PREMIERE
EASTERN ENERGY

Premiere Eastern Energy Limited

ANNUAL REPORT
For the year ended 31 December 2016

PREMIERE EASTERN ENERGY
ABN 58 169 923 095

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Directors' Report

The Directors of Premiere Eastern Energy Limited ("Premiere") present their Report together with the financial statements of the consolidated entity, being Premiere ("the Company") and its Controlled Entities ("the Group") for the year ended 31 December 2016.

Director details

The following persons were Directors of Premiere during or since the end of the financial year.

Mr Zhan Musheng

Non-Executive Chairman
Director since 25 August 2014

Mr. Zhan has over 30 years of experience in the China petrochemical industry, where he held the position of general manager at various state-owned petrochemical enterprises such as the Guangdong Oil Associate of Sinopec Maoming Company and Zhanjiang Fuel Corporation.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
704,966,930 shares

Interest in options:
None

Mr Wayne Reid OBE

Independent Non-Executive Deputy Chairman
Member of Audit Committee, Nomination and Remuneration Committee
Director since 1 May 2017

Mr Wayne Reid has more than 40 years of executive management experience through CEO and managing director roles across a range of companies and industries. He has serviced on boards for businesses including banking, stock broking, insurance, construction, mining, retail and sporting associations across Australia, China, Europe, UK and New Zealand. Wayne was President of the International Assemble of Confederations of Sport under the close patronage of Prince Phillip and received the Order of the British Empire ('OBE") for his services to sport and the community.

Other current Directorships:
None.

Previous Directorships (last 3 years):
Sunbridge Group Limited (ASX:SBB)
Victor Group Holdings Limited (ASX:VIG)

Interests in shares:
None

Interest in options:
None

Mr Lau Kay Heng

Independent Non-Executive Director
Chairman of Audit Committee, Member of Nomination and Remuneration Committee
Director since 25 August 2014

Mr. Lau has over 20 years of corporate management and corporate advisory experience spanning the Asia Pacific region for various renowned multinational and Singapore listed companies in the medical, chemical, pharmaceutical, interior floor covering and environmental protection industries. Mr. Lau is currently the Managing Director of an independent corporate advisory firm specialising in corporate advisory, private equity, merger and acquisition, IPO transactions in Singapore, China, Korea and Australia. Mr. Lau has been the chairman of Asia M&A Group, an alliance of member firms specialising in cross border merger and acquisition activities across Asia since 2013.

Other current Directorships:
Cacola Furniture International Limited (SGX: D2U)
Disa Limited (SGX:532) (formerly Equation Summit Limited (SGX:EQC))
iBosses Corporation Limited (ASX: IB8)

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Mr Zhan Aiping[1]

Chief Executive Officer
Director since 25 August 2014

Mr. Zhan, a Chinese citizen, is responsible for the overall operations, strategic planning, business development, and corporate management of the Group, including devising the annual plan and financial budget of the Group.

Mr. Zhan has over 15 years of experience in the China petrochemical industry, with experience working as the sales manager of various petrochemical and chemical enterprises.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

(1) Mr. Zhan Ai Ping (CEO, Executive Director) is the son of Mr. Zhan Mu Sheng (Non-Executive Chairman)

Mr Tim Slate

Independent Non-Executive Director
Member of Audit Committee, Nomination and Remuneration Committee
Director since 19 October 2016

Mr Slate has a Bachelor of Commerce from the University of Western Australian, is a Chartered Accountant, is an Associate Member of the Governance Institute of Australia and is an Affiliate Member of the Australian Institute of Company Directors. Mr Slate provides accounting and secretarial advice to private and public companies. Mr Slate has nine years' experience in chartered accounting.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Mr Ou Jinpei

Executive Director
Director since 25 August 2014

Mr. Ou, a Chinese citizen, is the General Manager of Sales of the Group and oversees all sales and marketing related matters of the Group.

Mr. Ou has over 25 years of experience in the China petrochemical industry. Prior to joining the Group, he was employed as a manager in several state-owned petrochemical enterprises, such as such as Guangzhou Branch of Sinopec Corporation and Guangdong Province Crude Oil Company, where he was in charge of various processes within the petrochemical supply chain, including the management of oil tanks and trading of crude oils.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Mr Jack James

Former Independent Non-Executive Director
Former Chairman of Audit Committee
Former Member of the Nomination and Remuneration Committee
Director appointed 18 March 2015 and resigned on 19 October 2016

Mr. James has over fifteen years of experience as a Chartered Accountant specialising in corporate advisory and reconstruction. Most recently, he held senior roles in Ernst & Young and KordaMentha. Mr. James provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Mr. James has a Bachelor of Business from the Queensland University of Technology and is a Chartered Accountant.

Other current Directorships:
Wolf Petroleum Limited (ASX:WOF)
Haranga Resources Limited (ASX:HAR)

Previous Directorships (last 3 years):
Black Star Petroleum Limited (ASX: BSP)
Firestone Energy Limited (ASX: FSE)
Lithex Resources Limited (ASX: LTX)
Antares Mining Limited (ASX: AWW)
Castillo Copper Limited (ASX:CCZ)
Eumeralla Resources Limited (ASX: EUM)

Interests in shares:
None

Interest in options:
None

Mr David Wheeler

Independent Non-Executive Deputy Chairman
Member of Audit Committee, Nomination and Remuneration Committee
Director appointed 25 August 2014 and resigned on 30 April 2017

Mr Wheeler, an Australian citizen, has more than 30 years of executive management experience and Company Director experience across a range of companies and industries.

Mr Wheeler has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia and the Middle East and has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990 and is a current member of the WA State committee of Turnaround Management Australia (TMA).

Other current Directorships:
333D Ltd (ASX:T3D) (formerly Oz Brewing Limited (ASX: OZB))
Antilles Oil and Gas NL (ASX:AVD) – appointed 12 February 2016
Eumeralla Resources Limited (ASX: EUM)
UltraCharge Limited (ASX:UTR) (formerly Lithex Resources Limited (ASX: LTX))
Castillo Copper Limited (ASX: CCZ)

Previous Directorships (last 3 years):
WestStar Industrial Limited (ASX:WSI) (formerly Antares Mining Limited (ASX: AWW)) – resigned 21 November 2016
AusCann Group Holdings Limited (ASX:AC8) (formerly TW Holdings Limited (ASX: TWH)) – resigned 19 January 2017

Interests in shares:
215,272 shares

Interest in options:
None

Company Secretary

Mr. Tim Slate is a qualified Chartered Accountant in Australia. He was appointed on 19 October 2016 as replacement for Mr. Jack James who resigned as company secretary on the same date.

Change of officeholders

As of 19 October 2016, Mr. Jack James (Independent Non-Executive Director) and as of 30 April 2017, Mr David Wheeler (Independent Non-Executive Deputy Chairman resigned to pursue other activities.

Committee Membership

	Audit Committee	Remuneration and nomination committee
Tim Slate	Member	Member
Wayne Reid	Member	Member
Lau Kay Heng	Chairman	Member

As of 19 October 2016, the following changes have been made to the membership of Audit Committee and Remuneration and Nomination Committee:

a. Mr. Jack James resigned from the Audit Committee and Remuneration and Nomination Committee;

b. Mr Lau Kay Heng was appointed Chairman of the Audit Committee; and

c. Mr. Tim Slate was appointed to the Audit Committee and Remuneration and Nomination Committee.

