PREMIERE
EASTERN ENERGY

ABN 58 169 923 095

Premiere Eastern Energy Limited

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2016

PREMIERE EASTERN ENERGY
ABN 58 169 923 095

Appendix 4E

Commentary on Full Year Results

The Directors of Premiere Eastern Energy Limited (“Premiere” or “the Company”) and its controlled entities (“the Group”) hereby present the Company’s Appendix 4E – Preliminary Final Report.

Through this report, the Board seeks to provide an update to its shareholders and the market on the results achieved for the financial year ended 31 December 2016 (“FY2016”). It should be noted that the Group’s financial year runs from January to December each year.

The Group has made a loss after tax of $8.3 million for FY2016, compared a profit after tax of $14.4 million for the year ended 31 December 2015 (“FY2015”). As a result of the depreciation of the Chinese Renminbi (“RMB”) against AUD, the Company has recorded a foreign exchange loss on translation of foreign operation of $11.3 million. Nevertheless, the Company has maintained strong cash and cash equivalents balance at $126.0 million.

Corporate Results Summary

For FY2016, the Premiere Group, through its main operating China based subsidiaries, has achieved the following:

- **Group revenue**
  Group revenue for the year (excluding other revenue) dropped down by 41.3% to $457.5 million compared to $779.7 million in FY2015 due to the following:

  Old wholesale business
  Our existing wholesale business in the sales of refined petroleum and other petrolchemicals continued to suffer from a negative growth in the current year. Sales of refined petroleum and other petrolchemicals dropped by 39.8% to $100.2 million and 43.6% to $345.7 million respectively. The decrease in sales of both segments was attributable to the decrease in sale volumes and average selling prices in the current year.

  The business environment of our wholesale market in the industry worsened since the second half of the previous year (“2H2015”). As international crude oil prices had been maintained an accelerated falling trend since 2H2015, customers still remained prudent and alert in making their purchase orders, which resulted in the decrease in sales volumes of our Group. Moreover, the competition in the wholesale market was more intense in the same period due to cheaper sources of products obtained by our main competitors from the overseas market. They were able to offer more price-competitive products to the market. With a view to maintaining our customer base and market share, we have lowered our selling prices of our products so as to maintain our competitiveness in the market.

  Sales of refined petroleum and other petrochemicals contributed to 15.4% (FY2015: 21.3%) and 82.0% (FY2015: 78.7%) of the Group’s revenue in FY2016 respectively. During the year, the Group distributed an aggregate of 124,693 tonnes (FY2015: 144,883 tonnes) of refined petroleum and 455,267 tonnes (FY2015: 606,669 tonnes) of other petrochemicals respectively in the PRC, representing sales volume drop by 13.9% in refined petroleum and 25.0% in other petrolchemcials in the current year.

Corporate Results Summary (continued)

New retail business in petrol stations and convenience stores

The Group has continued its strategy of retail business in petrol stations and convenience stores which commenced in May 2016. Since then, we have recorded sales of $11.7 million, representing the remaining 2.6% of the Group's revenue in FY2016.

- Group profit margin decreased to 1.33% for the year, representing a drop from 4.58% in FY2015; It was mainly due to the persistent accelerated fall in international crude oil prices and intense competition in the PRC wholesale market since the second half of 2015.
- Group NLBT of $8.1 million, contrary to a Group NPBT of $20.6 million in FY2015;
- Group NLAT of $8.3 million, contrary to a Group NPAT of a $14.4 million in FY2015;
- Foreign exchange translation loss of $11.3 million, arising from the depreciation of RMB against AUD during the year; and
- Maintaining strong cash position of $126.0 million.

The Premiere Group, as one of the leading integrated supply chain managers engaging in the wholesale of refined petroleum and petrochemical products within the PRC, made a loss in the current year due to a difficult business environment, intense market competition, persistent low international crude oil prices, a slowdown in the PRC economical growth and higher automotive emission standards set out by the PRC government.

About Premiere Eastern Energy Limited

Premiere Eastern Energy Limited (ASX: PEZ) ("the Company") is a leading integrated supply chain manager of petrochemical products in the PRC based in the Guangdong Province, PRC. As an integrated supply chain manager, it engaged in the wholesale distribution of petrochemical products including sourcing, storage, shipping, sales and distribution and after-sales services of petrochemical products in the PRC.

The Group's products can be grouped mainly into 2 major classes of product; being:

1. Refined Petroleum - mainly the various grades of gasoline and diesel oil used mainly by automobile; and.
2. Other Petrochemicals - mixed aromatics, C5 non-aromatics, fuel oil, naphtha and MBTE, used mainly for gasoline blending.

The Group procures its supply of Refined Petroleum and Other Petrochemicals mainly from petroleum refineries and their authorised distributors in the resource-rich northern regions of the PRC. It distributes these products to the more economically developed southern coastal cities in the PRC, which has huge demand for fuel and energy and rely on petroleum resources from the northern PRC regions. The Group also aggregates orders from its customers in order to procure these products from suppliers at more favourable terms through economies of scale.

The Group beneficially owns a petroleum storage facility located in Longkou City, Shandong Province, PRC with a total petroleum storage capacity of 13,500 cubic meters (equivalent to approximately 9,000 tonnes). Beneficial ownership allows the Group to use the facilities at their own discretion and for their own purposes. The strategic location near the Longkou harbor enables it to expediently and economically store Refined Petroleum intermediately for shipment to its customers located in the southern PRC cities.

