

# **Premiere Eastern Energy Pte Ltd**

## **2011 CONSOLIDATED ANNUAL REPORT**

**For the year ended 31 December 2011**

# Premiere Eastern Energy Pte Ltd

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2011

	Note	Consolidated Group 2011 RMB'000
Revenue	2	4,455,579
Cost of sales		(4,206,934)
Gross profit		248,645
Other revenues	2	817
Operating expenses	3	(50,261)
Administration expenses	4	(15,540)
Finance costs	5	(7,303)
Profit before income tax		176,358
Income tax expense	6	(47,727)
<b>Profit for the year</b>		<b>128,631</b>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations		6,450
<b>Total comprehensive income for the year</b>		<b>135,081</b>
Profit for the year attributable to		
Non-controlling interest		4,250
Owners of the Parent		124,381
Total comprehensive income attributable to		
Non-controlling interest		4,443
Owners of the Parent		130,638

These financial statements should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 31 December 2011

	Note	Consolidated Group 2011 RMB'000
<b>Current assets</b>		
Cash and cash equivalents	8	66,824
Trade and other receivables	9	316,445
Inventory	10	60,736
Prepayments	11	9,871
<b>Total current assets</b>		<b>453,876</b>
<b>Non-current assets</b>		
Property, plant and equipment	12	11,672
Land use right	13	64,497
<b>Total non-current assets</b>		<b>76,169</b>
<b>Total assets</b>		<b>530,045</b>
<b>Current liabilities</b>		
Trade and other payables	14	115,813
Convertible note	15	78,431
Current tax liabilities	16	14,959
<b>Total current liabilities</b>		<b>209,203</b>
<b>Total liabilities</b>		<b>209,203</b>
<b>Net assets</b>		<b>320,842</b>
Equity		
Issued capital *	17	-
Foreign translation reserve	20	3,073
Reserves	20	14,681
Retained earnings		291,713
NCI interest	18	11,375
<b>Total equity</b>		<b>320,842</b>

\*Share capital is RMB 5 rounded to zero due to its amount less RMB 1,000

These financial statements should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital*	Reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interest	Consolidated Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 31 December 2010 (unaudited)</b>	-	14,681	(3,377)	169,236	22,632	203,172
Additional capital	-	-	-	-	(15,507)	(15,507)
Movement in non-controlling interest due to additional acquisition of shareholding	-	-	-	(1,904)	-	(1,904)
Exchange difference arising from translation of foreign currency	-	-	6,450	-	-	6,450
Total comprehensive income for the year	-	-	-	124,381	4,250	128,631
<b>Balance at 31 December 2011</b>	-	14,681	3,073	291,713	11,375	320,842

\*Share capital assets is RMB 5 rounded to zero due to its amount less RMB 1,000

## Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	Consolidated Group 2011 RMB'000
<b>Cash flows from operating activities</b>		
Receipts from customers		4,343,228
Payments to suppliers and employees		(4,208,138)
Interest received		817
Finance costs		(416)
Income tax paid		(43,800)
Sales and other taxes		(6,140)
Net cash provided by (used in) operating activities	<b>24</b>	85,551
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(29,189)
Purchase of Zhanjiang – net cash acquired		510
Payment made to related parties for the acquisition of additional interest in the subsidiary		(2,100)
Payment made to acquire - Zhanjiang		(31,200)
Net cash provided by (used in) investing activities		(61,979)
<b>Cash flows from financing activities</b>		
Payment made to non-related parties		(23,721)
Proceeds of convertible notes		29,412
Dividend payment		(19,769)
Proceeds from related parties		176
Net cash provided by (used in) financing activities		(13,902)
Net change in cash and cash equivalents held		9,670
Cash and cash equivalents at beginning of financial year		52,639
Effect of exchange rates on cash holdings in foreign currencies		4,515
Cash and cash equivalents at end of financial year	<b>8</b>	66,824

These financial statements should be read in conjunction with the accompanying notes.

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**1 Statement of significant accounting policies**

The financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and not in accordance with any applicable Singapore and PRC company law.

Premiere Eastern Energy Pte Ltd (“the Company”) is a company limited by shares, incorporated and domiciled in Singapore.