As of 1 May 2017, the following changes have been made to the membership of Audit Committee and Remuneration and Nomination Committee:

a. Mr. David Wheeler resigned from the Audit Committee and Remuneration and Nomination Committee;

b. Mr. Wayne Reid was appointed to the Audit Committee and Remuneration and Nomination Committee.

Principal activities

During the year, the principal activities of entities within the Group 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 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 – trading of mixed aromatics, C5 non aromatics, fuel oil, naphtha and MBTE used mainly for gasoline blending;
- Retail Petrol Stations & Convenience Store – distribution of refined petroleum, petrochemical products, food, drinks and motor vehicles accessories.

Review of operations and financial results

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 into 2 major classes of product; being:

1. Refined Petroleum - mainly the various grades of gasoline and diesel oil used mainly by automobiles; 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 demands for fuel and energy and rely on the 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.

On 31 May 2016 ("Acquisition Date"), the Company acquired Guangzhou Youjia Enterprise Management Consulting Co., Ltd. ("Youjia") and its subsidiaries Guangzhou Bada Petrol Station Co., Ltd. ("Bada") and Guangzhou Youyi Convenience Store Limited ("Youyi") ("Acquired Entities"), which were reporting under IFRS standards for the first time. During the audit, the Company was notified by the Group's auditor (Grant Thornton) had identified weaknesses in the accounting systems of the Acquired Entities, significantly relating to the capturing and recognition of revenue, inventory and income received in advance balances of the subsidiaries. Grant Thornton advised that following the identification of these weaknesses, additional substantive procedures would be required to be performed to provide Grant Thornton with sufficient audit evidence to form an opinion.

The Directors determined that it would most appropriate to allow the auditors time to perform the procedures required to form an opinion. This resulted in the delay of the lodgement of the Annual Financial Statements and subsequently the Annual General Meeting.

The Company has worked closely with the auditors to assist with the additional procedures that were required. The year-end audit procedures resulted in the identification of additional information surrounding the facts and circumstances that existed as at the Acquisition Date and, if known, may have affect the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows.

Due to factors beyond the Company's control, the auditors were unable to obtain sufficient appropriate audit evidence on the books and records in relation to the retail operations of Youjia, Bada and Youyi as at the Acquisition Date and subsequent transition period

In May 2017, the Company engaged BDO Australia (Perth) to perform a review of the Group's finance function including but not limited to a review of the accounting entries of the Acquired Entities to ensure that they are prepared and recorded in line with the accounting policy of the Group and recognise revenues and associated balances (COGS, IRIA, VAT, Income tax, other taxes) on an accruals basis. Following the review, the Company will be provided with advice and recommendations to improve its financial practices. Following the receipt of the findings and recommendations, the Company will work with BDO to continually improve its finance function and develop robust systems and procedures for the consolidation of any future acquisitions.

Commentary on Full Year Results

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”).

The Group has made a loss after tax of $8.9 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 41.4% to $457.0 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 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.

Review of operations and financial results (Continued)

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.

- Gross profit margins 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 2H2015.

- Group NLBT of $8.8 million, contrary to a Group NPBT of $20.6 million in FY2015;

- Group NLAT of $8.9 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.

Dividends

The Directors have not recommended or paid a dividend during or since the end of the financial year. The Group intends to maintain the existing cash reserves in order to remain more competitive in the wholesale market and to fund our vertical downstream expansion through retail petrol stations.

Events arising since the end of the reporting period

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.

Furthermore, the Group received a 'Letter of Termination and Demand ('LOT')' from the Bondholders. Pursuant to the LOT, the Bondholders:

- Terminate the Agreement dated 29 August 2014;
- Declare that as at 15 February 2017, $9,887,670 Singapore Dollars ('Outstanding Amount') was due and payable by the Group; and
- Demand the Group pay the Outstanding Amount by 28 April 2017.

As at the date of the financial report, amounts have not been repaid and the Group is currently seeking legal advice on this matter.

Other than the above matters, there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial year.

For details, please refer to the Company's ASX announcement of "Bondholders Letter of Termination and Demand" made on 24 April 2017.

There were no other significant events subsequent to the year end to the date of this report.

Directors' Meetings

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors' Name	Board Meetings		Audit Committee ("AC")		Nomination and Remuneration Committee ("NRC")	
	A	B	A	B	A	B
Zhan Musheng	4	-	4	-	-	-
Wayne Reid**	-	-	-	-	-	-
Zhan Aiping	4	4	4	4	-	-
Ou Jinpei	4	-	4	-	-	-
Lau Kay Heng	4	4	4	4	1	1
Tim Slate*	1	1	1	1	-	-
Jack James*	3	3	3	3	1	1
David Wheeler**	4	4	4	4	1	1

*Mr Jack James resigned on 19 October 2016 and Mr Tim Slate was appointed on the same date.
**Mr David Wheeler resigned on 30 April 2017 and Mr Wayne Reid was appointed on 1 May 2017.

Where:

- **Column A** is the number of meetings the Director was entitled to attend
- **Column B** is the number of meetings the Director attended.

Share options

There are no share options issued by the Company.

Remuneration Report (audited)

The Directors of Premiere Eastern Energy Limited ("Premiere" or "the Company") present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

a Principles used to determine the nature and amount of remuneration;

b Details of remuneration;

c Service agreements;

d Share-based remuneration; and

e Transactions and Balances with Key Management Personnel (KMP) and related parties.

a Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Premiere has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its Charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The remuneration structure that has been adopted by the Group consists of the following components being fixed remuneration being annual salary and cash bonus.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses, share options and other incentive payments will be reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Cash Bonuses

Cash bonuses maybe approved by the Company and paid on an annual basis to all staff in China subsidiaries, including executive and non-executive KMP. The payment of the cash bonus is not contractual and is dependent on the Group's performance (percentage of gross margin) and KPI assessments. The amount paid is variable and at the discretion of the Company.

Cash bonuses relating to the 2016 period was granted on the 4 January 2017. There not been no alterations of the cash bonus amounts granted since grant date and was no forfeiture of cash bonus amounts. Amounts are fixed and payable subsequent to the reporting period.

Use of Remuneration Consultants

No remuneration consultant has been engaged by the Company during the year.