PREMIERE EASTERN ENERGY

ABN 58 169 923 095

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period	12 months ended 31 December 2016
Prior Period	12 months ended 31 December 2015

2. Results for announcement to the market

Consolidated Group	**Item**		**$'000**	**% Change**		**$'000**
Revenue – excluding interest received	**2.1**	down	322,224	(41.3%)	to	457,517
Profit (loss) after tax attributable to members	**2.2**	down	22,678	(157.4%)	to	(8,274)
Net profit (loss) attributable to members	**2.3**	down	22,678	(157.4%)	to	(8,274)
Dividend	**2.4**					

	Amount per security	**Amount Franked**	**Amount Unfranked**
Final dividend per share	Nil	Nil	Nil

The record date for determining entitlements to the dividend	**2.5**	N/A
Date final dividend payable	**2.6**	N/A
Explanatory information	**2.7**	For further information refer ***Commentary on Results*** which accompanies this announcement.

PREMIERE
EASTERN ENERGY
ABN 58 169 923 095

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Overview

The principal activities of Premiere Eastern Energy Limited and controlled entities ("Group") during the financial year include the following:

(i) the wholesale of refined petroleum and petrolchemical products within the PRC; and
(ii) the retail of petrol stations and convenience stores in within the PRC.

The Group reclassifies from two product segments, wholesale of refined petroleum and wholesale of petrolchemical products in FY2016, into three product segments as follows:

(i) wholesale of refined petroleum;
(ii) wholesale of petrolchemical products; and
(iii) retail of petrol stations and convenience stores.

The Group currently operates in one geographical segment, being the People's Republic of China.

During the current year, the Group has entered into the retail business in operating petrol stations and convenience stores through acquisitions of business and signing new operating lease. Except for that, there were no other significant changes in the nature of the consolidated Group's principal activities during the financial year.

This financial report includes the consolidated financial statements and notes to the financial statements of the consolidated Group. Premiere Eastern Energy Limited was incorporated on 4 June 2014 and listed on the Australian Securities Exchange ("ASX") on 12 February 2015. The Company is incorporated and domiciled in Australia.

Overview of results

For the year ended 31 December 2016 ("FY2016"), sales revenue dropped by $322,224,000 or 41.3% when compared with the year ended 31 December 2015 ("FY2015") on a year-on-year basis. On the other hand, net result changed from a net profit of $14,404,000 in FY2015 to a net loss of $8,274,000.

Financial Position

The net assets of the consolidated Group dropped by $19,540,000 from $200,898,000 at 31 December 2015 to $181,358,000 at 31 December 2016. Such decrease is resulted mainly from the following factors:

- loss after tax attributable to members of $8,274,000;
- decrease in foreign exchange reserve by $11,266,000.

Notwithstanding the net loss and decrease in foreign exchange reserve, the Group is able to maintain a healthy working capital ratio. The Group's working capital has decreased from $187,703,000 as at 31 December 2015 to $153,172,000 as at 31 December 2016.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the parent entity during the financial year.

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income – see accompanying preliminary financial statements

4. Consolidated Statement of Financial Position – see accompanying preliminary financial statements

5. Consolidated Statement of Cashflow – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

The Directors have not recommended or paid a dividend. The Group intends to keep the existing cash reserves in order to remain more competitive in the wholesale market and to fund our vertical downstream expansion in the retail petrol stations.

7. Details of any Dividend or distribution reinvestment plans

Please see Point 2.6 above. The Company does not have any distribution reinvestment plans.

8. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

9. Net tangible assets per security

	31 December 2016	**31 December 2015**
Number of securities	917,534,500	917,534,500
Net tangible assets per security in cents	18.6	21.9

10. Changes in controlled entities

During the year, the Group acquired 100% equity interest in Guangzhou Universal Energy Management & Consulting Co Ltd ("Universal"), which held 47% equity interest in Guangzhou Ba Da Petrol Station Co Ltd ("GBD Petrol Station") and 100% equity interest in Guangzhou You Yi Convenience Stores Co Ltd ("You Yi"). For details, please refer to the announcement of "Business Acquisition and Strategic Partnership" made on 28 April 2016.

A supplementary agreement has been signed with the two shareholders holding the remaining 53% of the shares in GBD Petrol Station that Universal would possess all the 100% beneficial interest in GBD Petrol Station and bear all the risks and rewards in operating the petrol station.

Universal has also established the second petrol station, namely Foshan Jin Dun Petrol Station Co Ltd ("FJD Petrol Station"). An agreement has also been signed with the original shareholder of FJD Petrol Station and Universal would possess all the 100% beneficial interest in FJD Petrol Station and bear all the risks and rewards in operating the petrol station. For details, please refer to the announcement of "Lease of Second Operating Petrol Station" made on 28 June 2016.

Except for the above, there have been no changes in other controlled entities during the current year.

11. Details of associates and joint venture entities

The Company does not have any associates or joint venture entities.

PREMIERE EASTERN ENERGY

ABN 58 169 923 095

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer ***Commentary on Results*** which accompanies this announcement.

13. Foreign entities disclosures

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

14. Additional information

Earnings per Share on continuing operations	**31 December 2016**	**31 December 2015**
Basic (losses) earnings per share in cents	(0.90)	1.57
Diluted (losses) earnings per share in cents	(0.90)	1.57

After Balance Date Events

i. Upgrade of Longkou Storage Facility

The Group has commenced construction work to upgrade its Longkou Storage Facility ('Longkou Facility') located at Longkou City, Shandong Province, China in February 2017. The forecast cost of the construction work is approximately RMB45 million, which is equivalent to approximately $9 million. The Group has prepaid RMB22.5 million (ie. approximately $4.5 million) to a construction company as at 31 December 2016. The construction work will enhance the Longkou Facility as to meet, and comply with, national environmental protection standards as approved by the Ministry of Housing and Urban-Rural Development of the PRC.

