



PREMIERE
E A S T E R N E N E R G Y

ABN 58 169 923 095

Premiere Eastern Energy Limited

Interim Financial Statements
For the half year ended 30 June 2016

Appendix 4D

1. Company Details

Name of Entity

Premiere Eastern Energy Limited

ABN

Half year ended ("current period")

Half year ended ("previous period")

58 169 923 095

30 June 2016

30 June 2015

2. Results for announcement to the market

| | | | AUD \$'000 |
|---|---------------------|----------|-----------------------------|
| 2.1 Revenues from continuing operations | Down | 44.2% to | 249,155 |
| 2.2 Profit / (loss) from continuing operations after tax attributable to members | Down | 117% to | (2,351) |
| 2.3 Net profit / (loss) for the period attributable to members | Down | 117% to | (2,302) |
| 2.4 Dividends | Amount per security | | Franked amount per security |
| Interim dividend declared | N/A | | N/A |
| 2.5 Record date for determining entitlements to the dividend | | | N/A |
| 2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood | | | |
| The decrease in revenue as stated above is on a consolidated basis across all operating segments of the Group. The variance in revenue from HY2015 to HY2016 of each segment are as per below: | | | |
| <div><div>- Refined petroleum segment revenue down 72.6%;</div><div>- Petrochemical segment revenue down 36.2%; and</div><div>- Petrol station and convenience segment revenue up 100% (this additional segment has been included for the half-year ended 30 June 2016 as a result of acquisitions during the period).</div></div> | | | |
| The 44.2% consolidated decrease in revenue as stated above is mainly attributable to the fall in wholesales of the both refined petroleum and petrochemicals segments. The fall in the wholesales of both segments is as a result of the decreases in both sales volumes and average selling prices during the period which reflects the low oil price and the slowdown in the Chinese industrial sector. | | | |
| Revenue in original transactional currency (ie. RMB) dropped by 44.3% from RMB2,144,816,000 in HY2015 to RMB1,194,615,000 in HY2016. Meanwhile, the average exchange rate of RMB against AUD remained steady with a rise by 0.2% from 0.2082 in HY2015 to 0.20857 in HY2016. | | | |

| | | |
|--|--------------|--------------|
| 3. Net tangible assets per security | 30 June 2016 | 30 June 2015 |
| Net tangible asset backing per ordinary security | 19.51 cents | 22.13 cents |

4. Details of entities over which control has been gained or lost

4.1. Control gained over entities

Pursuant to a Certificate of Approval issued by the Guangzhou Municipal Commission of Commerce, a new wholly-owned subsidiary, Guangzhou King-Win Enterprise Management & Services Co., Ltd (“King-Win”) was established on 3 February 2016. King-Win is the investment holding company to invest in the operation of a retail petrol station business.

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

A supplementary agreement has been signed with the two shareholders holding the remaining 53% of the shares in GBD Petrol Station that provides Universal with a 100% beneficial interest in GBD Petrol Station. In return the remaining 53% shareholders are entitled to 20% of annual rental payments made by GBD Petrol Station as contracted revenue until 2021.

Universal has leased a second petrol station, Foshan Jin Dun Petrol Station Co., Ltd (“FJD Petrol Station”). An agreement has also been signed with the shareholder of FJD Petrol Station such that Universal is entitled to the all the risks and rewards of ownership. For details, please refer to the announcement of “Lease of Second Operating Petrol Station” made on 28 June 2016.

4.2. Control lost over entities

N/A

5. Dividends

Individual dividends per security

| | Date dividend is payable | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign source dividend |
|--------------------------|--------------------------|---------------------|--|--|
| Interim dividend: | | | | |
| Current year | N/A | N/A | N/A | N/A |
| Previous year | N/A | N/A | N/A | N/A |

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

| | |
|--|-----|
| N/A | |
| The last date(s) for receipt of election notices for the dividend or distribution plans. | N/A |

7. Details of associates and joint entities

| |
|-----|
| N/A |
|-----|

8. Foreign entities

| |
|--|
| For foreign entities, details of origin of accounting standards used in compiling the report. |
| <p>The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards, including AASB 134 “Interim Financial Report” and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures the financial statements and notes also in compliance with international accounting standards.</p> <p>Adjustments have been made to PRC and Hong Kong entities within the Group to ensure compliance with Australian Accounting Standards and International Financial Reporting Standards.</p> |

9. If the accounts are subject to audit dispute or qualification, details are described below.

| |
|-----|
| N/A |
|-----|

Sign here:



Date:

30 August 2016

Director

Print Name:

Zhan Aiping

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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 half-year ended 30 June 2016.