Voting and comments made at the Company's last Annual General Meeting

Premiere received 100% of the 'yes' votes on its remuneration report for the 2015 financial report. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration or nomination process.

b Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of Premiere are shown in the table below:

Director and other Key Management Personnel Remuneration											
			Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments		Performance Based Percentage of Remuneration
	Position Held	Year	Cash Salary & Fees ($)	Cash Bonus ($)	Non-Monetary Benefits ($)	Super-annuation ($)	Long Service Bonus ($)	Termination Payments ($)	Options ($)	Total ($)	
Executive Directors & Non-Executive Directors											
Zhan Aiping	Executive Director & CEO	2016	156,159	33,012	—	—	—	—	—	189,171	17.5%
		2015	155,962	72,658	—	—	—	—	—	228,620	31.8%
Ou Jinpei	Executive Director & General Manager of Sales	2016	109,311	17,985	—	—	—	—	—	127,296	14.1%
		2015	109,173	36,329	—	—	—	—	—	145,502	25.0%
Zhan Musheng	Non- Executive Chairman	2016	50,051	35,969	—	—	—	—	—	86,020	41.8%
		2015	49,988	108,987	—	—	—	—	—	158,975	68.6%
David Wheeler(3)	Independent Non- Executive Deputy Chairman, AC and NRC Member	2016	45,000	—	—	—	—	—	—	45,000	—
		2015	60,000	—	—	—	—	—	—	60,000	—
Lau Kay Heng	Independent Non- Executive Director, AC Chairman and NRC Member	2016	36,000	—	—	—	—	—	—	36,000	—
		2015	48,000	—	—	—	—	—	—	48,000	—
Tim Slate (2)	Independent Non-Executive Director, AC and NRC Member & Company Secretary	2016	13,095	—	—	—	—	—	—	13,095	—
		2015	—	—	—	—	—	—	—	—	—
Jack James (1)	Former Independent Non-Executive Director, AC Chairman, NRC Member & Company Secretary	2016	36,000	—	—	—	—	—	—	36,000	—
		2015	38,000	—	—	—	—	—	—	38,000	—
Wayne Reid (4)	Independent Non- Executive Deputy Chairman, AC and NRC Member	2016	—	—	—	—	—	—	—	—	—
		2015	—	—	—	—	—	—	—	—	—

(1) Jack James resigned on 19 October 2016, who held the Non-Executive director and Company Secretary position.
(2) Tim Slate was appointed on 19 October 2016.
(3) David Wheeler resigned on 30 April 2017, who held the Independent Non-Executive Deputy Chairman position.
(4) Wayne Reid was appointed on 1 May 2017.

Director and other Key Management Personnel Remuneration											
	Position Held	Year	Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments		Performance Based Percentage of Remuneration
			Cash Salary & Fees ($)	Cash Bonus ($)	Non-Monetary Benefits ($)	Super-annuation ($)	Long Service Bonus ($)	Termination Payments ($)	Options ($)	Total ($)	
Other Key Management Personnel											
Chan Sui Wa	Chief Financial Officer	2016	153,577	17,985	—	2,426	—	—	—	173,988	10.3%
		2015	103,080	—	—	6,185	—	—	—	109,265	—
Sun Yaowei	General Manager of Yangjiang Yuanda Petrochemical Co., Ltd	2016	31,595	35,969	—	—	—	—	—	67,564	53.2%
		2015	33,337	108,987	—	—	—	—	—	142,324	76.6%
Li Zhongping	General Manager of Zhanjiang Industrial Production Materials Co., Ltd	2016	19,443	34,430	—	—	—	—	—	53,873	63.9%
		2015	20,515	36,329	—	—	—	—	—	56,844	63.9%
Jiang Qiguo	General Manager, Procurement	2016	17,013	8,992	—	—	—	—	—	26,005	34.6%
		2015	17,951	36,329	—	—	—	—	—	54,280	66.9%
2016 Total		**2016**	**667,244**	**184,342**	**—**	**2,426**	**—**	**—**	**—**	**854,012**	**21.6%**
2015 Total		**2015**	**636,006**	**399,619**	**—**	**6,185**	**—**	**—**	**—**	**1,041,810**	**38.8%**

c Service agreements

Remuneration and other terms of employment for the Executive Directors are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base Salary AUD	Term of Agreement	Notice Period
Zhan Aiping	156,000	Commenced on 25 August 2014	6 months
Ou Jinpei	109,200	Commenced on 25 August 2014	6 months

d Share-based remuneration

There are no options, or equity instruments or other share-based remuneration issued by Premiere to directors or KMP as part of their remuneration.

e Transaction and Balances with Key Management Personnel (KMP) and related parties

Transactions with KMP

Balances with KMP at 31 December 2016 represent outstanding balances associated with costs incurred on behalf of the group during the financial year, such as travel costs.

$2.076 million included in other receivables as at 31 December 2015 had been advanced to Executive Director, Mr Zhan Aiping during September 2015 for work performed on an application for intellectual property rights for a fuel additive. On finalisation of the transfer of the patent during the current year to the Group, the patent (including amounts receivable from Mr Zhan Ai Ping as at 31 December 2015) was wholly transferred to intellectual property rights as an intangible asset of the Group.

Balances with KMP

Amounts receivable from and payable to KMP and the Group at reporting date comprise the following:

2016	**Receivable from related party $'000**	**Payable to related party $'000**
Mr.Zhan Aiping — *Director*	-	20
Ping Cheng Investment Fund Management (Shenzhen) — *Director related entity*	10	-
Chan Sui Wa — *Chief Financial Officer*	-	4
Total related party balances	**10**	**24**

2015	**Receivable from related party $'000**	**Payable to related party $'000**
Mr.Zhan Aiping — *Director*	2,076	-
Total related party balances	**2,076**	**-**

Related party transactions have been determined to be on an arm's length basis, which comprise of related party loans and no specific terms and conditions have been attached to the transactions above.

Director shareholdings

31 December 2016	Opening Balance	Received as Compensation	Options Exercised	Net Change Other	Closing Balance	% of Total Number of Shares
Zhan Musheng	704,966,930	—	—	—	704,966,930	76.833%
David Wheeler***	35,000	—	—	180,272	215,272	0.023%
Zhan Aiping	—	—	—	—	—	—
Ou Jinpei	—	—	—	—	—	—
Lau Kay Heng	—	—	—	—	—	—
Tim Slate**	—	—	—	—	—	—
Jack James*	—	—	—	—	—	—
Wayne Reid****						
Total	705,001,930	—	—	180,272	705,182,202	76.856%

* Jack James resigned on 19 October 2016.
** Tim Slate was appointed on 19 October 2016, effective from 19 October 2016.
*** David Wheeler resigned on 30 April 2017.
**** Wayne Reid was appointed on 1 May 2017.

End of audited Remuneration Report.

Environmental legislation

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given to, and insurance premiums paid for, auditors and officers

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

Premiere will review insurance plans to insure officers of the Group on an annual basis. The officers of the Group to be covered by the insurance policy will include all Directors.

The Group and each Director have entered into a Deed of Access, Indemnity and Insurance, which does indemnify the directors for liability incurred as an officer of the Group to the maximum extent permitted by law.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Non-audit services

During the year, Grant Thornton Audit Pty Ltd, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and will be reviewed by the Audit Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

- The non-audit services did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services (compliance tax) provided during the year are set out in Note 7 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 21 of this financial report and forms part of this Directors' Report.

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts

Premiere is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Zhan Aiping
Director

5 June 2017

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF Premiere Eastern Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Premiere Eastern Energy Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner - Audit & Assurance

Adelaide, this 5th day of June 2017

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Premiere Eastern Energy Ltd and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Group complies with the third edition of the Corporate Governance Principles and Recommendations, which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 January 2015. All of these practices, unless otherwise stated, were in place for the full reporting period.

Further information on the Group's corporate governance policies and practices can be found on Premiere's website at http://www.group-premiere.com.