For details, please refer to announcement of "Upgrade of Longkou Storage Facility" made on 25 January 2017.

15. Compliance Statement

The financial statements are in the process of being audited and are not likely to be subject to dispute or qualification.

Signed in accordance with a resolution of the Board of Directors of Premiere Eastern Energy Limited:

ZHAN Mu Sheng – Chairman
Dated this 28 day of February 2017

PREMIERE
EASTERN ENERGY
ABN 58 169 923 095

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Revenue	4	457,517	779,741
Cost of goods sold		(451,415)	(744,058)
Gross profit		6,102	35,683
Other income	4	510	732
Operating expenses	5	(11,089)	(12,399)
Administrative expenses	5	(1,936)	(2,962)
Impairment on building and equipment	16	(1,191)	-
Finance costs	5	(536)	(495)
(Loss)/Profit before income tax		(8,140)	20,559
Income tax expense	6	(134)	(6,155)
(Loss)/Profit For The Year		**(8,274)**	**14,404**
Other Comprehensive Income For The Year, Net of Tax			
Items that may be reclassified subsequently to profit or loss			
Exchange (loss)/gain differences arising on the translation of foreign operations		(11,266)	10,767
Total Comprehensive Income For The Year Attributable to Members		**(19,540)**	**25,171**
(Loss)/Profit for the year attributable to:			
Non-controlling interest		(206)	510
Owner of the Parent		(8,068)	13,894
Total comprehensive income attributable to:			
Non-controlling interest		(533)	757
Owner of the Parent		(19,007)	24,414
Earnings per share (on profit attributable to ordinary equity holders)		**Cents**	**Cents**
— Basic (losses)/earnings per share (cents per share)	9	(0.90)	1.57
— Diluted (losses)/earnings per share (cents per share)	9	(0.90)	1.57

The accompanying notes form part of these financial statements.

PREMIERE EASTERN ENERGY
ABN 58 169 923 095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	126,029	174,613
Trade and other receivables	11	52,602	40,911
Inventories	12	251	2,272
Prepayments	13	26,114	1,458
TOTAL CURRENT ASSETS		204,996	219,254
NON-CURRENT ASSETS			
Prepayments	13	4,751	-
Property, plant and equipment	16	5,803	1,532
Land-use rights	17	10,737	11,663
Intangible assets	18	10,473	-
TOTAL NON-CURRENT ASSETS		31,764	13,195
TOTAL ASSETS		236,760	232,449
CURRENT LIABILITIES			
Trade and other payables	19	38,739	22,821
Non-convertible debt	20	8,649	8,730
Bank borrowings	21	4,397	-
Current tax liabilities	22	39	-
TOTAL CURRENT LIABILITIES		51,824	31,551
NON-CURRENT LIABILITIES			
Bank borrowings	21	3,578	-
TOTAL NON-CURRENT LIABILITIES		3,578	-
TOTAL LIABILITIES		55,402	31,551
NET ASSETS		**181,358**	**200,898**
EQUITY			
Issued capital	24	11,768	11,768
Other reserves	25	11,282	22,221
Retained earnings		152,865	160,933
Equity attributable to Owners of the Parent		175,915	194,922
Non-controlling interest	26	5,443	5,976
TOTAL EQUITY		**181,358**	**200,898**

The accompanying notes form part of these financial statements.

PREMIERE
EASTERN ENERGY
ABN 58 169 923 095

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Parent				
	Share Capital Ordinary $'000	Other Reserves $'000	Retained Earnings $'000	Non-controlling Interest $'000	Total $'000
Balance at 31 December 2014	8,518	8,507	150,233	5,219	172,477
Profit for the year	-	-	13,894	510	14,404
Other comprehensive income	-	10,520	-	247	10,767
Total comprehensive income	-	10,520	13,894	757	25,171
Shares issued during the year	3,507	-	-	-	3,507
Payments for share issue expenses	(257)				(257)
Transfer to statutory reserve	-	3,194	(3,194)	-	-
Transactions with owners in their capacity as owners	3,250	3,194	(3,194)	-	3,250
Balance at 31 December 2015	11,768	22,221	160,933	5,976	200,898
Loss for the year	-	-	(8,068)	(206)	(8,274)
Other comprehensive income	-	(10,939)	-	(327)	(11,266)
Total comprehensive income	-	(10,939)	(8,068)	(533)	(19,540)
Balance at 31 December 2016	11,768	11,282	152,865	5,443	181,358

The accompanying notes form part of these financial statements.

PREMIERE EASTERN ENERGY

ABN 58 169 923 095

CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		527,939	811,501
Payments to suppliers and employees		(565,543)	(763,816)
Interest received		510	731
Finance costs		(185)	(26)
Income tax paid		(92)	(9,736)
Sales and other taxes		(1,504)	(2,740)
Net cash (used in)/provided by operating activities	30	(38,875)	35,914
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,678)	(4,262)
Purchase of intangible assets		(400)	-
Cash acquired upon acquisition of subsidiaries		57	-
Payment made for acquisition of new subsidiaries		(1,971)	
Net cash used in investing activities		(7,992)	(4,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		-	3,507
Payments for share issue expenses		-	(257)
Proceeds from non-related parties		-	159
Proceeds from bank borrowings		8,445	-
Repayments of bank borrowings		(875)	-
Payments to related parties		(15)	(1,883)
Net cash provided by financing activities		7,555	1,526
Net (decrease)/increase in cash and cash equivalents held		(39,312)	33,178
Cash and cash equivalents at beginning of financial year	10	174,613	133,542
Effect of exchange rates on cash holdings in foreign currencies		(9,272)	7,893
Cash and cash equivalents at end of financial year	**10**	**126,029**	**174,613**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: NATURE OF OPERATIONS

Premiere Eastern Energy Limited and subsidiaries' ('the Group') principal activities include the following:

- Wholesale distribution of petrochemical products including sourcing, storage, shipping, sales and distribution and after-sales services of petrochemical products in the PRC;
- Retail distribution of refined petroleum, petrolchemical products through the operation of petrol stations and retail distribution of food and drinks, motor vehicles accessories through the operation of convenience stores.