Director details

The following persons were Directors of Premiere during or since the end of the financial half-year:

- Mr Zhan Mu Sheng
- Mr David Wheeler
- Mr Zhan Aiping
- Mr Ou Jinpei
- Mr Lau Kay Heng
- Mr Jack James

Company Secretary details

The following persons were Company Secretary of Premiere during or since the end of the financial half-year:

- Mr Jack James
- Ms Kelly Moore (*appointed on 26 May 2016*)

Review of operations and financial results

Commentary on Half Year Results

The Directors of Premiere Eastern Energy Limited ("Premiere" or "the Company") and its controlled entities ("the Group") hereby present the Company's Interim Report for the half-year ended 30 June 2016 ("1H2016"). Through this report, the Board seeks to provide an update to its shareholders and the market on the results achieved for 1H2016. It should be noted that the Group's financial year runs from January to December each year.

The Group has incurred a loss after tax of \$2.3 million for 1H2016, compared to a profit after tax of \$14.1 million for the half-year ended 30 June 2015 ("1H2015"). As a result of the depreciation of the Chinese Renminbi ("RMB") against Australian dollar ("AUD"), the Company has recorded a foreign exchange loss on translation of foreign operation of \$8.9 million. The Company has maintained strong cash and cash equivalents balance at \$157.6 million.

Review of operations and financial results (continued)

Corporate Results Summary

For 1H2016, the Group, through its main operating China based subsidiaries, has achieved the following:

- Group revenue for the half-year (excluding other revenue) dropped by 44.2% to \$249.1 million compared to \$446.6 million in 1H2015;

- Existing wholesale business:

Our existing wholesale business in the sales of refined petroleum and other petrochemicals continued to suffer from a negative growth in the current period. Sales of refined petroleum and other petrochemicals dropped by 72.6% to \$27.4 million and 36.2% to \$221.1 million respectively. The decrease in sales of both segments was attributable to the decrease in sale volumes and average selling prices.

The business environment of our industry in the wholesale of refined petroleum and other petrochemicals worsened since the second half of the year (“2H2015”). Customers became more 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 remained intense 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 11.0% (1H2015: 22.4%) and 88.7% (1H2015: 77.6%) of the Group’s revenue in 1H2016 respectively. During the period, the Group distributed an aggregate of 33,534 tonnes (1H2015: 87,497 tonnes) of refined petroleum and 277,583 tonnes (1H2015: 342,590 tonnes) of other petrochemicals respectively in the PRC;

- New retail business in petrol stations and convenience stores:

We have recorded sales of \$0.6 million, representing only 0.3% of the Group’s revenue in 1H2016. As we acquired our new business at end of May 2016, only one-month result has been contributed to the Group’s revenue.

- Gross profit margin of 1.4% was achieved for the current period, representing a deterioration from 6.0% in 1H2015. The decrease in gross profit margin was due to the decrease in the average selling prices of both refined petroleum and other petrochemicals in our wholesale business;
- Group loss before tax of \$2.3 million, contrary to a profit before tax of \$19.5 million in 1H2015;
- Group loss after tax of \$2.3 million, contrary to a profit after tax of \$14.1 million in 1H2015;
- Foreign exchange translation loss of \$8.9 million, arising from the depreciation of RMB against AUD during the period;
- Maintaining strong cash position of \$157.6 million;

The Group, as one of the leading integrated supply chain manager engaging in the wholesale of refined petroleum and petrochemical products within the PRC, will continue to maintain and develop the wholesale business despite the worsened business environment and intense market competition in the PRC.


Since the second quarter of this year, we have successfully acquired and launched our new business in the operation of retail petrol stations. Going forward, we are looking for business opportunities to acquire more retail petrol stations for our vertical expansion within the petrochemical industry.

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

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 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.