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	457,030	779,741
Cost of goods sold		(451,094)	(744,058)
Gross profit		5,936	35,683
Other income	4	510	732
Operating expenses	5	(11,495)	(13,481)
Administrative expenses	5	(2,065)	(1,880)
Impairment on building and equipment	16	(1,191)	-
Finance costs	5	(536)	(495)
(Loss)/Profit before income tax		**(8,841)**	**20,559**
Income tax expense	6	(92)	(6,155)
(Loss)/Profit For The Year		**(8,933)**	**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		(11,263)	10,767
Total Comprehensive Income For The Year Attributable to Members		**(20,196)**	**25,171**
(Loss)/Profit for the year attributable to:			
Non-controlling interest		(206)	510
Owners of the Parent		(8,727)	13,894
Total comprehensive income attributable to:			
Non-controlling interest		(535)	757
Owners of the Parent		(19,661)	24,414
Earnings per share (on profit/(loss) attributable to ordinary equity holders)		**Cents**	**Cents**
— Basic earnings per share (cents per share)	9	(0.97)	1.57
— Diluted earnings per share (cents per share)	9	(0.97)	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	51,308	40,911
Inventories	12	180	2,272
Other assets	13	26,115	1,458
TOTAL CURRENT ASSETS		203,632	219,254
NON-CURRENT ASSETS			
Other non-current assets	13	4,751	-
Property, plant and equipment	16	5,803	1,532
Land-use rights	17	10,737	11,663
Intangible assets	18	9,911	-
TOTAL NON-CURRENT ASSETS		31,202	13,195
TOTAL ASSETS		234,834	232,449
CURRENT LIABILITIES			
Trade and other payables	19	37,494	22,821
Non-convertible debt	20	8,649	8,730
Borrowings	21	4,397	-
Current tax liabilities	22	14	-
TOTAL CURRENT LIABILITIES		50,554	31,551
NON-CURRENT LIABILITIES			
Borrowings	21	3,578	-
TOTAL NON-CURRENT LIABILITIES		3,578	-
TOTAL LIABILITIES		54,132	31,551
NET ASSETS		**180,702**	**200,898**
EQUITY			
Issued capital	24	11,768	11,768
Reserves	25	11,287	22,221
Retained earnings		152,206	160,933
Equity attributable to Owners of the Parent		175,261	194,922
Non-controlling interest	26	5,441	5,976
TOTAL EQUITY		**180,702**	**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	**Reserves**	**Retained Earnings**	**Non-controlling Interest**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'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	-	-	(8,727)	(206)	(8,933)
Other comprehensive income	-	(10,934)	-	(329)	(11,263)
Total comprehensive income	-	(10,934)	(8,727)	(535)	(20,196)
Balance at 31 December 2016	11,768	11,287	152,206	5,441	180,702

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		527,403	811,501
Payments to suppliers and employees		(565,144)	(763,816)
Interest received		510	731
Finance costs		(185)	(26)
Income tax paid		(92)	(9,736)
Sales and other taxes		(1,558)	(2,740)
Net cash (used in)/provided by operating activities	32	(39,066)	35,914
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments made for property, plant and equipment		(5,491)	(4,262)
Payments made for intangible assets		(400)	-
Cash acquired upon acquisition of subsidiaries		57	-
Payment made for acquisition of subsidiaries		(1,971)	-
Net cash used in investing activities		(7,805)	(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 borrowings		8,445	-
Repayments of borrowings		(875)	-
Repayment 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		(39,316)	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		(9,268)	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.

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 is Level 6, 105 St Georges Terrace, Perth, Western Australia 6000 and the address of its principal place of business is No. 30, Shangpu, Dongyi Community, Yangjiang City, Guangzhou Province, PRC.

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 5 June 2017.

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.

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 (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost 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 profit or loss during the financial period in which they are incurred.

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 reporting 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 profit or loss.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Intangible Assets

Intellectual property

Acquired intellectual property rights are capitalised on the basis of the costs incurred to acquire. Intellectual property rights are amortised over the remaining protection period from the date of filing. (Refer to Note 18).

Petrol station licences and rights to occupy

Petrol station licences and rights to occupy were acquired as part of a business combination (Refer to Note 15 and Note 18). They are recognised at their fair value at the date of acquisition and subsequently amortised on a straight-line basis over the estimated useful lives being length of lease.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

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.

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.

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.

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.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Financial Instruments (continued)

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 profit or loss.

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 statement of profit or loss.

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 cost represents up-front payments to relevant government authorities for long-term interests for usage of land.

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 statement of profit or loss, 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 statement of profit or loss.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. 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 statement of financial position. These differences are recognised in the statement of profit or loss in the period in which the operation is disposed.

k. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting 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 high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

l. 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.

m. Cash and Cash Equivalents

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

n. Revenue and Other Income

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, which are recognised as a reduction of revenue.

Revenue from the sale of goods is recognised when the Group has transferred to a buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group accounts for sales of goods and services under the Company's points program where the fair value of the consideration received or receivable in respect of the initial sale is allocated between the points accrued by the customer and other components of the sale. The amount allocated to the points accrued is estimated by reference to the fair value of the points for which they could be sold separately. Such amount is deferred and revenue is recognised only when the points accrued by customers are redeemed and the Group has fulfilled its obligations.

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).

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. 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 profit or loss in the period in which they are incurred.

p. 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 statement of financial position 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.

q. 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.

r. Earnings Per Share

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.

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.

s. Comparative Figures

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

t. Leases

Operating lease

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Leases of land – land-use rights

Land use rights represent up-front payments to relevant government authorities for long-term interests for usage of land. 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.

Land use rights have been presented separately within ‘Land-use rights’ in the statement of financial position.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. 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 amount of PPE and intangible assets are determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates including expected future cash flows and expected useful life.

Key estimates — Estimation of useful lives and residual value of assets

The group determine the estimated useful lives, residual values and related depreciation and amortisation charges for its land use rights and property, plant and equipment. The useful life and residual values could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Key estimates — Estimation of useful lives of Petrol Station Licences and Rights to Occupy

The group determine the estimated useful lives, residual values and related amortisation charges for its petrol station licences and rights to occupy based on expected estimated useful lives. The expected useful lives is based on the lease together with lease length extensions.

The estimated expected useful life could change significantly as a result of early termination by the lessor, the estimated lease life extension is not obtained by the group and/or associated licences for the retailing of refined petrol is not obtained. The amortisation charge will increase where the useful lives are less than previously estimated lives, or associated assets have been abandoned or sold will be written off or written down.

Key judgement – Land use rights

The group have assessed and classified the land use rights of the group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the group arising from the land right term. The directors have classified the unamortised upfront payment for the land use rights as finance leases in accordance with AASB 117 Leases. Land use rights have been presented within 'Land-use rights' in the statement of financial position.

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Critical Accounting Estimates and Judgments (continued)

Key judgement – Interest in subsidiaries

The group holds 47% of the paid-up capital in Guangzhou Bada Petrol Station Co., Limited (‘Bada’) with the remaining paid-up capital held by other unrelated investors. Pursuant to a supplementary agreement signed between the group and the other unrelated investors, the group possesses a 100% beneficial interest in the Bada Petrol Station and bear all the risks and rewards in operating the petrol station. In return, the minority shareholders are entitled to payment equal to a 20% of lease payment associated with the Bada Petrol Station site during the lease term recognised a liability under ‘Trade and other payables’ in the statement of financial position.