These activities are grouped into the following service lines:

- Refined Petroleum – trading of various grades of gasoline and diesel oil used mainly by automobiles;
- Other Petrochemicals service – trading of mixed aromatics, C5 non-aromatics, fuel oil, naphtha and MBTE used mainly for gasoline blending; and
- Retail Petrol Station & Convenience Store – distribution of refined petroleum, petrolchemical products, food and drinks and motor vehicles accessories.

The Company is a for profit entity for the purpose of preparing the financial statements.

NOTE 2: GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB').

Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Premiere Eastern Energy Limited is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

There are new accounting standards that have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical financial information.

Premiere Eastern Energy Limited is the Group's Ultimate Parent Company. Premiere Eastern Energy Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 6, 105 St Georges Terrace, Perth, Western Australia 6000.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Premiere Eastern Energy Limited and controlled entities ('Consolidated Group' or 'Group'). Premiere Eastern Energy Limited listed on the Australian Securities Exchange ("ASX") on 12 February 2015. All subsidiaries have a reporting date of 31 December.

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2016. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business Combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

b. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Income Tax (Continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less estimated costs of completion and costs necessary for market sale. Where inventories represent goods in transit, the Group holds the risks and rewards of ownership.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, Plant and Equipment (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office equipment	10%
Buildings	3%
Motor vehicles	12.5%
Oil depot equipment	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Intangible Assets

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3(a) "Business Combination" for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets

Recognition of other intangible assets

Intellectual property rights
Acquired intellectual property rights are capitalised on the basis of the costs incurred to acquire.

Subsequent measurement
Intellectual property rights are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over the life of the patent as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.

Amortisation has been included within amortisation expenses.

When the intellectual property rights are disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Non-derivative financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

g. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Land-use Rights

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation of land-use rights is calculated using the straight line method to allocate the cost of land use-rights over its estimated useful life.

The carrying amount of land-use rights is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

k. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST) or value added tax (VAT).

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

o. Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST or VAT incurred is not recoverable from the Tax Office. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST and VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

p. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid according to term.

q. Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of property, plant and equipment (PPE) and intangible assets. Where an impairment trigger exists, the recoverable amounts of PPE and intangible assets are determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

t. Accounting standards issued but not yet effective and not been adopted early by the group

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

AASB 9 Financial Instruments (2015)	(Application date: 1 January 2018)
AASB 15 Revenue from Contracts with Customers	(Application date: 1 January 2018)
AASB 16 Leases	(Application date: 1 January 2019)

The entity is yet to undertake a detailed assessment of the impact of the above standards.

The preliminary financial report was authorised for issue on 28 February 2017 by the board of directors.

NOTE 4: REVENUE

	Note	2016 $'000	2015 $'000
Sales revenue			
— Sale of goods		457,517	779,741
Other income			
— Bank Interest received		510	732
Total		458,027	780,473

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 5: EXPENSES

5.1 Operating Expenses	**Note**	**2016 $'000**	**2015 $'000**
Salary and wages		1,914	1,783
Depreciation and amortisation		665	554
Transportation		6,319	8,533
Other operating expenses		2,191	1,529
Total		11,089	12,399

5.2 Administrative Expenses			
Foreign exchange difference		(83)	1,082
Hospitality expenses		721	853
Traveling expenses		378	397
Other administrative expenses		920	630
Total		1,936	2,962

5.3 Finance Costs			
Interest expense		478	481
Bank charges		58	14
Total		536	495

NOTE 6: INCOME TAX EXPENSE

a) The components of tax expense comprise:	**Note**	**2016 $'000**	**2015 $'000**
Current tax		134	6,155
Total		134	6,155

The Australian assessable earnings will be taxed at 30% (2015: 30%). The Chinese assessable earnings will be taxed at 25%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 6: INCOME TAX EXPENSE (CONTINUED)

	2016 $'000	2015 $'000
b) Reconciliation of tax expense		
(Loss)/profit before income tax	(8,140)	20,559
Prima facie tax payable on (loss)/profit before income tax at 30% (2015: 30%)	(2,442)	6,168
Adjustment to income tax expense due to:		
Differences in taxation rates in foreign subsidiaries	(31)	(848)
Foreign losses not recognised	2,373	157
Losses in the parent entity not recognised	234	678
Income tax attributable to the Group	134	6,155
The applicable weighted average effective tax rate are as follows:	(1.6%)	30%

c) Income tax losses

As at 31 December 2016, Premiere Eastern Energy (parent entity) had an estimated available tax losses of approximately $3.05 million (2015: $2.816 million). Tax losses in the parent entity have not been recognised as it is likely that they will not be utilised due to the parent entity's holding nature of operation. Tax losses in subsidiaries, Yangjiang Yuanda Information Consultancy Limited and Genius Supreme Investments Limited are not presented as they likely will forgone due to the nature of the entities being holding entities.

