage clients of approximately HK\$327,000 (2016: Nil).
- (b) 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 receivables from customers with good historical repayment records and good credit quality.
- (c) Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. Overdue balances are regularly monitored by the management.
- (d) The settlement terms of trade receivables attributable to the securities brokerage business are two days after the trade date. For the remaining business of the Group, trade receivables are on general terms of 30 to 120 days.
- (e) Aging analysis of trade receivables based on invoice date net of impairment is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Less than 1 month | 342,332 | 178,547 |
| 1 month to 3 months | – | 72,463 |
| More than 3 months but less than 1 year | 104,109 | 94,768 |
| Over 1 year | <u>–</u> | <u>2,242</u> |
| | <u>446,441</u> | <u>348,020</u> |

11 LOANS RECEIVABLE

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Loans receivable (<i>Note (a)</i>) | 121,934 | 19,913 |
| Less: Provision for impairment | <u>(4,809)</u> | <u>–</u> |
| | <u><u>117,125</u></u> | <u><u>19,913</u></u> |

Notes:

- (a) Loans receivable to the extent of approximately HK\$104,860,000, which arise from the money lending business of providing short-term loans to independent third parties in Hong Kong, are denominated in HK\$.

Loans receivable bear coupon interest rates ranging from 17.0% to 36.1% (2016: 8.0% to 60.0%) per annum and are repayable with fixed terms ranging from three to twelve months. The carrying amounts are determined using the expected future repayments discounted at effective interest rates ranging from 15.16% to 36.05% (2016: 7.35% to 59.67%) per annum.

Certain loans receivable are secured by collaterals. The maximum exposure to credit at each of the reporting dates is the carrying value of the receivables mentioned above. Interest income of HK\$19,625,000 (2016: HK\$9,823,000) has been recognised as revenue in the consolidated income statement.

A maturity profile of the loans receivable arising from the money lending business as at the end of the reporting period, based on maturity date, net of provision, is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current | 77,889 | 19,913 |
| Less than 1 month | 9,100 | – |
| 1 month to 3 months | 12,557 | – |
| More than 3 months but less than 1 year | <u>505</u> | <u>–</u> |
| | <u><u>100,051</u></u> | <u><u>19,913</u></u> |

- (b) As at 31 March 2017, included in loans receivable was advances to margin clients in margin financing amounting to approximately HK\$17,074,000 (2016: Nil), which are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand. The carrying values of advances to margin clients in margin financing approximate to their fair values. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

12 TRADE PAYABLES

| | 2017 | 2016 |
|------------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade payables (<i>Note (a)</i>) | 132,005 | 255,020 |
| Bills payable | 3,192 | 19,904 |
| | 135,197 | 274,924 |

Notes:

- (a) As at 31 March 2017, included in the trade payables were amounts due to clearing houses of approximately HK\$2,186,000 (2016: Nil) and amounts due to securities brokerage clients of approximately HK\$6,596,000 (2016: Nil).
- (b) The majority of trade payables are either repayable within one year or on demand except where certain trade payables to securities brokerage clients represents margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.
- (c) Trade payables to securities brokerage clients also include those payables placed in trust and segregated accounts with authorised institutions of approximately HK\$5,056,000 (2016: Nil).
- (d) No aging analysis is disclosed for amounts due to clearing house and securities brokerage clients as in the opinion of the directors, it does not give additional value in the view of these businesses.
- (e) The following is an aging analysis of trade and bills payable excluding clearing house and securities brokerage clients presented based on the invoice date and date of the bills at end of the year.

Aging analysis of trade payables is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Less than 1 month | 66,043 | 113,886 |
| 1 month to 3 months | 20,986 | 58,767 |
| More than 3 months but less than 1 year | 36,194 | 79,474 |
| Over 1 year | — | 2,893 |
| | <u>123,223</u> | <u>255,020</u> |

Aging analysis of bills payable is as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Less than 1 month | — | 2,302 |
| 1 month to 3 months | — | 13,526 |
| More than 3 months but less than 1 year | 3,192 | 4,076 |
| | <u>3,192</u> | <u>19,904</u> |

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified conform with presentation of the consolidated financial statements adopted for the current year.

14. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Saved as disclosed elsewhere to these consolidated financial statements, subsequent to 31 March 2017, the Company issued bonds with an aggregate amount of HK\$67,900,000 to several independent third parties with coupon rates of 6% and maturities of 3 to 7 years.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW ON CONSOLIDATED OPERATING RESULTS

During the year ended 31 March 2017, the Group achieved a revenue of approximately HK\$13,832,372,000 (2016: HK\$5,932,235,000) and a gross profit of approximately HK\$312,721,000 (2016: HK\$124,179,000), representing an increase of 133% and 152% from the year of 2016 respectively. The increase in the Group's revenue and gross profit was mainly attributable to significant rise in revenue of commodity trading segment and financial services segment.