The group holds 88% of the paid-up capital in Foshan Jindun Petrol Station Co., Limited (‘Jindun’) with the remaining paid-up capital held by other unrelated investors. Pursuant to an agreement signed between the group and the other unrelated investors, the shareholding held by the group in Jindun Petrol Station will be transferred back to the unrelated investors or another party designated by the unrelated investors at the end of the operating period or termination of the agreement (whichever earliest). In addition, the group possesses a 100% beneficial interest in the Jindun Petrol Station and bears all the risks and rewards in operating the petrol station. In return, the minority shareholders received upfront lease payments under the lease arrangement between the group and the minority shareholders during the lease term. Upfront prepaid lease payments have been recognised as an asset under ‘Other assets’ in the statement of financial position.

The group holds 91.47% of the paid-up capital in Zhanjiang Industrial Production Materials Co., Limited (‘Zhanjiang’) with the remaining paid-up capital held by an unrelated investor. Pursuant to a share transfer agreement between the group and the unrelated investors, the group would assume all the rights and obligations and bear all the risk and rewards of ownership. The remaining paid-up capital held by an unrelated investor is held on behalf of the group.

The group has assessed its involvement in Bada, Jindun and Zhanjiang, level of decision making, voting rights and the level of risk and rewards attributable to the group’s ownership and has concluded that there it has significant influence and control over the entities. Entities have been consolidated at 100% at reporting date with no non-controlling interest component recognised.

u. 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 (December 2014) (Application date: 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

v. Accounting Standards Issued But Not Yet Effective and Not Been Adopted Early by the Group (continued)

AASB 15 Revenue from Contracts with Customers (Application date: 1 January 2018)
AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 16 Leases (Application date: 1 January 2019)

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 31 December 2019 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- lease assets and financial liabilities on the balance sheet will increase by $492,000 respectively (based on the facts at the date of the assessment) which is based on operating lease commitments as at 31 December 2016 noted in *Note 27 Commitments* within the 'between 12 months and five year' minimum lease payment category and is due subsequent to 31 December 2019

- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities

- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses

- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

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

w. New and revised standards that are effective for these financial statements

The Group applied a number of amendments to accounting standards applicable for the first time for the financial year beginning 1 January 2016. The amendments below did not impact the consolidated financial statements and disclosures of the Group:

- *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions of Interests in Joint Operations (AASB 1 & AASB 11); and*
- *AASB 2015-2 Amendments to Australian Accounting Standards – disclosure Initiative: Amendments to AASB101.*

In addition, several other standard amendments and interpretations were applicable for the first time in 2016, but were not relevant to the Company and do not impact the Group's annual consolidated financial statements.

NOTE 4: REVENUE

	2016 $'000	2015 $'000
Sales revenue		
— Sale of goods	457,030	779,741
Other income		
— Bank Interest received	510	732
	457,540	780,473

NOTE 5: EXPENSES

	2016 $'000	2015 $'000
5.1 Operating Expenses		
Salary and wages	1,914	1,783
Depreciation and amortisation	1,154	554
Transportation	6,319	8,533
Foreign exchange differences	(83)	1,082
Other operating expenses	2,191	1,529
Total	11,495	13,481
5.2 Administrative Expenses		
Hospitality expenses	721	853
Traveling expenses	378	397
Other administrative expenses	966	630
Total	2,065	1,880
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:	2016 $'000	2015 $'000
Current tax	92	6,155
Total	92	6,155

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

NOTE 6: INCOME TAX EXPENSE (CONTINUED)

b) Reconciliation of tax expense	2016 $'000	2015 $'000
(Loss)/profit before income tax	(8,841)	20,559
Prima facie tax payable on (loss)/profit before income tax at 30% (2015:30%)	(2,652)	6,168
Adjustment to income tax expense due to:		
- Differences in taxation rates in foreign subsidiaries	(123)	(848)
- Foreign tax losses not recognised	2,633	157
- Losses in the parent entity not recognised	234	678
Income tax attributable to the Group	92	6,155
The applicable weighted average effective tax rate are as follows:	(1%)	30%

c) Income tax losses

As at 31 December 2016, Premiere Eastern Energy (parent entity) had an estimated available tax losses of $3.59 million (2015: $2.81 million). Tax losses in the parent entity have not been recognised as it is unlikely that they will be utilised due to its nature as a holding company. Tax losses in subsidiaries based in the PRC and Hong Kong, Guangzhou King-Win Enterprise Management & Services Co Ltd, Yangjiang Yuanda Information Consultancy Limited, Guangzhou Universal Energy Management & Consulting Co Ltd and Genius Supreme Investments Limited are not recognised for the same reasons as above.

Tax losses as a result of trading losses incurred during the period in wholesale operating subsidiaries, Yangjiang Yuanda Petrochemical Co., Ltd and Zhanjiang Industrial Production Materials Co., Ltd have not been recognised as there is are no current indications that the losses will be utlised in the future.

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 services	5	10
Total	182	155

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

NOTE 8: DIVIDENDS

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

NOTE 9: EARNINGS PER SHARE

a. Reconciliation of earnings to profit or loss	**2016 $'000**	**2015 $'000**
(Loss)/profit used to calculate basic EPS and dilutive EPS	(8,933)	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

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

Cash at bank and on hand balances as at 31 December 2016 are Chinese Renminbi denominated equivalent balances of $126.02 million (RMB630.84 million) (2015: $174.61 million (RMB827.12 million)) are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC (People's Republic of China) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTE 11: TRADE AND OTHER RECEIVABLES

CURRENT	**Note**	**2016 $'000**	**2015 $'000**
Trade receivables	11a	43,737	38,434
Other receivables	11b	7,419	2,113
Other taxes receivables		152	364
Total		51,308	40,911

11a. *Trade receivables past due but not impaired*

Current trade receivables are non-interest bearing and generally on 60 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.

11b. *Other receivables*

Within other receivables as at 31 December 2016 are deposits paid for potential petrol station acquisitions in Guangdong Province amounting to $6.11 million (RMB30.6 million). These amounts will be refunded if acquisitions do not proceed.

NOTE 12: INVENTORIES

	2016	2015
CURRENT	**$'000**	**$'000**
Inventory at cost	180	2,272

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

NOTE 13: OTHER ASSETS

	2016	2015
CURRENT	**$'000**	**$'000**
Advances/security deposits to suppliers for inventory purchases	24,575	1,458
Prepaid lease expenses	1,540	-
Total - Current	26,115	1,458
NON-CURRENT		
Prepaid lease expenses	4,751	-
Total – Non-current	4,751	-
Total	30,866	1,458

Prepaid lease expenses relate to amounts paid by the group for the rental of the Foshan Jindun Petrol Station site between 24 June 2016 and 30 January 2021.

NOTE 14: CONTROLLED ENTITIES

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")	Hong Kong	100	100

NOTE 14: CONTROLLED ENTITIES (CONTINUED)

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)[1] 2016 %	2015 %
Subsidiaries of Genius			
Yangjiang Yuanda Petrochemical 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	91.47 [2]	91.47 [2]
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 beneficial ownership.