NOTE 7: AUDITORS' REMUNERATION

	2016 $'000	2015 $'000
Remuneration of the auditor of the parent entity for:		
Audit services		
- auditing or reviewing the financial report	177	145
Other services		
- taxation service	5	10
Total	182	155

NOTE 8: DIVIDENDS

No dividends have been declared or paid by the Company to the date of this report.

NOTE 9: EARNINGS PER SHARE

	2016 $'000	2015 $'000
a. Reconciliation of earnings to profit or loss		
(Loss)/profit used to calculate basic EPS and dilutive EPS	(8,274)	14,404

	2016 Numbers	2015 Numbers
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	917,534,500	915,595,277

NOTE 10: CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	126,029	174,613
Total	126,029	174,613

NOTE 11: TRADE AND OTHER RECEIVABLES

	Note	2016	2015
CURRENT		$'000	$'000
Trade receivables	11a	43,816	38,434
Other receivables		8,647	2,113
Other taxes receivables		139	364
Total		52,602	40,911

11a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 30-day terms. As of 31 December 2016, trade receivables of $nil (2015: $nil) were past due but not impaired.

The other balances within trade receivables are not past due and do not contained impaired assets. Based on the credit history of these receivables, it is expected that these amounts will be received when due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 12: INVENTORIES

	2016	2015
CURRENT	$'000	$'000
Inventory at cost	251	2,272
Provision for obsolete stock	-	-
Net inventory	251	2,272

Inventories are valued at the lower of cost and net realisable value. Inventory includes various forms of refined petrol and petrol chemical items held for sale. Inventory has been determined to be valued at the lower of cost and net realisable value at balance date. There has been no provision for obsolete stock raised in the current or previous financial period.

NOTE 13: PREPAYMENTS

	2016	2015
	$'000	$'000
CURRENT		
Advances/security deposits to suppliers for inventory purchases	24,574	1,458
Prepaid lease expenses	1,540	-
	26,114	1,458
NON-CURRENT		
Prepaid lease expenses	4,751	-
Total	30,865	1,458

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 14: CONTROLLED ENTITIES

a. Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1]	
		2016 %	2015 %
Ultimate Holding Company			
Premiere Eastern Energy Limited ("Premiere Australia")	Australia		
Subsidiary of Premiere Australia			
Genius Supreme Investments Limited ("Genius Supreme")	Hong Kong	100	100
Subsidiaries of Genius Supreme			
Yangjiang Yuanda Petrolchemical Co., Ltd ("Yangjiang Yuanda")	People's Republic of China	97	97
Guangzhou King-Win Enterprise Management & Services Co Ltd ("King-Win")	People's Republic of China	100	n/a
Subsidiary of Yangjiang Yuanda			
Yangjiang Yuanda Information Consultancy Co., Ltd ("Yuanda Information")	People's Republic of China	100	100
Subsidiary of Yuanda Information			
Zhanjiang Industrial Production Materials Co., Ltd ("Zhanjiang Industrial")	People's Republic of China	91.52 [2]	91.52 [2]

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 14: CONTROLLED ENTITIES (CONTINUED)

a. Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1] 2016 %	2015 %
Subsidiary of King-Win			
Guangzhou Universal Energy Management & Consulting Co Ltd ("Universal")	People's Republic of China	100	n/a
Subsidiary of Universal			
Guangzhou Bada Petrol Station Co Ltd ("GBD Petrol Station")	People's Republic of China	47 [3]	n/a
Guangzhou You Yi Convenience Stores Co Ltd ("You Yi")	People's Republic of China	100	n/a
Foshan Jindun Petrol Station Co Ltd ("FJD Petrol Station")	People's Republic of China	88 [4]	n/a

[1] Percentage of voting power is in proportion to ownership.

[2] Pursuant to the share transfer agreement dated 12 August 2011, all rights and obligations are assumed by Yuanda Information. Therefore 100% of all risks and rewards are attributable to Yuanda Information.

[3] Pursuant to the supplementary agreement signed with the two shareholders holding the remaining 53% of the shares in GBD Petrol Station, Universal would possess all the 100% beneficial interest in GBD Petrol Station and bear all the risks and rewards in operating the petrol station.

[4] Pursuant to the agreement signed with the original shareholder of FJD Petrol Station, Universal would possess all the 100% beneficial interest in FJD Petrol Station and bear all the risks and rewards in operating the petrol station.

NOTE 15: BUSINESS COMBINATION

On 31 May 2016, the Group completed the acquisition of 100% of the issued share capital and voting rights of Guangzhou Universal Energy Management & Consulting Co Ltd ("Universal"), a company based in Guangzhou City that holds 47% of retail petrol station business Guangzhou Ba Da Petrol Station Co Ltd ("GBD Petrol Station") and 100% of Guangzhou You Yi Convenience Stores Co Ltd ("You Yi").

A supplementary agreement has been signed with the two personal shareholders holding 53% of the shares in GBD Petrol Station that Universal would possess all the 100% beneficial interest in GBD Petrol Station and bear all the risk and rewards in operating GBD Petrol Station by payment of an annual rental with a total present value of RMB 2.028 million (AUD$405,000). The objective of the acquisition is to expand vertically within the petrolchemical industry and add to the distribution channel for the Group's petrolchemical products in the PRC.

