REKA
ENGINEERING

ANNUAL REPORT **2014**

CONTENTS

HIGHLIGHTS

CORPORATE HIGHLIGHTS

- The Group's customer base increased by 43 (2013: 30 new customers) to 150 customers in China at year end (2013: 107 customers). This represented a 40% increase in the customer base.
- Three-year power sales contract with Jiaqin Agriculture, the Company's first unaffiliated power client.
- Power Line Construction Agreement with CUCBM, a CNOOC subsidiary.
- No lost time due to injury or accident in 2014.

OPERATIONAL HIGHLIGHTS

- Sales of 123 gas station dispensers in 2014, a 9.6% decrease on the 136 sold in 2013.
- No sales of wellhead compressors in 2014 (2013: 3 sold).
- No sales of SCADA in 2014 (2013: 2 sold).
- 977,965 MCF (27.7 MCM) of gas for sale were processed in 2014, (2013: 1,038,263 MCF) processed (29.4 MCM), a 5.8% decrease.
- Sales of 10,915,738 kwh of power in 2014, (2013: 10,714,823 kwh), a 2% increase.
- 4.9 km of gas gathering pipeline constructed in 2014 resulting in 41.9 km of total pipeline at the end of 2014.
- 3.8 km of power line constructed in 2014, a total of 71.8 km of power lines at the end of 2014.

FINANCIAL HIGHLIGHTS

- Revenue increased by 41% to US$5.2m (2013: US$3.7m).
- Cash and bank deposits of US$2.6m at 31 December 2014 (2013: $3.5m).

CHAIRMAN'S STATEMENT

In 2014, Greka Engineering completed its first full-year of operation as an independent quoted company on AIM following its demerger from Green Dragon Gas. The Company's performance improved from enhanced equipment utilization and customer expansion. Revenue increased 41% to US$5.2m and losses decreased to US$1.7m, a 12% reduction compared to the prior year.

High quality infrastructure assets (including coal bed methane field compressors, pipeline gathering systems and an Integrated Production Facility (IPF) which form the core assets of the Group) provided reliable and increasing revenue for the Company. As highlighted in the interim report, the Company successfully renegotiated its gas gathering system usage, power sales and compression fees with its key client Green Dragon Gas. The renegotiated gas processing fee and power price provided for a 274% increase to gas process revenue over the previous year and power sales revenue increased by 185%.

The Company signed a three-year power sales contract with Jiaqin Agriculture which became our third client for power and the first unaffiliated client. Furthermore, we signed a Power Line Construction Agreement with CUCBM, a CNOOC subsidiary, under which we successfully built power lines connecting one of its valve groups to supply nine wells to our power grid. This initial valve group is to serve as a pilot to CUCBM on the benefits of connecting its remaining fourteen valve groups into our infrastructure. The pricing for power sales is consistent across all four clients.

Randeep S. Grewal
Founder & Chairman

In accordance with our strategy to be a technology leader within the unconventional gas market, product development continued. The Company made significant advances in the pipe network and power grid technology through the research and development of a micro casing pressure production pump. This pump can potentially increase gas production of a single gas well by over 20% compared to conventional technology and has been successfully deployed on three wells on a trial basis. We will evaluate launching the product on the basis of the performance during the coming year. Additionally, leveraging on the successful development of the LNG dispensers, the Company embarked on the development of C/LNG pump skids which provide mobility to an end user on its C/LNG dispensing capability. We expect to conclude on the market potential of this new product during the course of this year.

Looking forward to the coming year, we expect our continued growth to be diversified with increasing IPF utilization, rising power sales to all four clients, expanding power grid to CUCBM, reinitiated SCADA sales and stable dispenser sales within our existing China market.

Finally, I would like to thank the diligent management team that leads our hundred employees across a diversified business encompassing 24/7 infrastructure operations within the IPF, manufacturing products for gas distribution as well as continued technology development maintaining a leading edge within our niche unconventional gas market.

Randeep S. Grewal
Chairman
8 April, 2015

BUSINESS REVIEW

Greka Engineering & Technology Ltd., (AIM; GEL) is an unconventional gas sector engineering and technology business with pipeline, gas compression and power generation assets in China.