The Group recorded profit for the year attributable to owners of the Company of approximately HK\$117,760,000 (2016: loss of approximately HK\$227,059,000) representing an increase of 152% from the year of 2016. Significant increase in the Group's profit for the year attributable to owners the Company was mainly due to increase in commodity trading segment and financial services segment.

BUSINESS REVIEW

Commodity trading

In the reporting period, the commodity trading business contributed the majority revenue of the Group, amounting to approximately HK\$13,802,960,000 (2016: HK\$5,919,178,000) which accounted for 99.8% of the Group's revenue (2016: 99.8%), representing an increase of 133% as compared with the year of 2016. This was mainly due to increase in trading volume in oil products and non-oil product lines in particular plastic materials products (including PEEK, PEI, PSU, and TPU), Indium Tin Oxide ("ITO") products and display driver IC products during the reporting period. Plastic materials PEEK, PEI, PSU, and TPU are mainly used for manufacturing of medical equipment parts, household products, sports goods, high temperature connectors and lights of vehicles, metal substitutes for fibre optic connectors etc.

During the reporting period, the continuing sluggish oil prices with relatively low volatility, the demand for petroleum products and their derivatives chemical products increased significantly compared to last year. 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.

As for the oil products trading, the Group recorded revenue of approximately HK\$3,046,253,000 for the reporting period (2016: HK\$1,162,727,000), representing an increase of 162% as compared with 2016. A total of 86,800 tons (2016: 55,493 tons) and 818,371 tons (2016: 319,677 tons) of oil products were traded for domestic trade in China and international trade 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 non-oil product lines for trading since July 2015 such as ITO products, plastic products and display driver IC products. During the reporting period, revenue of approximately HK\$10,691,436,000 (2016: HK\$4,693,608,000) was generated from these product lines.

The commodity trading segment also includes trading of 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\$65,271,000 was recognised for the year ended 31 March 2017 (2016: HK\$62,843,000), representing an increase of 4%.

Looking forward into the next year, the international oil price is expected to running at comparatively low level with narrow fluctuation. Meanwhile, the supply of oil tends to be declined in China which has positive effect on the Group's commodity trading business. The Group will keep its satisfactory performance with its existing product lines; explore new opportunity in oil derivatives, clean energy, chemicals or electronic related markets; optimise the sales network and integrate privilege customers from both suppliers and customers to increase the trading volume; and utilise domestic and international resources and market to achieve the Group's commodity diversification and steady profit growth.

Crude oil

The Group owns 96% interest of an indirect subsidiary 齊齊哈爾市東北石油開發有限責任公司, which owns an oilfield project in Fularji District near Qiqihar City of Heilongjiang Province of China. Since January 2015, 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 and investment of 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, 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 since last financial year. The management expected that the development progress will be further delayed.

Financial services

The financial services segment includes money leading, securities brokerage and asset management services businesses.

(a) Money lending

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. During the reporting period, interest revenue was approximately HK\$20,499,000 (2016: HK\$10,834,000) representing an increase of 89% and maintained a steady profit.

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.

(b) Securities brokerage

An indirect wholly-owned subsidiary of the Company, namely China-Hong Kong Link Securities Company Limited (“CHKLS”), has successfully obtained a licence by Securities and Futures 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. During the reporting period, CHKLS mainly provided securities brokerage, underwriting and placements services. CHKLS has successfully undertaken the roles of placing agents, co-lead managers and underwriters for several listed companies in Hong Kong. During the reporting period, CHKLS has generated revenue of approximately HK\$5,749,000 (2016: Nil) to the Group and was profit making.

(c) Asset Management

To cope with the development strategy of stepping into the financial services market in Hong Kong, a newly acquired indirect wholly-owned subsidiary of the Company, namely China Hong Kong Link Asset Management Limited, has successfully obtained a licence by Securities and Futures Commission of Hong Kong to carry out type 9 (asset management) regulated activities on 16 February 2017.

Others

In August 2016, the Group entered into a shares purchase agreement with two independent third parties to acquire 100% equity interests in People Insurance Broker Limited (“People Insurance”). People Insurance is carrying out insurance brokerage service in Hong Kong with the licence to transact all types of general insurance business and long term insurance business in Hong Kong. The Directors are of the view that People Insurance 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.

BUSINESS OUTLOOK AND FUTURE PROSPECT

The performance of global economy remained stable, while events such as Brexit and U.S. presidential election only gave short concussion on the financial market. Although the PRC economy still faced the downward pressure, the situation was gradually stabilised.