ZHAN Mu Sheng

Chairman

Dated this 30th day of August 2016

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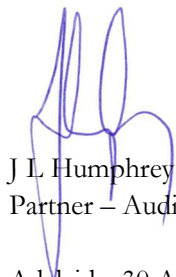
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PREMIERE EASTERN ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Premiere Eastern Energy Limited for the half-year ended 30 June 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 August 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

| | Note | 30 Jun 2016 \$'000 | 30 Jun 2015 \$'000 |
|--|------|-----------------------|-----------------------|
| Revenue | | 249,155 | 446,551 |
| Cost of goods sold | | (245,713) | (419,579) |
| Gross profit | | 3,442 | 26,972 |
| Other income | | 270 | 381 |
| Operating expenses | | (4,841) | (6,036) |
| Administrative expenses | | (1,037) | (1,701) |
| Finance costs | | (186) | (139) |
| (Loss)/profit before income tax | | (2,352) | 19,477 |
| Income tax expense | | - | (5,358) |
| (Loss)/Profit for the period | | (2,352) | 14,119 |
| Other Comprehensive Income for the period, net of tax | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange (loss)/gain arising on the translation of foreign operations | | (8,881) | 13,187 |
| Total Comprehensive Income for the period attributable to Members | | (11,233) | 27,306 |
| (Loss)/profit for the period attributable to: | | | |
| Non-controlling interest | | (50) | 480 |
| Owners of the parent | | (2,302) | 13,639 |
| Total comprehensive income attributable to: | | | |
| Non-controlling interest | | (308) | 480 |
| Owners of the parent | | (10,925) | 26,826 |
| Earnings per share | | Cents | Cents |
| Basic earnings per share (cents per share) | 7 | (0.25) | 1.49 |
| Diluted earnings per share (cents per share) | 7 | (0.25) | 1.49 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | Note | 30 Jun 2016 \$'000 | 31 Dec 2015 \$'000 |
|--|------|-----------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 157,609 | 174,613 |
| Trade and other receivables | | 43,127 | 40,911 |
| Inventories | | 3,454 | 2,272 |
| Prepayments | | 56 | 1,458 |
| TOTAL CURRENT ASSETS | | <u>204,246</u> | <u>219,254</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,698 | 1,532 |
| Land-use rights | | 11,019 | 11,663 |
| Intangible assets | 9 | 10,680 | - |
| TOTAL NON-CURRENT ASSETS | | <u>23,397</u> | <u>13,195</u> |
| TOTAL ASSETS | | <u>227,643</u> | <u>232,449</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 28,606 | 22,821 |
| Borrowings | 10 | 9,372 | 8,730 |
| TOTAL CURRENT LIABILITIES | | <u>37,978</u> | <u>31,551</u> |
| TOTAL LIABILITIES | | <u>37,978</u> | <u>31,551</u> |
| NET ASSETS | | <u>189,665</u> | <u>200,898</u> |
| EQUITY | | | |
| Issued capital | 11 | 11,768 | 11,768 |
| Reserves | | 13,598 | 22,221 |
| Retained earnings | | 158,631 | 160,933 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | <u>183,997</u> | <u>194,922</u> |
| Non-controlling interest | | 5,668 | 5,976 |
| TOTAL EQUITY | | <u>189,665</u> | <u>200,898</u> |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

| | Share Capital Ordinary | Foreign Currency Translation Reserve ⁽¹⁾ | Other Reserves ⁽¹⁾ | Retained Earnings | Non- controlling Interest | Total |
|---|------------------------------|--|----------------------------------|----------------------|---------------------------------|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 31 December 2014 | 8,518 | 5,582 | 2,925 | 150,233 | 5,219 | 172,477 |
| Profit for the period | - | - | - | 13,639 | 480 | 14,119 |
| Other comprehensive income | - | 13,187 | - | - | - | 13,187 |
| Total comprehensive income | - | 13,187 | - | 13,639 | 480 | 27,306 |
| Shares issued during the period | 3,507 | - | - | - | - | 3,507 |
| Share issue expenses | (257) | - | - | - | - | (257) |
| Transactions with owners in their capacity as owners | 3,250 | - | - | - | - | 3,250 |
| Balance at 30 June 2015 | 11,768 | 18,769 | 2,925 | 163,872 | 5,699 | 203,033 |
| Balance at 31 December 2015 | 11,768 | 16,102 | 6,119 | 160,933 | 5,976 | 200,898 |
| Loss for the period | - | - | - | (2,302) | (50) | (2,352) |
| Other comprehensive income | - | (8,623) | - | - | (258) | (8,881) |
| Total comprehensive income | - | (8,623) | - | (2,302) | (308) | (11,233) |
| Balance at 30 June 2016 | 11,768 | 7,479 | 6,119 | 158,631 | 5,668 | 189,665 |