OVERVIEW

Our 2014 financial and operating results include:

- Revenue of US$5.2 million (2013: US$3.7 million).
- Loss to equity holders of US$1.7 million (2013: US$1.93 million).
- A loss per share of US$0.42 cents (FY13: US$0.47 cents).
- Dispenser sales decreased by 9.6% from 136 for 2013 to 123 for 2014.
- Gas processed for sale decreased by 5.8% from 1,038,263 thousand cubic feet in 2013 to 977,965 thousand cubic feet in 2014.
- Power sales increased by 2% from 10,714,823 kwh in 2013 to 10,915,738 kwh in 2014.

PERSONNEL

- During 2014, the Group recruited 5 new technical employees in connection with the improvement of the business.
- Held 30 technical and business training courses, with a total training time being 517 hours attended by 233 attendees, of which 47 attendees received external professional training, with the total training time being 461 hours.
- Implemented a performance evaluations and incentive mechanisms which encouraged innovation, efficiency enhancement and energy saving behaviour.

MANUFACTURING

- During 2014, the Group produced 115 sets of gas station refuelling equipment items, including 75 CNG dispensers, 3 LNG dispensers, 6 cylinders, 17 un-loading cylinders and reforming work on 14 dispensers.
- The average power generated per cubic meter was 3.53 kwh, which increased by 3% compared to 2013. The maximum power generated per cubic meter was 4 kwh.
- Carried out multiple overall inspections for the gas gathering system to ensure no pipeline leakage through adding odorant and building pressure.
- Carried out maintenance for equipment at wellheads and inside the station.
- Conducted maintenance for compressors.

ENGINEERING

- Completed 4.9 km of gas gathering sub-pipeline construction in 2014.
- Completed 3.8 km of power line construction in 2014.
- Completed drawing design for 3 gas stations.
- Built power line for CUCBM 9 wells.

TECHNOLOGY

- Installed cooling fan for control cabinets of 20 wellhead boosters, which ensures their stable operation under high temperatures in the summer and reduces accidental shutdown frequency.

- Inspected and renewed power lines and changed 430M low-tension cables to high-tension cables.
- Successfully developed the micro-pressure CBM production technology, as a result of which the single well production of Greka is over 20% higher than conventional technology.
- Led and completed the compilation of local Liquefied Natural Gas (LNG) dispenser standards for Henan Province.

BUSINESS DEVELOPMENT

- Attended 2014 (Central Region) International Gas technology and Equipment Exhibition, 2014 15th China International Natural Gas Automobile and Gas Station Equipment Exhibition & Summit Forum as well as 2014 5th China Petroleum and Petrochemical Refuelling Station Construction Technology Exchange Conference and promoted our brand.
- Successfully secured 63 dispenser sales contracts, with the total contract value of US$1.95m, and secured 43 new customers.
- Carried out commissioning of 48 new gas stations for customers.
- Secured a landmark power sales contract to a third party, Jiaqin Agriculture Co. Ltd for a period of three years.
- Signed a Power Supply Construction Contract with China United Coalbed Methane Corporation Ltd (CUCBM), which will see Greka Engineering being to provide engineering construction and management services as well as power supply services to CUCBM in the Shizhuang Block.

FINANCIAL REVIEW

RESULTS FOR THE YEAR

The Group recorded revenue of US$5.2 million (2013: US$3.7 million) and a loss of US$1.7 million (2013: US$1.9 million) for the year ended 31 December 2014. The general and administrative expenses amounted to US$3.1 million (2013: US$2.2 million). Loss per share totalled US$0.42 (2013: US$0.47).

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the Group has total assets of US$38.7 million (2013: US$42.7 million) and liabilities and shareholders' equity of US$9.0 million and US$29.7 million respectively (2013: US$11.2 million and US$31.5 million respectively).

As at 31 December 2014, the Group's cash and bank balance was US$2.6 million (2013: US$3.5 million) with total borrowings of US$4.7 million (2013: US$4.7 million).

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Randeep S. Grewal, Chairman & Ceo

Randeep Grewal is the Chairman of Greka Engineering. He also acts as Chairman and Chief Executive Officer of Falso

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

Greka Engineering & Technology Ltd, is the ultimate holding company and the indirect parent company of Gongyi Greka Transportation, Zhengzhou Greka Technology and Zhengzhou Greka Petro-Equipment, the companies incorporated in the PRC and the operating company through which the Group holds gas pipeline, gas compression and power generation assets in China. The principal activities of the Group are providing engineering, procurement, construction and management services for infrastructure projects in the unconventional gas sector in China. The Company is also involved in the research, development and delivery of technologies specific to the unconventional gas sector and incorporating such technologies into industry-specific hardware manufactured in-house. Greka Engineering & Technology Ltd was incorporated in the Cayman Islands on 18 March 2013 and was registered as a Public Company on 30 September 2013. It acts as a holding company and provides financing and management services to its subsidiaries. The company is domiciled in the Cayman Islands.