Details of the business combination are as follows:

	Note	$'000
Fair value of consideration paid/payable		
Amount settled/to be settled in cash		7,117
Recognised amounts of identifiable net assets		
Property, plant and equipment		347
Inventories		532
Trade and other receivables		1,250
Cash and cash equivalents		57
Short-term bank loan		(404)
Other tax liabilities		(8)
Trade and other payables		(2,911)
Identifiable net assets/(liabilities)		(1,137)
Goodwill on acquisition	18(b)	**8,254**
Consideration transferred settled in cash		(1,972)
Cash and cash equivalents acquired		57
Net cash outflow on acquisition		**(1,915)**
Acquisition costs charged to expenses		-
Net cash paid relating to the acquisition		**(1,915)**

(i) Consideration transferred

No specific acquisition-related costs have been incurred and included as part of consideration transferred.

(ii) Identifiable net assets/(liabilities)

The fair values of the identifiable intangible assets have been determined based on cost as at 31 December 2016.

(iii) Goodwill

The goodwill that arose on the business combination can be attributed to the specific business licences obtained for operating petrol stations. Goodwill has been allocated to cash-generating units at 31 December 2016 and is attributable to the service segment.

PREMIERE EASTERN ENERGY
ABN 58 169 923 095

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

	Office Equipment & Motor Vehicle $'000	Oil Depot Buildings $'000	Oil Depot Equipment $'000	Petrol Station & Convenience Store $'000	Leasehold Improvements $'000	Construction in Progress $'000	Consolidated Group $'000
Cost							
At 1 January 2016	377	1,014	1,546	-	-	-	2,937
Acquired on acquisition of subsidiary	69	-	-	87	252	-	408
Additions	-	-	-	996	-	4,495	5,491
Impairment	(232)	(972)	(1,483)	-	-	-	(2,687)
Exchange differences	(18)	(42)	(63)	(1)	(3)	-	(127)
At 31 December 2016	196	-	-	1,082	249	4,495	6,022
Accumulated depreciation							
At 1 January 2016	(303)	(169)	(933)	-	-	-	(1,405)
Acquired on acquisition of subsidiary	(13)	-	-	(16)	(32)	-	(61)
Depreciation for the year	(19)	(32)	(176)	(52)	(30)	-	(309)
Impairment	232	191	1,074	-	-	-	1,497
Exchange differences	12	10	35	1	1	-	59
At 31 December 2016	(91)	-	-	(67)	(61)	-	(219)
Net book value							
At 31 December 2016	105	-	-	1,015	188	4,495	5,803

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts (Continued)

	Office Equipment and Motor Vehicle $'000	Oil Depot Buildings $'000	Oil Depot Equipment $'000	Consolidated Group $'000
Cost				
At 1 January 2015	355	958	1,459	2,772
Exchange differences	22	56	87	165
At 31 December 2015	377	1,014	1,546	2,937
Accumulated Depreciation				
At 1 January 2015	(274)	(128)	(707)	(1,109)
Exchange differences	(15)	(7)	(41)	(63)
Depreciation for the year	(14)	(34)	(185)	(233)
At 31 December 2015	(303)	(169)	(933)	(1,405)
Net book value				
At 31 December 2015	74	845	613	1,532

NOTE 17: LAND-USE RIGHTS

	2016 $'000	2015 $'000
Cost	12,559	13,273
Accumulated Amortisation	(1,822)	(1,610)
Total Land-use Rights	10,737	11,663

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	$'000
Balance at 1 January 2015	11,304
Exchange differences	680
Amortisation expense	(321)
Balance at 31 December 2015	11,663
Exchange differences	(622)
Amortisation expense	(304)
Balance at 31 December 2016	10,737

NOTE 17: LAND-USE RIGHTS (CONTINUED)

Land-use rights refer to the following:

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration - Long Kou State Land (2004) Serial Number #20042100083, Dangerous Goods Terminal, Long Kou Port, City of Long Kou, Shandong Province, People's Republic of China.	Production Plant	37,714	35 years (valid until 3/11/2052)

NOTE 18: INTANGIBLE ASSETS

	Note	2016 $'000	2015 $'000
Intellectual property rights	(a)	2,318	-
Goodwill	(b)	8,155	-
		10,473	-

(a) Intellectual property rights

Movement in the carrying amount for intellectual property rights during the current financial year:

	$'000
Balance at 1 January 2016	-
Additions during the year	2,397
Exchange differences	1
Amortisation expense	(80)
Balance at 31 December 2016	2,318

During the year, the Group acquired intellectual property rights relating to a fuel additive for $2.4 million. The intellectual property rights have a protection period of 20 years from the filing date (ie. April 2014) with 17.3 years remaining as at 31 December 2016.

NOTE 18: INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill

Movement in the carrying amount for goodwill during the current financial year:

	Note	$'000
Additions during the year	15	8,254
Exchange differences		(99)
Amortisation expense		-
Balance at 31 December 2016		8,155

NOTE 19: TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
CURRENT		
Trade payables	25,609	16,536
Revenue received in advance	206	2,090
Other tax payable	47	196
Non-convertible debt interest	2,380	2,031
Salary payable	597	603
Accrued expenses	-	17
Other payables	9,900	1,348
	38,739	22,821

NOTE 20: NON-CONVERTIBLE DEBT

	Interest rates (%) 2016	Interest rates (%) 2015	2016 $'000	2015 $'000
Balance at beginning of the year			8,730	7,633
Foreign currency (depreciation)/appreciation			(81)	1,097
Balance at end of the year	4%	4%	8,649	8,730

The Group completed a restructure during 2014. Pursuant to an agreement by bondholders and Premiere Singapore dated 29 August 2014, convertible notes amounting to $5.937 million were converted into 137,129,844 shares in Premiere Australia, and accrued interest on convertible notes were satisfied by the issue of 12,903,225 shares amounting to $2.581 million in Premiere Eastern Energy.