(2) Pursuant to the share transfer agreement dated 12 August 2011, all rights and obligations are assumed by Yangjiang 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		
Cash and cash equivalents		57
Trade and other receivables		1,249
Inventories		211
Property, plant and equipment		347
Intangible assets - Petrol station licences and Rights to occupy	18(b)	8,179
Trade and other payables		(2,431)
Tax liabilities		(91)
Short-term bank loan		(404)
Identifiable net assets/(liabilities)		7,117
Consideration transferred settled in cash		(1,971)
Cash and cash equivalents acquired		57
Net cash outflow on acquisition		**(1,914)**
Acquisition costs charged to expenses		-
Net cash paid relating to the acquisition		**(1,914)**

(i) Consideration transferred

No specific acquisition-related costs have been incurred and included as part of consideration transferred. Remaining amounts payable in relation to the acquisition of $5.03 million has been included in Trade and other payables (Refer: Note 19).

(ii) Identifiable net assets/(liabilities)

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

NOTE 15: BUSINESS COMBINATION (CONTINUED)

(iii) Identified intangible assets

The identified intangible assets that arose on the business combination has been determined to be 'Petrol station licences and rights to occupy' representing the petrol station license relating to the Bada Petrol Station and the lease to the current Bada Petrol Station site (Refer to Note 18).

(iv) Acquired receivables

The fair value of trade and other receivables is $1.249 million.

(v) New retail business contribution to the Group's results

The acquisition of Universal contributed $1.71 million and ($832,000) to the Group's revenues and profit/(loss), respectively from the date of acquisition to 31 December 2016. Had the acquisition occurred on 1 January 2016, the Group's revenue for the period to 31 December would increase by $5.392 million and the Group's loss for the period would have decreased by $49,000.

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
Exchange differences	(21)	(55)	(83)	(1)	(3)	-	(163)
At 31 December 2016	425	959	1,463	1,082	249	4,495	8,673
Accumulated depreciation and Impairment							
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 [(1)]	-	(782)	(409)	-	-	-	(1,191)
Exchange differences	15	24	55	1	1	-	96
At 31 December 2016	(320)	(959)	(1,463)	(67)	(61)	-	(2,870)
Net book value							
At 31 December 2016	105	-	-	1,015	188	4,495	5,803

[(1)] Impairment expense relates to the Oil Depot Building and Equipment due to the need for additional upgrades required to meet the requirement and comply with PRC national environmental standards and due to the estimation that the associated building and equipment would be able to bring profit/net cash inflows for the wholesale segment in the near future and lack of availability of transaction price in the secondary market.

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in Carrying Amounts

	Office Equipment & 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)
Depreciation for the year	(14)	(34)	(185)	(233)
Exchange differences	(15)	(7)	(41)	(63)
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	2015
NON-CURRENT	$'000	$'000
Cost	12,559	13,273
Accumulated Amortisation	(1,822)	(1,610)
Total	10,737	11,663

	$'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

Land-use rights refer to the following:

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

NOTE 18: INTANGIBLE ASSETS

	Note	2016 $'000	2015 $'000
NON-CURRENT			
Intellectual property rights	18a	2,318	-
Petrol station licence and rights to occupy	18b	7,593	-
Total		9,911	-

(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	2,426
Exchange differences	(28)
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 (April 2014) with 17.3 years remaining as at 31 December 2016.

(b) Petrol station licences and Rights to occupy

Movement in the carrying amount during the current financial year:

	Note	$'000
Balance at 1 January 2016		-
Acquired with the acquisition of Universal	15	8,179
Exchange differences		(97)
Amortisation expense		(489)
Balance at 31 December 2016		7,593

The petrol station licences and rights to occupy were acquired as part of the business combination (Refer to Note 15) and represents licences for the retailing of refined petrol and other licences associated with the operations of a petrol station in PRC and the rights to the current lease site of the Bada Petrol Station.

The petrol station licences and rights are amortised on a straight line basis from the date of acquisition based on the expected estimated useful lives. The expected estimated useful lives is based on the length of lease together with lease length extensions, amounting to 9.65 years from the date of acquisition. Current Bada Petrol Station lease arrangements expire in January 2021 and based on length of the current Bada Petrol Station lease agreement (7 years) and current Jindun lease agreement (15 years to January 2025), the group has estimated a lease length extension of the current Bada Petrol Station lease of 5 years to January 2026. The current licence for the retailing of refined petrol of Bada Petrol Station ends in February 2020 and there are no current indications that the licence will not be renewed.

NOTE 19: TRADE AND OTHER PAYABLES

CURRENT	Note	2016 $'000	2015 $'000
Trade payables		25,538	16,536
Revenue received in advance		206	2,090
Other tax payable		47	196
Non-convertible debt interest	20	2,380	2,031
Salary payable		597	603
Accrued expenses		-	17
Other payables		8,726	1,348
Total		37,494	22,821

Within other payables as at 31 December 2016 are remaining amounts to be paid for the acquisition of Universal Energy Management & Consulting Co Ltd ($5.03 million)(Refer: Note 15) and remaining amounts to be paid for the Long Kou Oil Depot ($1.139 million).

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 between 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.

Convertible note balances have been transferred from Premiere Singapore to Premiere Eastern Energy and remaining unconverted balances of $8.649 million (2015: $8.730 million) were 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 SGD$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.

Subsequent to the year-end, the Group received a 'Letter of Termination and Demand ('LOT')' from the Bondholders. Pursuant to the LOT, the Bondholders:

- Terminate the Agreement dated 29 August 2014;
- Declare that as at 15 February 2017, $9,887,670 Singapore Dollars ('Outstanding Amount') was due and payable by the Group; and
- Demand the Group pay the Outstanding Amount by 28 April 2017.

As at the date of the financial report, amounts have not been repaid and the Group is currently seeking legal advice on this matter.

NOTE 21: BORROWINGS

CURRENT	Interest rates (%) 2016	2016 $'000	2015 $'000
Short term bank borrowings	4.6% - 19.2%	900	-
Current portion of Long term bank borrowings	6.175%	3,497	-
Total CURRENT borrowings		4,397	-
NON-CURRENT			
Long term bank borrowings	6.175%	3,578	-
Total NON-CURRENT borrowings		3,578	-
			-
Total		7,975	-

Guarantees are provided by Mu Sheng Zhan (Director) and Ai Ping Zhan (Director) and other third party individuals for short-term borrowings.

Guarantees are provided by Mu Shen Zhan (Director), Yangjiang Yuanda Petrochemical Co., Ltd (Subsidiary) and Premiere Eastern Energy Limited (Parent) for long-term borrowings.

NOTE 22: CURRENT TAX LIABILITIES

CURRENT	2016 $'000	2015 $'000
Income tax payable	14	-
Total	14	-

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 statement of financial position less cash and cash equivalent and equity is "equity" as shown on the consolidated statement of financial position.

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	**2015**
	$'000	**$'000**
Total liabilities	54,132	31,551
Less: cash and cash equivalents	(126,029)	(174,613)
Net liabilities/(net cash)	(71,897)	(143,062)
Total equity	180,702	200,898
(Net cash) to equity ratio	(39.8%)	(71.2%)

NOTE 25: RESERVES

	2016 $'000	2015 $'000
Statutory reserve	6,093	6,093
Capital reserve	26	26
Foreign currency translation reserve	5,168	16,102
Total	11,287	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	(535)	757
Balance at end of the year	5,441	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.