BUSINESS REVIEW & FUTURE DEVELOPMENTS

A summary of the Group's main business developments for the year ended 31 December 2014 and potential future developments is contained within the Chairman's Statement, Business Review and Financial Review.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the EU).Refer to note 2 in the notes to the financial statements.

SHARE CAPITAL AND RESERVES

Details of the Group's authorised and issued share capital and reserves as at 31 December 2014 and 2013 are contained in note 19 and the consolidated statement of changes in equity of the financial statements respectively.

RESULTS AND DIVIDENDS

An overview of the Group's results, covering the years ended 31 December 2014 and 2013, is provided in the Financial Review on page 8. Detailed financial information is included from page 15 to page 51 of the report. The Directors do not propose the payment of dividends until the Group is generating sufficient profits.

DIRECTORS REMUNERATION

See note 8 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The table below sets out the interests of the Directors in Greka Engineering & Technology Ltd. as at 31 December 2014.

	No. of Ordinary Shares	% age of Ordinary Shares
Randeep Grewal	264,935,883	64.68%
Sanjay Saxena	0	0%
Bryan Smart	0	0%

SUBSTANTIAL SHAREHOLDINGS

The Group is aware of the following beneficial shareholdings, representing 10 per cent or more of the issued ordinary share capital of the Group, as at 31 December 2014.

	Number of ordinary shares	% of issued share capital
GDGH LTD	262,205,082	64.01%
Richard chandler Corporation	74,495,331	18.19%

THE BOARD

The Board of Directors is composed of three members, one Executive Directors, who is also the Executive Chairman and two Non-Executive Directors. The Board has established Audit and Remuneration Committees with formally delegated duties, responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues as and when the need arises.

AUDIT COMMITTEE

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits, and controls, as well as reviewing the Group's annual financial statements. It also assists by reviewing and monitoring the extent of non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and financial statements and the half-yearly reports remains with the Board. The Audit Committee comprises all two Non-Executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee's remit is to review the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors will be set by the entire Board. No director or manager of the Company may participate in any meeting at which discussion or any decision regarding his or her own remuneration takes place. The Remuneration Committee will also administer any share option schemes or other employee incentive schemes adopted by the Company from time to time.

RELATIONS WITH SHAREHOLDERS

The Directors attach importance to the provision of clear and timely information to shareholders and the broader investment community. Information about the company is available on its website (www.grekaengineering.com). The Group's annual, and interim, reports will also be sent to shareholders and be made available through the Group's website.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Group has in place a Directors and Officers insurance policy to cover relevant individuals against claims arising from their work on behalf of the company. The Board intends to keep the level of cover provided under annual or more frequent review, as appropriate.

DIRECTORS' REPORT

GOING CONCERN

Based on the Group's budgets and cash flow projections for 2015, the Directors are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future.

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting will be held at 9:00 am on 24 July 2015, at the office of Smith & Williamson located at 25 Moorgate, London EC2R 6AY. The Notice of Meeting, together with an explanation of the items of special business, is provided separately to shareholders with this report.

AUDITORS

BDO LLP has expressed its willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Randeep S. Grewal
Chairman and CEO
8 April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards ("IFRS") as adopted by the European Union in preparing the Group's financial statements.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

Legislation in the Cayman Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF GREKA ENGINEERING & TECHNOLOGY LIMITED

We have audited the group financial statements of Greka Engineering & Technology Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's directors, as a body in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with IFRSs as adopted by the European Union and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with International Standards on Auditing (International Federation of Accountants). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended and have been properly prepared in accordance with IFRSs as adopted by the European Union.