NOTE 20: NON-CONVERTIBLE DEBT (CONTINUED)

Convertible note balances have been transferred from Premiere Singapore to Premiere Eastern Energy and remained unconverted balances of $8.649 million (2015: $8.730 million) have been novated to a non-convertible debt instrument in Premiere with the terms including interest rate of 4% per annum to be accrued on the outstanding balance, the first repayment of SG$5 million within 6 months after a successful listing on the ASX, and the outstanding balance to be paid within 12 months after a successful listing on the ASX.

Amounts have not been repaid at 31 December 2016 and unpaid/accrued interest has been included in trade and other payables in Note 19.

NOTE 21: BANK BORROWINGS

	Interest rates (%) 2016	Interest rates (%) 2015	2016 $'000	2015 $'000
CURRENT				
Due within one year	4.6% - 19.2%	-	4,397	-
NON-CURRENT				
Due after more than 1 year but not exceeding 2 years	6.175%	-	2,743	-
Due after more than 2 years but not exceeding 5 years	6.175%	-	835	-
			3,578	-
TOTAL			7,975	-

NOTE 22: CURRENT TAX LIABILITIES

	2016 $'000	2015 $'000
CURRENT		
Income Tax	39	-

Income tax payable represents current income tax obligations to the Chinese taxation authorities at 31 December 2016.

NOTE 23: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

NOTE 24: ISSUED CAPITAL

Ordinary shares	Number of shares issued	$'000
At 1 January 2015	900,000,000	8,518
Shares issued on 12 February 2015 at initial public offering	17,534,500	3,507
Share issuing expenses	-	(257)
At 31 December 2015	917,534,500	11,768
Shares issued during the year	-	-
At 31 December 2016	917,534,500	11,768

Ordinary shares participate in dividends in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The management's objectives when managing capital are to ensure that the group can fund its operations and continue as a going concern and to provide shareholders with adequate returns.

The management monitors capital on the basis of debt to equity ratio. This ratio is calculated as net liabilities divided by equity. Net liabilities is "Total liabilities" as shown on the consolidated balance sheet less cash and cash equivalent and equity is "Total equity" as shown on the consolidated balance sheet.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, which is to maintain a good debt to equity ratio. The debt-equity ratios as at 31 December 2016 and 31 December 2015 are as follows:

	2016 $'000	2015 $'000
Total liabilities	55,402	31,551
Less: cash and cash equivalents	(126,029)	(174,613)
Net liabilities/(net cash)	(70,627)	(143,062)
Total equity	181,358	200,898
(Net cash) to equity ratio	(38.9%)	(71.2%)

NOTE 25: OTHER RESERVES

	2016 $'000	2015 $'000
Statutory reserve	6,093	6,093
Capital reserve	26	26
Foreign currency translation reserve	5,163	16,102
	11,282	22,221

Foreign Currency Translation Reserve
The foreign currency translation reserve represents exchange differences arising from translation of the subsidiaries' functional currency (Chinese Renminbi and Hong Kong Dollars) into presentational currency of the Group (Australian Dollars).

Statutory Reserve
Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches a minimal of 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

Capital Reserve
The capital reserve is for long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future.

NOTE 26: NON-CONTROLLING INTEREST

	2016 $'000	2015 $'000
Balance at beginning of the year	5,976	5,219
Share of movement in net assets	(533)	757
Balance at end of the year	5,443	5,976

Movement in non-controlling interest in 2016 relates to the 3% minority interest in Yangjiang Yuanda. During 2016, Yangjiang Yuanda and its controlled entities incurred net loss after tax attributable to minority interest of $206,000 (2015: net profit after tax of $510,000) and has therefore been included in movement in net assets attributable to the Group's non-controlling interest. Refer Note 14 for more details on the Group's controlled entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 27: FINANCIAL INSTRUMENT RISK

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities consist of:

- Cash and cash equivalents
- Trade and other receivables
- Security deposits to suppliers
- Trade and other payables
- Non-convertible debt
- Bank borrowings

The Group's accounting policy of financial assets and liabilities is summarised in Note 1. The main types of risks are market risk, credit risk and customer concentration risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

1.1Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to credit risk, interest rate risk, liquidity risk and customer concentration risk. The Group does not have any significant exposure to price risk and foreign currency risk.

Foreign Currency Risk

Balances and transactions within each respective company are predominately in the local functional currency and not subject to foreign currency risk.

Credit Risk

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through deposits with financial institutions.

The finance committee monitors credit risk on a regular basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 31 December 2016.

NOTE 27: FINANCIAL INSTRUMENT RISK (CONTINUED)

1.1 Market risk analysis (continued)

Liquidity Risk
Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

Interest Rate Risk
The Group's exposure to interest rate risks relates principally to short term deposits placed with financial institutions and bank borrowings. At 31 December 2016, the Group is exposed to changes in market interest rates resulting from $400,000 (2015: nil) bank borrowings at variable interest rates. Other borrowings of the Company, including the non-convertible debt of $8,649,000 and bank borrowings of $7,575,000 are at fixed interest rate.

Price risk
The Group's financial instruments are not exposed to price risk.

1.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016	2015
	$'000	$'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	126,029	174,613
• trade and other receivables	52,602	40,911
Total	178,631	215,524

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

NOTE 27: FINANCIAL INSTRUMENT RISK (CONTINUED)

1.2 Credit risk analysis (continued)

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

1.3 Customer Concentration Risk

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 7 (2015: top 5) customers in 2016 generated more than 75% ($340,916,000) (2015: 57% $444,895,000) of the Group's revenue during the financial period.