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

The consolidated financial statements were authorised for issue by the directors on 28 August 2014.

**Basis of preparation**

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Chinese Yuan (RMB) which is the Group’s functional and presentational currency, unless otherwise noted.

**Third statement of financial position**

Two comparative periods are presented for the statement of financial position when the Company:

- i Applies an accounting policy retrospectively,
- ii Makes a retrospective restatement of items in its financial statements, or
- iii Reclassifies items in the financial statements.

The management have determined that only one comparative period for the statement of financial position was required for the current reporting period.

**Significant accounting policies**

**a. Principle of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Premier Eastern Energy Pte Ltd. Premiere Eastern Energy Pte Ltd is the Group’s Ultimate Parent Company. A controlled entity is any entity that Premiere Eastern Energy Pte Ltd has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a December financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

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Where controlled entities have entered the group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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.

**b. Business combination**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consolidation transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measure at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-



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controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity's interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**c. Income Tax**

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

*Current tax*

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 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.

**d. Property, Plant and Equipment**

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

Property, Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the re-valued carrying amount of asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation surplus to retain earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

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**Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>	<b>Depreciation Basis</b>
Office equipment	10%	Straight line
Buildings	3%	Straight line
Motor vehicle	12.5%	Straight line
Oil depot equipment	12.5%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period 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 or losses are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**e. Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**f. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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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.

**g. Financial Instruments**

**Initial recognition and 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.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial instruments are classified and measured as set out below.

*Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

**Classification and subsequent measurement**

*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 stated at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

*Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance

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evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*Held-to-maturity investments*

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly in equity.

*Financial liabilities*

The Group's financial liabilities include trade and other payables. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

*Fair value*

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

*Impairment of financial assets*

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

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date

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the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

**h. Impairment of Non-Financial Assets**

At each reporting date, the Company 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**i. 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, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**j. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**k. Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of value added tax (VAT).

**l. Borrowings**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and convertible note. 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 of sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the consolidated statement of profit and loss and other comprehensive income over the period of the borrowing on an effective interest basis.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity when the conversion option meets the equity definition at inception. Where the conversion option does not meet the definition of equity, the conversion option is accounted for as a derivative liability and subsequently remeasured at the end of the reporting period to fair value with gains and losses recorded in the consolidated statement of profit and loss and other comprehensive income. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**m. Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Local Taxation Office. In these circumstances, the 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 VAT.

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

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**n. Comparative Figures**

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

**o. Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial statements 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 Company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key estimates — Impairment of non-financial assets**

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**p. Land use rights**

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives, which vary from 42 to 54 years.

**q. Foreign currency translation**

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the operating subsidiaries Yangjiang Yuanda Petrochemical Co. Ltd and Zhanjiang Industrial Production Materials Co. Ltd are in Chinese Yuan (RMB).

The consolidated financial statements are presented in Chinese Yuan ("RMB"), which the operating subsidiaries functional and presentation currency.

*Transactions and balances*

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

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

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

*Group companies*

The financial results and position of operations whose functional currency is different from the 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 functional currency to presentation currency are transferred directly to foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

**r. Accounting standards not yet effective**

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

**s. Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

**2 Revenue**

	<b>Consolidated Group 2011 RMB'000</b>
<b>Operating activities</b>	
Wholesale of goods *	4,455,579
<b>Total Revenue</b>	<b>4,455,579</b>
<b>Non-operating activities</b>	
Interest received	817
<b>Total Other Income</b>	<b>817</b>

\*During the year revenue from top ten customers amounted to RMB 3,444,445,000 (77.3%) arising from wholesale of refined petroleum and petrochemical products.



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**3 Operating expenses**

	Consolidated Group 2011 RMB'000
<b>Operating expenses</b>	
Salary expenses	4,920
Transportation expense	24,022
Oil depot rental expense	9,780
Depreciation and amortisation	2,721
Other operating expenses	8,818
<b>Total operating expenses</b>	<b>50,261</b>

**4 Administration expenses**

	Consolidated Group 2011 RMB'000
<b>Administration expenses</b>	
Travelling expense	2,661
Legal and advisory expenses	4,989
Other administration expenses	7,890
<b>Total administration expenses</b>	<b>15,540</b>

**5 Finance Costs**

	Consolidated Group 2011 RMB'000
<b>Finance costs</b>	
Interest expense for convertible loan	7,235
Other expenses	68
<b>Total finance costs</b>	<b>7,303</b>

Refer to Note 15 for further information on convertible note.