NOTE 27: COMMITMENTS

Capital Commitment

The Group has capital commitments of 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.

Operating Commitment

Non-cancellable operating leases contracted for but not capitalised in the financial statements as at 31 December 2016 are as follows:

	2016 $'000	2015 $'000
Payable – minimum lease payments		
- not later than 12 months	511	43
- between 12 months and five years	1,398	57
- greater than 5 years	-	-
	1,909	100

The Group leases various offices and petrol station sites under non-cancellable operating lease agreements. The lease terms are between 5 and 7 years.

NOTE 28: 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
- Borrowings

The Group's accounting policy of financial assets and liabilities is summarised in Note 3. 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.

a. Market 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.

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

NOTE 28: FINANCIAL INSTRUMENT RISK (CONTINUED)

Financial instrument composition and maturity analysis

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Interest Bearing At-Call		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2-5 Years		Non-interest Bearing		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:												
- Cash and cash equivalents	0.3%	0.3%	126,029	174,613	-	-	-	-	-	-	126,029	174,613
- Trade and other receivables	-	-	-	-	-	-	-	-	51,308	40,911	51,308	40,911
Total Financial Assets			**126,029**	**174,613**	**-**	**-**	**-**	**-**	**51,308**	**40,911**	**177,337**	**215,524**
Financial Liabilities:												
- Trade and other payables	-	-	-	-	-	-	-	-	37,494	22,821	37,494	22,821
- Borrowings	6.96%	-	-	-	4,397	-	3,578	-	-	-	7,975	-
- Non-convertible debt	4%	4%	-	-	8,649	8,730	-	-	-	-	8,649	8,730
Total Financial Liabilities					**13,046**	**8,730**	**3,578**	**-**	**37,494**	**22,821**	**54,118**	**31,551**
Net Financial Assets:											**123,219**	**183,973**

NOTE 28: FINANCIAL INSTRUMENT RISK (CONTINUED)

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.

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.

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

NOTE 28: FINANCIAL INSTRUMENT RISK (CONTINUED)

Remaining contractual maturities

The following table details the Group's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted Average Effective Interest Rate		Maturing within 1 Year		Maturing within 2 Year		Maturing within 5 Year		Total remaining contractual maturities	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-interest bearing:										
- Trade and other payables			37,494	22,821	-	-	-	-	37,494	22,821
Total non-interest bearing			**37,494**	**22,821**	**-**	**-**	**-**	**-**	**37,494**	**22,821**
Interest bearing										
- Borrowings	6.96%	-	4,803	-	2,887	-	861	-	8,551	-
- Non-convertible debt	4%	4%	8,649	8,730	-	-	-	-	8,649	8,730
Total interest bearing			**13,452**	**8,730**	**2,887**	**-**	**861**	**-**	**17,200**	**8,730**
Total			**50,946**	**31,551**	**2,887**	**-**	**861**	**-**	**54,694**	**31,551**

NOTE 28: FINANCIAL INSTRUMENT RISK (CONTINUED)

Interest Rate Risk
The Group's exposure to interest rate risks relates principally to short term deposits placed with financial institutions, short term borrowing. At 31 December 2016, the Group is not exposed to significant changes in market interest rates resulting from $400,000 (2015: nil) borrowings at variable interest rates.

Other borrowings of the Company, including the non-convertible debt $8,649,000 and borrowings of $7,575,000 are at fixed interest rate.

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

b. 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 $'000	2015 '$'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	126,029	174,613
• trade and other receivables	51,308	40,911
Total	177,337	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.

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.

c. 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 74% ($340,916,000) (2015: 57% $444,895,000) of the Group's revenue during the financial period.

NOTE 29: 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 2016. 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 30: KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2016 $'000	2015 $'000
Short-term employee benefits	667	636
Cash bonuses	184	400
Post-employment benefits	3	6
Total compensation	**854**	**1,042**

A list of KMP and their shareholdings and remuneration is disclosed in the Directors Report. No other person had the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year.

b) Transactions with KMP

Balances with KMP at 31 December 2016 represent outstanding balances associated with costs incurred on behalf of the group during the financial year, such as travel costs.

$2.076 million included in other receivables as at 31 December 2015 had been advanced to Executive Director, Mr Zhan Aiping during September 2015 for work performed on an application for intellectual property rights for a fuel additive. On finalisation of the transfer of the patent during the current year to the Group, the patent (including amounts receivable from Mr Zhan Ai Ping as at 31 December 2015) was wholly transferred to intellectual property rights as an intangible asset of the Group.

c) Balances with KMP

Amounts receivable from and payable to key management personnel and the Group at reporting date comprise the following:

2016	**Receivable from related party $'000**	**Payable to related party $'000**
Mr.Zhan Aiping — *Director*	-	20
Ping Cheng Investment Fund Management (Shenzhen) — *Director related entity*	10	-
Chan Sui Wa — *Chief Financial Officer*	-	4
Total related party balances	**10**	**24**

2015	**Receivable from related party $'000**	**Payable to related party $'000**
Mr.Zhan Aiping — Director	2,076	-
Total related party balances	**2,076**	**-**

None of the above receivable balances are impaired and related party transactions have been determined to be conducted on an arm's length basis. Related party balances comprise of related party loans and no specific terms and conditions have been attached to the transactions above.

NOTE 31: 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 petrochemical
- Retail operations - 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.

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.

NOTE 31: OPERATING SEGMENTS (CONTINUED)

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	Petrochemical $'000	Retail operations $'000	Total $'000
Segment revenues	100,185	345,677	11,168	457,030
Segment cost of sales	(98,693)	(343,868)	(8,533)	(451,094)
Segment depreciation/amortisation	(13)	(512)	(651)	(1,176)
Segment interest expense	-	-	(126)	(126)
Segment interest income	200	307		507
Segment impairment of buildings and equipment	-	(1,191)	-	(1,191)
Segment other expenses	(873)	(7,951)	(566)	(9,390)
Segment results (Profit after tax)	806	(7,538)	1,292	(5,440)
Net financing costs	-	-	-	(410)
Unallocated expense net of unallocated revenue	-	-	-	(2,991)
Profit before tax	806	(7,538)	1,292	(8,841)
Income tax expense	-	-	(92)	(92)
Net profit after tax	806	(7,538)	1,200	(8,933)
Segment assets	66,055	148,841	19,783	234,679
Total corporate and unallocated assets				155
Total consolidated assets				234,834
Segment liabilities	(28)	(26,492)	(16,442)	(42,962)
Total corporate and unallocated liabilities				(11,170)
Total consolidated liabilities				(54,132)

(1) During 2016, customers within the refined petroleum segment that contributed more than 10% of segment revenues individually are:

- Customer A with sales of $ 19.00 million (2015:$33.20 million)
- Customer B with sales of $ 50.87 million (2015: $12.50 million)

(2) During 2016, customers within the petrochemical segment that contributed more than 10% of segment revenues individually are:

- Customer C with sales of $ 55.26 million (2015: $41.60 million)
- Customer A with sales of $ 70.90 million (2015: $123.85 million)
- Customer D with sales of $ 55.57 million (2015: $33.89 million)