NOTE 28: FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Group does not hold any financial assets or liabilities carried at fair value as at 31 December 2015. All financial assets and liabilities are carried at amortised cost.

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

NOTE 29: OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment; and

- the type or class of customer for the products or services.

Types of products and services by segment

Segments as determined by the Directors and Management are as follows:

- Wholesale of refined petrol

- Wholesale of petrolchemical

- Retail sale of petrol stations and convenience stores

The Group operates predominately in one geographical segment, being the People's Republic of China.

Basis of accounting for purposes of reporting by operating segments:

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

Inter-segment loans payables and receivables are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, there are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

NOTE 29: OPERATING SEGMENTS (CONTINUED)

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- current tax liabilities;
- and other financial liabilities.

SEGMENT INFORMATION PROVIDED TO EXECUTIVE DIRECTORS:

2016	Refined petroleum $'000	Petrolchemical $'000	Petrol stations and Convenience stores $'000	Total $'000
Segment revenues	100,185	345,677	11,654	457,517
Segment cost of sales	(98,693)	(343,868)	(8,854)	(451,415)
Segment other expenses	(886)	(8,456)	(1,154)	(10,496)
Segment results (Profit after tax)	606	(6,647)	1,646	(4,394)
Other income	200	307	-	507
Net financing costs	-	-	-	(536)
Impairment of buildings and equipment	-	(1,191)	-	(1,191)
Unallocated expense net of unallocated revenue	-	-	-	(2,526)
Profit/(loss) before tax	806	(7,531)	1,646	(8,140)
Income tax expense	-	-	(134)	(134)
Net profit/(loss) after tax	806	(7,531)	1,512	(8,274)
Segment assets	66,055	148,841	21,814	236,710
Total corporate and unallocated assets				50
Total consolidated assets				236,760
Segment liabilities	(28)	(26,492)	(17,818)	(44,338)
Total corporate and unallocated liabilities				(11,064)
Total consolidated liabilities				(55,402)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 29: OPERATING SEGMENTS (CONTINUED)

2015	Refined petroleum $'000	Petrolchemical $'000	Total $'000
Segment revenues	166,356	613,385	779,741
Segment cost of sales	(160,506)	(583,552)	(744,058)
Segment other expenses	(2,566)	(10,498)	(13,064)
Segment results (Profit after tax)	3,284	19,335	22,619
Other income	218	507	725
Net financing costs	-	-	(482)
Unallocated expense net of unallocated revenue			(2,303)
Profit before tax	3,502	19,842	20,559
Income tax expense	(959)	(5,196)	(6,155)
Net profit after tax	2,543	14,646	14,404
Segment assets	75,757	156,141	231,898
Total corporate and unallocated assets			551
Total consolidated assets			232,449
Segment liabilities	5,775	14,837	20,612
Total corporate and unallocated liabilities			10,939
Total consolidated liabilities			31,551

NOTE 30: CASH FLOW INFORMATION

	2016 $'000	2015 $'000
Reconciliation of Cash Flow from Operations with (Loss)/Profit after Income Tax		
(Loss)/Profit after income tax	(8,274)	14,404
Non-cash flows in profit		
Amortisation	304	321
Depreciation	369	233
Foreign exchange revaluation of non-convertible debt	1,191	1,082
Interest expenses accrued	350	469
Effects of foreign exchange	(1,031)	2,302
Effects of acquisition of subsidiaries	1,137	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(14,794)	27,803
(Increase)/decrease in inventories	2,431	3,779
(Increase)/decrease in prepayments	(29,434)	77
Increase/(decrease) in trade and other payables	8,835	(11,177)
Increase/(decrease) in income taxes payable	41	(3,379)
Cash flows from operations	38,875	35,914

NOTE 31: SUBSEQUENT EVENT

Subsequent to the year end, the Group has commenced construction work to upgrade its Longkou Storage Facility ('Longkou Facility') located at Longkou City, Shandong Province, China in February 2017. The forecast cost of the construction work is approximately RMB45 million, which is equivalent to approximately $9 million. The Group has prepaid RMB22.5 million (ie. approximately $4.5 million) to a construction company as at 31 December 2016. The construction work will enhance the Longkou Facility as to meet, and comply with, national environmental protection standards as approved by the Ministry of Housing and Urban-Rural Development of the PRC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 32: PARENT ENTITY INFORMATION

	2016 $'000	2015 $'000
Statement of Financial Position		
Assets		
Current assets	27	21
Non-current assets	19,327	19,737
Total Assets	19,354	19,758
Liabilities		
Current liabilities	11,181	10,806
Non-current liabilities	-	-
Total Liabilities	11,181	10,806
Net Assets	8,173	8,952
Equity		
Issued capital	11,768	11,768
Accumulated losses	(3,595)	(2,816)
Total Equity	8,173	8,952
Statement of Comprehensive Income		
Total loss	(779)	(2,261)
Total comprehensive income	(779)	(2,261)

The Parent entity has no contingent liabilities or contingent assets as at 31 December 2016. Premiere Eastern Energy (Parent Entity) was incorporated on the 4 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 33: COMPANY DETAILS

Registered Office
Level 6, 105 St Georges Terrace,
Perth, Western Australia 6000

Principal Place of Business
No. 30, Shangpu, Dongyi Community,
Yangjiang City, Guangdong Province
PRC

Contact Details
Telephone: (86)-20-85271736
Facsimile: (86)-20-85271702
Website: www.group-premiere.com