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**6 Income Tax Expense**

	Consolidated Group 2011 RMB'000
<b>The components of tax expense comprise:</b>	
Current tax	47,727
	<u>47,727</u>
<b>Reconciliation of tax expense</b>	
Profit before income tax	176,358
Prima facie tax payable on profit before income tax at China tax rate of 25%	
- consolidated group	44,090
- parent	-
Add:	
Adjustments of entities not taxed at 25%	3,637
Tax effect on non-deductible expenses	-
Tax effect on non-taxable income	-
Income tax attributable to the Group	<u>47,727</u>
The applicable weighted average effective tax rate are as follows:	27%

The Company is subject to the tax law of Singapore and its two main operating subsidiaries are subject to income tax law of People's Republic of China (PRC).

**7 Auditors' Remuneration**

	Consolidated Group 2011 RMB'000
Remuneration of the auditor of the Company	
- auditing or reviewing the financial report	434
Total auditor's remuneration	<u>434</u>

**8 Cash and Cash Equivalents**

	Consolidated Group 2011 RMB'000
Cash on hand	25
Cash at bank	66,799
Total cash and cash equivalent	<u>66,824</u>

**9 Trade and Other Receivables**

	Consolidated Group 2011 RMB'000
<b>Current</b>	
Trade receivables	282,911
Other receivables	33,534
Total current trade and other receivables	<u>316,445</u>

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The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The company does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

The average credit period on sales of goods is 30 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

Some of the unimpaired trade receivables are past due as at the reporting date. These relate to customers who have a good credit history with the Company and are expected to be recovered in full.

The age of trade receivables past due but not impaired is as follows:

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
31 – 60 days	-
61 – 90 days	40
90 – 180 days	-
<b>Total</b>	<b>40</b>

## 10 Inventory

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Current</b>	
Inventory at cost	60,736
Provision for obsolete stock	-
<b>Net inventory</b>	<b>60,736</b>

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

## 11 Prepayments

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Current</b>	
Prepayments	9,871
<b>Total prepayments</b>	<b>9,871</b>

Other assets represent advances/security deposits to suppliers for inventory purchases.

**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2011**

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**12 Property, plant and equipment**

	<b>Consolidated Group 2011 RMB'000</b>
<b>Office Equipment and Motor Vehicle</b>	
At cost	1,788
Accumulated depreciation	(1,130)
<b>Total Office Equipment and Motor Vehicle</b>	<b>658</b>
<b>Oil Depot Buildings</b>	
At cost	4,802
Accumulated depreciation	(170)
<b>Total Land and Buildings</b>	<b>4,632</b>
<b>Oil Depot Equipment</b>	
At cost	7,324
Accumulated depreciation	(942)
<b>Total Oil Depot Equipment</b>	<b>6,382</b>
<b>Total property, plant and equipment</b>	<b>11,672</b>

**a Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	<b>Office Equipment and Motor Vehicle RMB'000</b>	<b>Oil Depot Buildings RMB'000</b>	<b>Oil Depot Equipment RMB'000</b>	<b>Consolidated Total RMB'000</b>
Balance at 31 December 2010 (Unaudited)	177	4,789	7,252	12,218
Addition	636	-	-	636
Disposal	-	-	-	-
Depreciation expense	(155)	(157)	(870)	(1,182)
<b>Balance at 31 December 2011</b>	<b>658</b>	<b>4,632</b>	<b>6,382</b>	<b>11,672</b>

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**13 Land use rights**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
Cost	66,199
Accumulated Amortisation	(1,702)
<b>Total Land use rights</b>	<b>64,497</b>

**a Movements in Carrying Amounts**

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

	<b>Land use rights</b>
	<b>RMB'000</b>
Balance at 31 December 2010 (Unaudited)	66,199
Addition	-
Disposal	-
Amortisation expense	(1,702)
<b>Balance at 31 December 2011</b>	<b>64,497</b>