⁽¹⁾ Foreign currency translation reserve and statutory and capital reserves were included as reserves in the consolidated statement of financial position.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2016

| | Note | 30 Jun 2016 \$'000 | 30 Jun 2015 \$'000 |
|---|----------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 286,629 | 468,391 |
| Payments to suppliers and employees | | (294,851) | (438,347) |
| Interest received | | 270 | 381 |
| Finance costs | | (10) | (8) |
| Income tax paid | | - | (6,367) |
| Net cash (used in)/provided by operating activities | | (7,962) | 24,050 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | - | (4,262) |
| Cash acquired upon acquisition of subsidiary | | 57 | - |
| Payment made for acquisition of new subsidiaries | 9 | (1,972) | - |
| Net cash (used in)/provided by investing activities | | (1,915) | (4,262) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Payments to)/proceeds from related parties | | (6) | 417 |
| Proceeds from non-related parties | | 193 | - |
| Proceeds from issues of new shares | | - | 3,507 |
| Payments for share issue expenses | | - | (257) |
| Net cash provided by financing activities | | 187 | 3,667 |
| Net change in cash and cash equivalents held | | (9,690) | 23,455 |
| Cash and cash equivalents at beginning of financial period | | 174,613 | 133,542 |
| Effect of exchange rates on cash holdings in foreign currencies | | (7,314) | 9,831 |
| Cash and cash equivalents at end of financial period | 8 | 157,609 | 166,828 |

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

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 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 Station & Convenience Store – distribution of refined petroleum, petrochemical products, food and drinks and motor vehicles accessories.

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

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 30 June 2016 and are presented in Australian Dollars, which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

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 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 30 August 2016.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2015, except in relation to the matter discussed below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2015.

5. Significant events and transactions

Pursuant to a Certificate of Approval issued by the Guangzhou Municipal Commission of Commerce, a new wholly-owned subsidiary, Guangzhou King-Win Enterprise Management & Services Co Ltd ("King-Win") was established on 3 February 2016. King-Win is the investment holding company to invest in the operation of a retail petrol station business.

On 28 April 2016, King-Win entered into a binding agreement with the shareholders of Guangzhou Universal Energy Management & Consulting Co Ltd ("Universal") to purchase 100% of the shares in Universal for \$7.1million (RMB35,200,000) cash consideration. The agreement has been registered with the Administration for Industry and Commerce in the PRC and the acquisition was finalized before the period end.

Universal 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 ("YY Convenience Stores"). A supplementary agreement has been signed with the two shareholders holding the remaining 53% of the shares in GBD Petrol Station that provides Universal with a 100% beneficial interest in GBD Petrol Station. In return the remaining 53% shareholders of GBD Petrol Station are entitled to 20% of annual rental payment made by GBD Petrol Station as contracted revenue until 24 January 2021 with a present value of \$410,000.

Universal has leased a second petrol station from Foshan Jindun Petrol Station Co Ltd ("FJD Petrol Station"). An agreement has also been signed with the shareholder of FJD Petrol Station such that Universal is entitled to all the risks and rewards of ownership.

Other than the above, there are no significant events or transactions during the period under review.

6. Operating segments

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's three (3) main operating segments are:

- Wholesale of refined petrol
- Wholesale of petrochemical
- Retail petrol stations and convenience stores

The operating segments identified are also reported to the Directors, being the chief decision makers with respect to operating segments, and are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

6. Operating segments (continued)

During the six month period ended 30 June 2016, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. The inclusion of an additional segment (Retail petrol stations and convenience stores) is the result of acquisition during the six-month period ended 30 June 2016 (Refer to Note 9).

The main geographical location of operations is in the People's Republic of China.

