



PREMIERE
EASTERN ENERGY

PREMIERE EASTERN ENERGY LIMITED

ACN 169 923 095

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9 June 2017

Australian Securities Exchange Limited
40 Central Park
152 – 158 St Georges Terrace
PERTH WA 6000

Attention: Mauro Piccini
By email only: mauro.piccini@asx.com.au

Dear Sir

PREMIERE EASTERN ENERGY LIMITED (the Company) – FINANCIAL CONDITION QUERY

We refer to your letter dated 7 June 2017, regarding the financial condition of the Company following the lodgement of the company's annual report for the year ended 31 December 2016, lodged with the ASX on 6 June 2017 (the "Annual Report"), specifically the Independent Auditor's Review Report on pages 68 to 70 of the Annual Report ("Auditor's Review Report") which includes a Disclaimer of Opinion (the "Disclaimer").

1. The Company hereby confirms that in the Directors' opinion the Annual Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company.

2. 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") that it 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 be most appropriate to allow its auditor 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 its auditor to assist with the additional procedures that were required. The year-end audit procedures resulted in the identification of material internal control weaknesses that existed as at the Acquisition Date which, if known, may have affect the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows.

Due to factors beyond the Company's control, the auditor were unable to obtain sufficient appropriate audit evidence on the books and records in relation to the retail operations of the Acquired Entities 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 (Cost of Sales, Income Received in Advance, VAT, Income tax and 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.

3. The Directors determined that in their opinion the potential financial affect on the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows is not sufficiently material to impact the true and fair view of the financial performance and financial position of the Company or its adherence to current Australian Accounting Standards.
4. Yes, as set out above, the Disclaimer was a result of recognition of revenue, inventory and income received in advance balances of the Acquired Entities and due to the auditor being unable to obtain sufficient appropriate audit evidence on the books and records in relation to the retail operations of the Acquired Entities as at the Acquisition Date and subsequent transition period.

The Directors have 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 (Cost of Sales, Income Received in Advance, VAT, Income tax and 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.

The Company continues to be an integrated supply chain manager of petrochemical products in the People's Republic of China (PRC) based in the Guangdong Province, PRC. As an integrated supply chain manager, it engages in the wholesale distribution of petrochemical products including sourcing, storage, shipping, sales and distribution and after-sales services of petrochemical products in the

PRC. Furthermore, the Company is continuing with its strategy of acquiring and operating retail businesses of petrol stations and convenience stores.

The Company considers that its financial record (summarised below) provides further evidence that the Company's level of operations is sufficient to warrant continued quotation of its securities on the ASX in accordance with the requirements of Listing Rule 12.1.

Item	FY 15	FY 16
Revenue	\$779,741,000	\$457,030,000
Gross profit / (Loss)	\$35,683,000	\$5,936,000
Profit / (Loss)	\$14,404,000	(\$8,933,000)
Total assets	\$234,449,000	\$234,834,000
Total liabilities	\$31,551,000	\$50,554,000
Net assets	\$200,898,000	\$180,702,000

5. Yes. The Company repeats its statements in paragraph 4, and considers that its quarterly report for the period ended 31 March 2017 (summarised below) provides further evidence that the Company's financial condition is sufficient to warrant continued listing on the ASX in accordance with the requirements of Listing Rule 12.2.

Item	Quarter ended 31 March 2017
Receipts	\$122,650,000
Net cash from operating activities	\$2,844,000
Cash and cash equivalents	\$121,840,000

6. Not applicable.

7. The Company confirms it is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

Yours sincerely



Tim Slate
Company Secretary



7 June 2017

Mr Tim Slate
Director
Premiere Eastern Energy Limited
Level 6, 105 St Georges Terrace
PERTH WA 6000

By email

Dear Mr Slate

Premiere Eastern Energy Limited (the “Entity”) – Financial Condition Query

ASX Limited (“ASX”) refers to the following:

1. The Entity’s annual report for the year ended 31 December 2016, lodged with ASX on 6 June 2017 (the “Annual Report”).
2. The Independent Auditor’s Review Report on pages 68 to 70 of the Annual Report (“Auditor’s Review Report”) which includes the following Disclaimer of Opinion (the “Disclaimer”):

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.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant*



the continued quotation of the entity's securities and its continued listing.

- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A – *If a listing rule requires an entity to give ASX accounts, the following rules apply:
...
(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*

Questions for Response

In light of the Auditor's Review Report, the information contained in the Annual Report, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Entity able to confirm that in the Directors' opinion the Annual Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Entity?
2. Given the Disclaimer relates to the Auditor's inability to obtain sufficient information to support the retail operations segment revenue of the consolidated entity, what steps does the Entity intend to take to obtain unqualified audit/review report for future financial periods?

In your response, please explain why the Auditor has been unable to obtain sufficient information to verify the retail operations segment revenue of the consolidated entity.

3. Given the Disclaimer relates to the Auditor's inability to obtain sufficient audit evidence in relation to the retail operations segment revenue of the consolidated entity, please explain how the directors satisfied themselves that the retail operations segment revenue of the consolidated entity is valid and adheres to the current Australian Accounting Standards?
4. Does the Entity consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion.
5. Does the Entity consider that the financial condition of the Entity is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.
6. If the answer to questions 4 or 5 is "No", please explain what steps the Entity has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.



7. Please confirm that the Entity is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Entity's response to the market. Accordingly, the Entity's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **10:00am AEST (8:00am WST), Monday 12 June 2017.**

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

(sent electronically without signature)

Mauro Piccini
Senior Adviser, Listings Compliance (Perth)