**1) Land use rights relate to the following:**

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration - Long Kou State Land (2004) Serial Number # 20042100083, Dangerous Goods Terminal, Long Kou Port, City of Long Kou, Shandong Province, People Republic of China.	Production Plant	37,714	42 years (valid until 3/11/2052)
Block# B015 and B016, Hu Ting, Jiang Cheng District, City of Yangjiang, Guangdong Province, People Republic of China	Residential Plant	370.25	54 years (valid until 30/03/2064)
Block# B013 and B014, Ling Dong Hua Yuan, Jiang Cheng District, City of Yangjiang, Guangdong Province, People Republic of China	Residential Plant	145	54 years (valid until 30/03/2064)

**Premiere Eastern Energy Pte Ltd**  
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**14 Trade and Other Payables**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Current</b>	
Trade payables	28,101
Revenue received in advance	8,000
Related party payable	23,753
Other tax payable	18,541
Convertible note interest	9,338
Salary payable	2,102
Accrued expenses	274
Other payables	25,704
	<b>115,813</b>

Refer Note 25 for more details on related party balances.

**15 Convertible note**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Current</b>	
Convertible note	78,431

On 1 July 2010, Premiere Eastern Energy Pte Ltd (Premiere) issued SGD 10 million of convertible notes (Notes #1). Notes #1 carries a fixed rate of 10% per annum, payable monthly in arrears, for an initial term of eighteen months, and a further rate of 13% per annum for additional twelve-month period beyond the initial eighteen months. On 31 March 2011, Premiere issued SGD 6 million of convertible notes (Notes #2). Notes #2 carries a fix rate of 9% per annum, payable monthly in arrears, for an initial term of twelve months, and a further rate of 12% per annum for additional up to twelve-month period beyond the initial twelve months.

No Notes have been converted up to 31 December 2011. No Put Option has been exercised by bondholder up to 31 December 2011.

**16 Taxation**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Current</b>	
Income tax payable	14,959

**17 Issued Capital**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB</b>
Share capital	5

**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2011**

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**18 Non-controlling interest**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
Beginning at the beginning of the year	22,632
Movement due to additional acquisition of share holding	(15,507)
Share of movement in net assets	4,250
Balance at the end of the year	11,375

Movement in non-controlling interest in 2011 relates to the 3% minority interest in Yangjiang Yuanda Petrochemical Co., Ltd. During 2011, the Group acquired an additional 7% shareholding interest to the existing 90% of Yangjiang Yuanda Petrochemical Co., Ltd from Mr Sun Yao Wei (Non-controlling interest).

**19 Capital Management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

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 minimal 50% of the registered capital.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

**20 Reserves**

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
Statutory reserve	14,550
Capital reserve	131
Foreign currency translation reserve	3,073
	17,754

*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 minimal 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.

**Premiere Eastern Energy Pte Ltd**  
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**20 Reserves (cont.)**

*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.

*Foreign translation reserve*

The foreign currency translation reserve represents exchange differences arising from translation of the parent entity's functional currency (SGD) and Genius Supreme Investment Ltd's functional currency (HKD) into presentational currency of the Group (RMB).

**21 Commitments**

**(a) Capital Commitments**

No capital commitments existed as at 31 December 2011.

**(b) Operating Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	<b>Consolidated Group 2011 RMB'000</b>
Payable — minimum lease payments	
not later than 12 months	1,591
between 12 months and five years	207
greater than five years	-
	<b>1,798</b>

**22 Segment Reporting**

*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.



**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
**For the year ended 31 December 2011**

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**22 Segment Reporting (cont.)**

*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

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.

*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.