The revenue and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

| <i>For the 6 months ended 30 June 2016</i> | Refined petroleum | Petro- chemical | Petrol station & convenience stores | Total |
|---|------------------------------|----------------------------|--|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment revenues | 27,441 | 221,078 | 636 | 249,155 |
| Segment cost of sales | (27,029) | (218,225) | (459) | (245,713) |
| Segment other expenses | (710) | (4,441) | (87) | (5,238) |
| Other income | 101 | 167 | - | 268 |
| Segment results | (197) | (1,421) | 90 | (1,528) |
| Net financing costs | | | | (176) |
| Unallocated expenses net of unallocated revenue | | | | (647) |
| Loss before tax | | | | (2,351) |
| Income tax expense | | | | - |
| Net loss after tax | | | | (2,351) |
| <i>At 30 June 2016</i> | | | | |
| Segment assets | 69,018 | 147,224 | 9,737 | 225,979 |
| Total corporate and unallocated assets | | | | 1,664 |
| Total consolidated assets | | | | 227,643 |
| Segment liabilities | 2,181 | 15,496 | 2,444 | 20,121 |
| Total corporate and unallocated liabilities | | | | 17,857 |
| Total consolidated liabilities | | | | 37,978 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

6. Segmental reporting (continued)

| <i>For the 6 months ended 30 June 2015</i> | Refined petroleum \$'000 | Petro- chemical \$'000 | Petrol station & convenience stores \$'000 | Total \$'000 |
|---|---|---------------------------------------|---|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment revenues | 100,057 | 346,494 | - | 446,551 |
| Segment cost of sales | (95,075) | (324,504) | - | (419,579) |
| Segment other expenses | (1,344) | (4,572) | - | (5,916) |
| Other income | 101 | 276 | - | 377 |
| Segment results | 3,739 | 17,694 | - | 21,433 |
| Net financing costs | | | | (134) |
| Unallocated expenses net of unallocated revenue | | | | (1,822) |
| Profit before tax | | | | 19,477 |
| Income tax expense | | | | (5,358) |
| Net profit after tax | | | | 14,119 |
| At 31 December 2015 | | | | |
| 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 |

During the half-year ended 30 June 2016, three customers (30 June 2015: six customers) within the petrochemical segment contributed more than 10% of the segment revenues totalling \$130,186,064 (59%)(30 June 2015: \$216,871,939 (63%)). While three (30 June 2015: four) customers within the refined petroleum segment contributed more than 10% of the segment revenues totalling \$22,166,443 (81%) (30 June 2015: 77,344,563 (77%)) in the same period.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

7. Earnings per share

Both the basic and diluted earnings per share (“EPS”) have been calculated using the profit attributable to shareholders of the Parent Company (“Premiere”) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 30 June 2016 and 30 June 2015.

| | 6 months to 30 Jun 2016 | 6 months to 30 Jun 2015 |
|--|------------------------------------|------------------------------------|
| The diluted earnings per share for both years are the same as basic earnings per share as there are no dilutive securities on issue. | | |
| (Loss)/profit used to calculate basic and diluted earnings per share (\$'000) | (2,302) | 13,639 |
| Weighted average number of shares used in basic and diluted earnings per share | 917,534,500 | 913,465,721 |

8. Cash and cash equivalents

| | 30 Jun 2016 | 31 Dec 2015 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| Cash at bank and on hand ⁽¹⁾ | 157,609 | 174,613 |
| Total cash and cash equivalents | 157,609 | 174,613 |

⁽¹⁾ Within cash at bank and on hand balances as at 30 June 2016, \$157.6 million (RMB779.5 million) (31 December 2015: \$174.6 million (RMB827.1 million)) are held with reputable financial institutions in the People's Republic of China in current accounts with average interest rates of 0.35% (31 December 2015: 0.35%).

9. Intangible assets

| | Note | 30 Jun 2016 | 31 Dec 2015 |
|--------------------------------|-------------|--------------------|--------------------|
| | | \$'000 | \$'000 |
| Intellectual property rights | (a) | 2,426 | - |
| Goodwill | (b) | 8,254 | - |
| Total intangible assets | | 10,680 | - |

a. Intellectual property right

During the period, the Group acquired intellectual property rights relating to a fuel additive for \$2.4million (RMB 12 million). The intellectual property rights have a protection period of 20 years from the filing date (April 2014) with 17.8 years remaining at 30 June 2016.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

9. Intangible assets (continued)

b. 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 a 47% interest 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 (“YY Convenience Stores”).

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 \$410,000. The objective of the acquisition is to expand vertically within the petrochemical industry and add to the distribution channel for the Group’s petrochemical products in the PRC.

Details of the business combination are as follows:

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

9. Intangible assets (continued)

b. Business combination (continued)

(i) Consideration transferred

Acquisition-related costs have been expensed as incurred.

(ii) Identifiable net assets/(liabilities)

The fair values of the net assets/(liabilities) acquired have been determined provisionally at 30 June 2016, because the acquisition was completed late in the period.