NOTE 31: OPERATING SEGMENTS (CONTINUED)

	Refined petroleum $'000	Petrochemical $'000	Total $'000
2015			
Segment revenues	166,356	613,385	779,741
Segment cost of sales	(160,506)	(583,552)	(744,058)
Segment depreciation/amortisation	(14)	(540)	(554)
Segment interest expense	-	-	-
Segment interest income	218	507	725
Segment other expenses	(2,552)	(9,958)	(12,510)
Segment results (Profit after tax)	3,502	19,842	23,344
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

(1) During 2015, customers within the refined petroleum segment that contributed more than 10% of segment revenues individually are:

- Customer E with sales of $ 33.95 million (2014: $47.07 million)
- Customer A with sales of $ 33.20 million (2014: $11.02 million)
- Customer D with sales of $ 31.29 million (2014: $16.64 million)
- Customer F with sales of $ 20.65 million (2014: nil) not present

(2) During 2015, customers within the petrochemical segment that contributed more than 10% of segment revenues individually are:

- Customer A with sales of $123.85 million (2014: $ 182.98 million)

NOTE 32: CASH FLOW INFORMATION

	2016 $'000	2015 $'000
Reconciliation of Cash Flow from Operations with (Loss)/Profit after Income Tax		
(Loss)/Profit after income tax	(8,933)	14,404
Non-cash flows in profit		
- Amortisation	793	321
- Depreciation	369	233
- Impairment on building and equipment	1,191	-
- Foreign exchange revaluation of non-convertible debt	(83)	1,082
- Interest expenses accrued	350	469
- Effects of foreign exchange	(1,060)	2,302
- Effects of acquisition of subsidiaries	1,062	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
- (Increase)/decrease in trade and other receivables	(13,488)	27,803
- (Increase)/decrease in inventories	2,181	3,779
- (Increase)/decrease in other assets	(29,434)	77
- Increase/(decrease) in trade and other payables	8,008	(11,177)
- Increase/(decrease) in income taxes payable	(22)	(3,379)
Cashflow from operations	(39,066)	35,914

NOTE 33: 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.

Subsequent to the year-end, the Group received a 'Letter of Termination and Demand ('LOT')' from the Bondholders (Refer to Note 20). Pursuant to the LOT, the Bondholders:

- Terminate the Agreement dated 29 August 2014;
- Declare that as at 15 February 2017, $9,887,670 Singapore Dollars ('Outstanding Amount') was due and payable by the Group; and
- Demand the Group pay the Outstanding Amount by 28 April 2017.

As at the date of the financial report, amounts have not been repaid and the Group is currently seeking legal advice on this matter.

Other than the above matters, there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial year.

NOTE 34: 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 Profit or Loss and Other 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.

NOTE 35: 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

PREMIERE EASTERN ENERGY
ABN 58 169 923 095

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Premiere Eastern Energy Ltd:

a The consolidated financial statements and notes of Premiere Eastern Energy Ltd are in accordance with the *Corporations Act 2001*, including

i Giving a true and fair view of the financial position as at 31 December 2016 and the performance for the financial year ended on that date; and

ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b There are reasonable grounds to believe that Premiere Eastern Energy Ltd will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2016.

3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Director
Zhan Aiping

Dated the 5th day of June 2017

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Independent Auditor's Report
to the Directors of Premiere Eastern Energy Limited

Report on the audit of the financial report

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying consolidated financial statements of Premiere Eastern Energy Limited and its subsidiaries (the Group). Due to the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

We have been unable to obtain sufficient appropriate audit evidence on the books and records in relation to the retail operations segment of the consolidated entity. The Group has recognised segment revenue from the retail operations (acquired during the financial year) totalling $11.2 million, which represents over 2.44% of total revenue. The segment produced a $1.2 million profit (greater than 10% of the Group's profit or loss) for the year ended 31 December 2016. Due to weaknesses in the accounting systems utilised for the recording and reporting of revenue generated by the retail operations we have been unable to obtain sufficient audit evidence to support the retail sales and cost of sales recognised by the Group in the Statement of Profit or Loss.

We were unable to determine whether any adjustments were necessary in respect of the Group's revenue and cost of sales recognised in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes of Equity and Statement of Cashflows.

Information Other than the Financial Report and Auditor’s Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 December 2016, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors’ for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Premiere Eastern Energy Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner - Audit & Assurance

Adelaide, 5 June 2017

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

DISTRIBUTION OF EQUITABLE SECURITIES

The distribution set out below was applicable as at 2 June 2017.

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	7
1,001 to 5,000	10
5,001 to 10,000	352
10,001 to 100,000	86
1000,001 and over	45
Total	500

A total of 408 holders hold less than a marketable parcel of 25,000 Ordinary Shares.

Equity security holders

Twenty largest equity security holders

The names of the twenty largest security holders of equity securities listed below were applicable as at 2 June 2017.

Twenty (20) Largest Shareholders	Ordinary Shares	
	Number of Shares Held	Percentage (%) of Issued Shares
MR ZHAN MUSHENG	704,966,930	76.833
BNP PARIBAS NOMS PTY LTD <DRP>	77,111,807	8.404
J P MORGAN NOMINEES AUSTRALIA LIMITED	46,723,981	5.092
VENSTAR INVESTMENTS LTD	40,749,094	4.441
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	7,276,797	0.793
ONE MANAGED INVT FUNDS LTD <1 A/C>	7,000,000	0.763
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	6,660,000	0.726
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	3,476,101	0.379
NATIONAL NOMINEES LIMITED	2,340,000	0.255
MS HONG LENA	1,800,000	0.196
MR BOONSRI PEWKLIANG & MRS KATIMA PEWKLIANG <THE B PEWKLIANG FAM A/C>	1,034,233	0.113
BUCKLAND CAPITAL PTY LTD <D MILLAR S/F A/C>	1,000,000	0.109
ZAKHEM HOLDINGS PTY LIMITED	1,000,000	0.109
NORDCO AUSTRALIA PTY LTD	1,000,000	0.109
MR BRIAN LAURENCE EIBISCH	715,011	0.078
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	622,000	0.068
ACCOUNTING STRATEGISTS PTY LTD<ACCOUNTING STRATEGISTS A/C>	565,000	0.062
MR WAI MENG CHAN	562,471	0.061
K P RETIREMENT (SA) PTY LTD<KP RETIREMENT (SA) SUPER A/C>	470,000	0.051
MR JAMES STEVEN PLAYFAIR & MRS MICHELE LANI PLAYFAIR<PLAYFAIR SUPERFUND A/C>	450,000	0.049
TOTAL	**905,523,425**	**98.691**

Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

Substantial Shareholders	Ordinary Shares	
	Number of Shares Held	Percentage (%) of Issued Shares
MR ZHAN MUSHENG	704,966,930	76.833
BNP PARIBAS NOMS PTY LTD <DRP>	77,111,807	8.404
J P MORGAN NOMINEES AUSTRALIA LIMITED	46,723,981	5.092

Voting Rights

The voting rights attached to ordinary shares are set out below:

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
There are no other classes of equity securities.

Unissued equity securities

There are no Options issued by the Company.

Securities Exchange

The Company is listed on the Australian Securities Exchange.