**Premiere Eastern Energy Pte Ltd**  
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**22 Segment Reporting (cont.)**

	Refined petrol RMB'000	Petrochemical RMB'000	Total RMB'000
<b>31/12/2011</b>			
<b>Segment revenue to external customer</b>	<b>2,270,574</b>	<b>2,185,005</b>	<b>4,455,579</b>
Segment COGS	(2,164,266)	(2,042,668)	(4,206,934)
Segment other expenses	(2,941)	(56,314)	(59,255)
Segment results	103,367	86,023	189,390
Other income		816	816
Net financing costs			(6,613)
Unallocated expense net of unallocated revenue			(7,235)
Profit before tax			176,358
Income tax expense	(67)	(47,660)	(47,727)
Net profit after tax			128,631
<b>Segment assets</b>	<b>520,414</b>	<b>39,826</b>	<b>560,240</b>
Total corporate and unallocated assets			(30,195)
Total consolidated assets			530,045
<b>Segment liabilities</b>	<b>8,250</b>	<b>89,352</b>	<b>97,602</b>
Total corporate and unallocated liabilities			111,601
Total consolidated liabilities			209,203

**23 Events After the Balance Sheet Date**

The Company's financial statements for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 have been signed on the same date, 28 August 2014.

Matters or circumstances that have arisen since the financial year ended 31 December 2011 to the date of signing which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years have been appropriately disclosed within the financial statements ended 31 December 2013.

**Premiere Eastern Energy Pte Ltd**  
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**24 Cash Flow Information**

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
<b>Operating Profit/(Loss) after income tax</b>	<b>128,631</b>
<b>Non-cash flows in operating surplus/(deficit)</b>	
Depreciation/Amortisation	2,721
Effects of foreign exchange differences	101
Write-down of intangible assets	783
<b>Changes in assets and liabilities</b>	
(Increase)/Decrease in trade receivables	(90,092)
(Increase)/Decrease in prepayments	40,950
(Increase)/Decrease in Inventory	37,241
(Increase)/Decrease in trade payables and accruals	(30,036)
Increase/(Decrease) in convertible note interest payable	6,777
Increase/(Decrease) in sales and other taxes payable	6,808
Increase/(Decrease) in Income tax payable	3,926
Increase/(Decrease) in revenue received in advance	(22,259)
<b>Cash flows from operations</b>	<b>85,551</b>

**25 Related party transactions**

**a) Transaction with key management personnel**

The following comprises transactions with entities in which the Directors have an interest

	<b>Consolidated Group</b>
	<b>2011</b>
	<b>RMB'000</b>
Payments made to Mr Sun Yao Wei	2,100

**Premiere Eastern Energy Pte Ltd**  
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**25 Related party transactions (cont.)**

**b) Related party balances**

Amounts receivable from and payable to key management personnel and their related entities at balance date arising are as follows:

2011	Receivable from related party RMB'000	Payable to related party RMB'000
Mr. Sun Yao Wei	-	15,885
Mr. Yeung Man Choi	-	1,368
Mr. Zhan Mu Sheng - Executive Chairman	-	6,283
Mr. Zhan Aiping - Director	-	217
		<hr/> 23,753 <hr/>

Related party balances comprise related party loans and no specific terms and conditions have been attached to the above transactions.

**26 Financial Instrument Risk Management**

**26.1 Risk management objectives and policies**

The Company is exposed to a variety of financial risks through its use of financial instruments.

**Financial instruments used**

The principal categories of financial instrument used by the Company:

- Trade receivables
- Cash at bank
- Trade and other payables
- Short-term borrowings

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

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. Long-term financial investments are managed to generate lasting returns.

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.

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**26 Financial Instrument Risk Management (cont.)**

**26.2 Market risk analysis**

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

*Interest rate risk sensitivity*

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company's borrowings are within 1 year, and hence are subject to minimal fair value changes.

*Foreign currency risk sensitivity*

Most of the Group's transactions are carried out in RMB. Exposures to currency exchange rates arise from the inter-Group's balances, which are primarily denominated in Hong Kong dollars (HKD) and Singapore dollars (SGD). Further, the Group has a SGD convertible note, which has been used to fund the purchase of oil depot and working capital of controlled entities in China.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into RMB at the closing rate:

	Short term exposure		Long term exposure	
	HKD \$'000	SGD \$'000	HKD \$'000	SGD \$'000
31 December 2011				
Financial assets	6	-	-	-
Financial liabilities	29,088	17,905	-	-
<b>Total Exposure</b>	<b>(29,082)</b>	<b>(17,905)</b>	<b>-</b>	<b>-</b>