(iii) Goodwill

The goodwill that arose on the business combination has been determined provisionally at 30 June 2016, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation and identify any separately identifiable intangible assets if applicable.

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

The acquisition of Universal contributed \$571,000 and \$74,000 to the Group's revenues and profits, respectively from the date of the acquisition to 30 June 2016. Had the acquisition occurred on 1 January 2016, the Group's revenue for the period to 30 June 2016 would increase by \$2,823,000 and the Group's profit for the period would have decreased by \$28,000.

10. Borrowings

| | Interest rates Jun 2016 | Interest rates Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
|-------------------------------------|----------------------------|----------------------------|--------------|--------------|
| | | | \$'000 | \$'000 |
| Non-convertible debt ^(a) | 4% | 4% | 8,968 | 8,730 |
| Short term loan | 4.6% | - | 404 | - |
| Total borrowings | | | 9,372 | 8,730 |

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

Convertible note balances have been transferred from Premiere Singapore to Premiere Eastern Energy and remained unconverted balances of \$8.968 million (2015: \$8.73 million) have been novated to a non-convertible debt instrument in Premiere with the terms including interest rate of 4% per annum to be accrued on the outstanding balance, the first repayment of 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 30 June 2016 and unpaid/accrued interest has been included in trade and other payables.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

11. Issued capital

| | 6 months ended 30 Jun 2016 | | Year ended 31 Dec 2015 | |
|--|---------------------------------------|---------------|-----------------------------------|---------------|
| <i>Ordinary shares</i> | No. of shares | \$'000 | No. of shares | \$'000 |
| Shares issued and fully paid: | | | | |
| Beginning of period/year | 917,534,500 | 11,768 | 900,000,000 | 8,518 |
| Shares issued upon initial public offering | - | - | 17,534,500 | 3,507 |
| Share issue expenses | - | - | - | (257) |
| End of period/year | <u>917,534,500</u> | <u>11,768</u> | <u>917,534,500</u> | <u>11,768</u> |

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

At 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.

12. Events after the reporting date

In August 2016, Universal obtained a term loan facility with a financial institution in Guangzhou, China. It is proposed that the loan funds be used to support the operation and upgrade of five target retail petrol stations to be leased by Universal. The key terms of the facility are as follows:

| | |
|----------------|---|
| Amount: | RMB 100,000,000 |
| Term: | 3 years |
| Interest rate: | The actual interest rate of each drawdown is determined by the market rate as at the date of the withdrawal. The interest rate is calculated and charged on a daily benchmark or other period benchmark decided as appropriate by the Lender. |

Apart from the above, there has not arisen in the interval between the end of the half-year to the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to affect the operations, results of these operations or the state of affairs of the consolidated group.

13. Contingent assets and contingent liabilities

As at 30 June 2016, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

14. Commitments

(a) Capital commitment

Capital commitments within 12 months contracted for but not yet incurred as at 30 June 2016 are as follows:

| | 30 Jun 2016 | 31 Dec 2015 |
|----------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Equipment and construction | 101 | - |
| Total capital commitments | <u>101</u> | <u>-</u> |

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2016**

14. Commitments (continued)

(b) Operating commitment

The Group leases various offices and petrol stations under non-cancellable operating lease agreements. The lease terms are between 5 to 10 years.

Non-cancellable operating lease contracted for but not capitalised in the financial statements as at 30 June 2016 are as follows:

| | 30 Jun 2016 | 31 Dec 2015 |
|------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Payable – minimum lease payments | | |
| - not later than 12 months | 9,857 | 43 |
| - between 12 months and five years | 15,423 | 57 |
| - greater than 5 years | 8,194 | - |
| Total operating commitments | 33,474 | 100 |

15. Fair value measurement

The Group does not hold any financial assets or liabilities carried at fair value as at 30 June 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.

Directors' Declaration

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

- a The consolidated financial statements and notes of Premiere Eastern Energy Limited are in accordance with the *Corporations Act 2001*, including:
 - i Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Director
Zhan Aiping

Dated the 30th day of August 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PREMIERE EASTERN ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Premiere Eastern Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Premiere Eastern Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Premiere Eastern Energy Limited consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Premiere Eastern Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

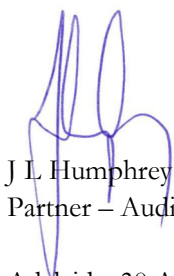
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Premiere Eastern Energy Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 August 2016