As Mainland China rolls out its “One Belt One Road” initiative and closer ties evolve between Mainland China and Hong Kong financial markets, Hong Kong’s solid financial system and experience should provide the city with fresh opportunities. Looking ahead, in view of the launch of Shenzhen-Hong Kong Stock Connect since December 2016 and the depreciation of Renminbi, more Mainland capital has flowed south to Hong Kong. The Directors expected revenue growth with promising market outlook, the Group intends to deploy more resources in money lending, securities brokerage and asset management services businesses.

FINANCIAL REVIEW

Revenue and operating review

For the financial year ended 31 March 2017, the Group recorded a consolidated revenue of approximately HK\$13,832,372,000 (2016: HK\$5,932,235,000), representing an increase of 133% from the year of 2016. The Group’s profit for the year attributable to owners of the Company was approximately HK\$117,760,000 (2016: loss of approximately HK\$227,059,000). Basic earnings per share of HK\$1.57 cents (2016: basic loss per share of HK\$4.19 cents). The turnaround of the Group’s results was mainly due to the substantial segment profit contributed by the commodity trading segment and financial services segment amounted to approximately HK\$112,844,000 (2016: HK\$83,354,000), and decrease in impairment losses on assets from HK\$172,537,000 for the year ended 31 March 2016 to HK\$9,073,000 for the year ended 31 March 2017.

Working capital

As at 31 March 2017, the Group’s current assets were kept at approximately HK\$1,052,175,000 (2016: HK\$682,060,000) whilst current liabilities were approximately HK\$338,470,000 (2016: HK\$324,889,000). The current ratio, being the proportion of total current assets against current liabilities, was 3.11 (2016: 2.10). The Directors consider that the present working capital level is conservatively sufficient to meet the upcoming operating 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 cash equivalent of approximately HK\$278,866,000 as at 31 March 2017 (2016: HK\$208,168,000). The Group had cash and bank balances which were mostly held in Hong Kong dollars and Renminbi.

As at 31 March 2017, the Group's outstanding bank borrowings and bonds were approximately HK\$32,818,000 (2016: Nil) and HK\$439,227,000 (2016: HK\$366,830,000) respectively, while total assets were approximately HK\$1,432,419,000 (2016: HK\$1,075,279,000).

The gearing ratio, calculated by dividing the total borrowings by the total assets, was 33% as at 31 March 2017 (2016: 34%).

Pledged assets

As at 31 March 2017, the Group pledged the following assets to secure the Group's trading facilities:

- (1) Corporate guarantee executed by the Company for an unlimited amount (2016: same);
- (2) Investment properties with carrying values of HK\$106,118,000 (2016: HK\$23,349,000).

INFORMATION ON CRUDE OIL RESERVES AS OF 31 MARCH 2017

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 2017.

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 2017, are approximately 546,000 tons, 1,370,000 tons and 2,034,000 tons respectively.

Report on crude oil reserve

| | Proved reserve <i>(’000 tons)</i> | Probable reserve <i>(’000 tons)</i> | Possible reserve <i>(’000 tons)</i> | Total oil reserve <i>(’000 tons)</i> |
|---------------------------|---|---|---|--|
| Crude oil reserve | | | | |
| As at 1 April 2015 | 755 | 914 | 1,464 | 3,133 |
| Adjustment to estimation* | <u>(153)</u> | <u>8</u> | <u>(1,017)</u> | <u>(1,162)</u> |
| As at 31 March 2016 | 602 | 922 | 447 | 1,971 |
| Adjustment to estimation* | <u>(56)</u> | <u>(98)</u> | <u>217</u> | <u>63</u> |
| As at 31 March 2017 | <u><u>546</u></u> | <u><u>824</u></u> | <u><u>664</u></u> | <u><u>2,034</u></u> |

* During the year ended 31 March 2017, adjustments were made due to the crude oil price appreciation (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 2017, 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 for the year ended 31 March 2017.

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 bank borrowings are interest bearing at floating rate basis. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group has not used any derivative financial instruments to manage interest rate exposures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group has an aggregate of 83 (2016: 88) employees of which about 25 (2016: 37) 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 and share options. 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 of Directors does not recommend the payment of any dividend during the year (2016: 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 Independent Non-executive Directors (“INEDs”) 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.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 2017 have been reviewed by the Company’s Audit Committee which comprises three INEDs.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 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.trcf.com.hk>). The annual report for the year ended 31 March 2017 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
Tou Rong Chang Fu Group Limited
Li Zhenjun
Chairman

Hong Kong, 23 June 2017

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; and (ii) three independent non-executive directors, namely Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.