BDO LLP
Chartered Accountants
London

8 April 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2014 US$'000**	Year ended 31 December 2013 US$'000
Revenue		**5,233**	3,701
Cost of sales		**(4,083)**	(3,349)
Gross profit		**1,150**	352
Selling and distribution		**(294)**	(224)
Administrative expenses		**(2,831)**	(1,975)
Other operating credit/(charge)		**9**	(24)
Total administrative expenses		**(3,116)**	(2,223)
Loss from operations	5	**(1,966)**	(1,871)
Finance income	6	**2**	1
Finance costs	6	**(58)**	(3)
Loss before income tax		**(2,022)**	(1,873)
Income tax credit	10	**78**	71
Loss for the year from continuing operations		**(1,944)**	(1,802)
Profit/(loss) from discontinued operations	11	**241**	(133)
Loss for the year		**(1,703)**	(1,935)
Other comprehensive (expense)income that may be reclassified subsequently to profit or loss:			
Exchange differences on translation foreign operations		**(95)**	606
Total comprehensive expense for the year		**(1,798)**	(1,329)
Loss attributable to:			
– Owners of the company		**(1,703)**	(1,935)
Total comprehensive income attributable to:			
– Owners of the company		**(1,798)**	(1,329)
Basic and diluted loss per share attributable to owners of the company arising from:			
– Continuing operations (cents)	9	**(0.47)**	(0.44)
– Discontinued operations (cents)	9	**0.05**	(0.03)
Total		**(0.42)**	(0.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2014 US$'000**	As at 31 December 2013 US$'000
ASSETS			
Non-current Assets			
Property, Plant and Equipment	12	**20,738**	25,407
Intangible assets	13	**1,901**	2,399
		22,639	27,806
Current assets			
Inventories	14	**1,978**	2,009
Trade and other receivables	15	**9,731**	7,623
Cash and cash equivalents		**2,626**	3,494
		14,335	13,126
Assets held for sale	11	**1,753**	1,753
Total assets		**38,727**	42,685
LIABILITIES			
Current liabilities			
Trade and other payables	16	**3,830**	5,915
Loans and borrowings	17	**4,706**	4,656
Current tax liabilities		**12**	13
		8,548	10,584
Non current liabilities			
Deferred taxation liabilities	18	**475**	599
		475	599
Total liabilities		**9,023**	11,183
Total net assets		**29,704**	31,502
Capital and reserves			
Share capital		**4**	4
Share premium account		**35,949**	35,949
Foreign exchange reserve		**540**	635
Accumulated losses		**(6,789)**	(5,086)
Total equity attributable to owners of the Company		**29,704**	31,502

These financial statements were authorised and approved for issue by the Board on 8 April 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$'000	Share premium US$'000	Foreign exchange reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2013	–	–	29	(3,151)	(3,122)
Loss for the year	–	–	–	(1,935)	(1,935)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
– Exchange difference on translation of foreign operations	–	–	606	–	606
Total comprehensive income/(expense) for the year	–	–	606	(1,935)	(1,329)
Capital contribution					
– waiver of amounts owed to Green Dragon Gas Ltd.	4	35,949	–	–	35,953
At 31 December 2013	4	35,949	635	(5,086)	31,502
Loss for the year	–	–	–	(1,703)	(1,703)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
– Exchange difference on translation of foreign operations	–	–	(95)	–	(95)
Total comprehensive expense for the year	–	–	(95)	(1,703)	(1,798)
At 31 December 2014	4	35,949	540	(6,789)	29,704

The following describes the nature and purpose of each reserve within owners' equity.

- Share capital: Amount subscribed for share capital at nominal value.
- Share premium: Amount subscribed for share capital in excess of nominal value, including capital contributions.
- Foreign exchange reserve: Foreign exchange differences arising on translating the results, assets and liabilities of foreign operations into the reporting currency.
- Retained deficit: Cumulative net gains and losses recognized in profit or loss.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Operating activities		
Loss before income tax	**(2,022)**	(1,873)
Profit/(loss) before tax from discontinuing operations	**241**	(133)
	(1,781)	(2,006)
Adjustments for:		
Depreciation	**1,022**	1,120
Amortisation of other intangible assets	**495**	494
Finance income	**(2)**	(1)
Finance costs	**58**	3
Operating cash flows before changes in working capital	**(208)**	(390)
Movement in inventories	**(93)**	114
Movement in trade and other receivables	**208**	847
Movement in trade and other payables	**(549)**	260
Cash utilized by/generated from operations	**(642)**	831
Income tax	**78**	(83)
Net cash (utilized by)/generated from operating activities	**(564)**	748
Investing activities		
Payments for purchase of property, plant and equipment	**(206)**	(1,827)
Interest received	**2**	1
Net cash used in investing activities	**(204)**	(1,826)
Financing activities		
Proceeds of short term loan	**654**	656
Repayment of short term loan	**(654)**	–
Finance costs paid	**(58)**	(3)
Net cash (used in)/from financing activities	**(58)**	653
Net decrease in cash and cash equivalents	**(826)**	(425)
Cash and cash equivalents at the beginning of the year	**3,494**	3,882
	2,668	3,457
Effect of foreign exchange rate changes	**(42)**	37
Cash and cash equivalents at end of year	**2,626**	3,494

1. GENERAL

Greka Engineering & Technology Limited (the "Company") was incorporated in Cayman Islands on 18 March 2013 under the Companies Law (2010 Revision) of the Cayman Islands. The registered office and principal place of business of the Company are located at PO Box 472, 2nd floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and 12/F., No. 5 Building, Hua Meilong Plaza, Jing Wu Nan Road, Economy and Technology Development District, Zhengzhou, PRC respectively.