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the HKD/RMB exchange rate and SGD/RMB exchange rate 'all other things being equal'. It assumes a +/- 5% change of the RMB/HKD exchange rate for the year ended at 31 December 2011. A +/- 10% change is considered for the SGD/RMB exchange rate. Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RMB had strengthened against the HKD by 5% and SGD by 10% respectively then this would have had the following impact:

	Profit for the Year			Equity		
	HKD RMB '000	SGD RMB '000	Total RMB '000	HKD RMB '000	SGD RMB '000	Total RMB '000
31 December 2011	1,189	8,754	9,943	52	84	136

**Premiere Eastern Energy Pte Ltd**  
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**For the year ended 31 December 2011**

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**26 Financial Instrument Risk Management (cont.)**

**26.2 Market risk analysis (cont.)**

If the RMB had weakened against the HKD by 5% (2010: 5%) and SGD by 10% (2010: 10%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	HKD	SGD	Total	HKD	SGD	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
31 December 2011	(1,189)	(8,754)	(9,943)	(52)	(84)	(136)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

*Customer concentration risk*

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2011 generated 77% (RMB3,444,445,000) of the Group's revenues during the financial period.

*Liquidity risk*

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

*Price risk*

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

*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.

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**26 Financial Instrument Risk Management (cont.)**

**26.2 Market risk analysis (cont.)**

*Financial instrument composition and maturity analysis*

	Weighted Average Effective Interest Rate 2011 %	Interest Bearing Maturing within 1 Year 2011 RMB'000	Interest Bearing Maturing within 2 Years 2011 RMB'000	Non-interest Bearing Maturing within 1 Year 2011 RMB'000	Total 2011 RMB'000
<b>Financial Assets:</b>					
- Cash and cash equivalents (Variable interest rate)	0.38% p.a	66,799	-	-	66,799
- Trade and other receivables	-	-	-	316,445	316,445
- Security deposits to suppliers	-	-	-	9,871	9,871
<b>Total Financial Assets</b>		<b>66,799</b>	<b>-</b>	<b>326,316</b>	<b>393,115</b>
<b>Financial Liabilities:</b>					
- Trade and other payables	-	-	-	115,813	115,813
- Convertible note (Fixed interest rate)	9.625% p.a	78,431	-	-	78,431
<b>Total Financial Liabilities</b>		<b>78,431</b>	<b>-</b>	<b>115,813</b>	<b>194,244</b>
<b>Net Financial Assets</b>					<b>198,871</b>

**26.3 Credit risk analysis**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	<b>2011</b>
	<b>RMB'000</b>
Classes of financial assets -	
Carrying amounts:	
Cash and cash equivalents	66,824
Cash advanced to suppliers	9,871
Trade and other receivables	316,445
<b>Total</b>	<b>393,140</b>

**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
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**26 Financial Instrument Risk Management (cont.)**

**26.3 Credit risk analysis**

The Company's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**27 Fair value measurement**

Financial assets and financial liabilities measured at fair value in the consolidated 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 value of the Group's financial assets and financial liabilities are determined by its short-term book value which is also its fair value.

**28 Controlled Entities**

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) <sup>*</sup>
<b>Subsidiary of Premiere Eastern Energy Pte Ltd</b>		<b>2011</b>
Genius Supreme Investment Ltd	Hong Kong	100%
<b>Subsidiary of Genius Supreme Investment Ltd</b>		
Yangjiang Yuanda Petrochemical Co., Ltd	China	97% <sup>(1)</sup>
<b>Subsidiary of Yangjiang Yuanda Petrochemical Co., Ltd</b>		
Yangjiang Yuanda Information Consultancy Co., Ltd	China	100%
<b>Subsidiary of Yangjiang Yuanda Information Consultancy Co., Ltd</b>		
Zhanjiang Industrial Production Materials Co., Ltd	China	91.5% <sup>(2)</sup>

<sup>\*</sup> Percentage of voting power in proportion to ownership

- 1) In February 2011, Genius Supreme Investment Ltd acquired additional 7% shareholding interest of Yangjiang Yuanda Petrochemical Co., Ltd from Mr Sun Yao Wei for consideration of RMB 18,000,000.
- 2) Pursuant to share transfer agreement dated 12 August 2011, all rights and obligations are assumed by Yangjiang Yuanda Information Consultancy Co., Ltd. Therefore 100% of all risk and rewards are attributable to Yangjiang Yuanda Information Consultancy Co., Ltd.



**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
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**29 Business combination**

Pursuant to a Share Transfer Agreement dated 31 July 2011, Premiere Eastern Energy Pte Ltd (Premiere) obtained control of Zhanjiang Industrial Production Materials Co., Ltd (Zhanjiang) by acquiring 100% shares and voting interest in the company. The consideration transferred equal to the acquisition-date fair values of the assets transferred and liabilities incurred by the acquirer to former owners of Zhanjiang totalling RMB 31,200,000.

	RMB'000
The assets and liabilities of Zhanjiang as at 31 July 2011 were:	
Cash and cash equivalent	510
Trade and other receivables	9,835
Inventory	-
Prepayments	36,614
Plant and equipment	658
Trade and other payables	(8,541)
Revenue received in advance	(8,659)
Total net identifiable assets	<u>30,417</u>
Accounted for as:	
Issued capital	31,200
Retained earnings	(783)
	<u>30,417</u>

**30 Parent information**

	2011 RMB'000
<b>Statement of Financial Position</b>	
Assets	
Current assets	73,152
Non-current assets	-
Total Assets	<u>73,152</u>
Liabilities	
Current liabilities	9,338
Non-current liabilities	78,431
Total Liabilities	<u>87,769</u>
Net Assets	(14,617)
Equity	
Issued capital	-
Foreign translation reserve	721
Retained earnings	(15,338)
Total Equity	<u>(14,617)</u>
<b>Statement of Comprehensive Income</b>	
Total profit (loss)	(12,123)
Total comprehensive income	(12,123)

**Premiere Eastern Energy Pte Ltd**  
**Notes to the financial statements**  
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**30 Parent information (cont.)**

The parent entity was incorporated in Singapore in 2010, the share transfer from subsidiaries to parent entity occurred in 2010. Issued capital, which is SGD 1 (RMB 5) rounded to zero due to presentation, had been fully paid up by sole shareholder Zhan Musheng in 2010. Refer Note 1 for accounting policies in regard to principle of consolidation.

**31 Key Management Personnel Compensation**

The directors received personal compensation of RMB 2,262,515 from the Group during the period, and dividend declared in 2010 and paid to previous owners of Zhanjiang in 2011.

**32 Company Details**

The registered office of the Company is:

Premiere Eastern Energy Pte Ltd  
6 Battery Road #10 – 01  
Singapore 049909

## Director's declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 32, are in accordance with International Financial Reporting Standards and give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



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Executive Chairman  
Zhan Musheng

Dated this 28 day of August 2014

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREMIERE EASTERN ENERGY PTE LTD**

We have audited the accompanying financial report of Premiere Eastern Energy Pte Ltd (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year .

### **Responsibility of the Directors for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Accounting Standards. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard IAS 1 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Independence**

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

### **Basis for qualified auditor's opinion**

As outlined in Note 28 to the financial statements, one subsidiary acquired by Premiere Eastern Energy Pte Ltd, and consolidated into the group in 2011 has not been audited. Accordingly we are not in a position to and do not express an opinion for the opening balances as at 1 January 2011 for the subsidiary, which impact on the current year consolidated financial performance and statement of cashflows.

In addition, as we were appointed auditors of Premiere Eastern Energy Pte Ltd during 2014, we were not able to observe the counting of the physical inventories at the beginning of financial year 2011 or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2011. Our audit opinion on the financial report for the year ended 31 December 2011 was modified accordingly.

**Qualified Auditor's Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe beginning inventory quantities as at 31 December 2010 or had the limitation on the scope of the work as discussed in the basis for qualification paragraph not existed.

- a the financial report of Premiere Eastern Energy Pte Ltd,
  - i presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2011 and of its performance and cash flows for the year then ended; and
  - ii complies with International Accounting Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S J Gray  
Partner – Audit & Assurance

Adelaide, 28 August 2014