The Company was established as an investment holding company for a group of companies whose principal activities consist of the provision of engineering, procurement, construction and management for infrastructure projects in the PRC. These business are hereinafter collectively referred to as the "Group".

The financial statements are presented in United States dollars which is also the functional currency of the Company. The functional currency of the significant subsidiaries is RMB.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union, that are effective for accounting periods beginning on or after 1 January 2014. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost basis.

On 18 March 2013, the Company was incorporated as a wholly-owned subsidiary of Green Dragon Gas Ltd On 18 April 2013, as part of a group reorganisation, the Company acquired the entire share capital of fellow wholly-owned subsidiaries of Green Dragon Gas Ltd, Greka Integrated Products Ltd (formerly known as Greka Transport and Infrastructure Ltd), Greka Manufacturing Ltd (formerly known as Greka Technology and Manufacturing Ltd) and Greka Information Technology Ltd (formerly known as Greka JXU Ltd).

The Company's controlling interest in Greka Integrated Product Ltd, Greka Manufacturing Ltd, and Greka Information Technology Ltd were acquired through a transaction under common control. The controlling party of each company at 18 April 2013 was Green Dragon Gas Ltd.

The Company and its subsidiaries were subsequently demerged from Green Dragon Gas Ltd through a dividend in specie. On 30 September 2013, the Company was admitted for trading on the Alternative Investment Market of the London Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS does not contain specific guidance on the accounting for common control transactions. However, FRS 6 (and US GAAP) does include guidance for accounting for group reconstructions of this nature. Having considered the requirements of IAS 8 and the related UK and US guidance the transaction by which the Company acquired its controlling interest in Greka Integrated Products Ltd., Greka manufacturing Ltd and Greka Information Technology Ltd was accounted for on a merger or pooling of interest basis as if both entities had always been combined. The combination was accounted for using book values, with no fair value adjustments made nor goodwill created.

The subsidiaries of Greka Integrated Products Ltd, Greka Manufacturing Ltd and Greka Information Technology Ltd were consolidated using the acquisition method.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements. 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 only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

New and amended standards adopted by the Group

The following new standards and amendments to standards were mandatory for the first time for the Group for the financial year beginning 1 January 2014. The implementation of these standards did not have a material effect on the Group.

Standard	Effective date	Impact on initial application
IFRS 10 – Consolidated Financial Statements	1 January 2014	No impact
IFRS 11 – Joint Arrangements	1 January 2014	No impact
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014	No impact
IAS 27 – Amendment – Separate Financial Statements	1 January 2014	No impact
IAS 28 – Amendment – Investments in Associates and Joint Ventures	1 January 2014	No impact
IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014	No impact
IAS 36 – Recoverable amounts disclosures for non-financial assets	1 January 2014	No impact
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	No impact

No other IFRS issued and adopted, but not yet effective, are expected to have an impact on the Group's financial statements.

The following standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements, have not been adopted early:

Standard	Description	Effective date
IFRIC 21	Levies	17 June 2014
IAS 19	Defined Benefit Plans (Amendments)	1 February 2015
IFRS 11[1]	Joint Arrangements (Amendments)	1 January 2016
IAS 16 and IAS 38[1]	Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 27[1]	Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28[1]	Investments in Associates and Joint Ventures (Amendments)	1 January 2016
IFRS 15[1]	Revenue from Contract with Customers	1 January 2017
IFRS 9[1]	Financial Instruments	1 January 2018
IAS 1[1]	Presentation of Financial Statements (Amendments)	1 January 2016
IFRS 10, 12 and IAS 28	Investment Entities (Amendments)	1 January 2016
Annual Improvements to IFRSs	(2010-2012 Cycle)	1 February 2015
Annual Improvements to IFRSs	(2011-2013 Cycle)	1 January 2015
Annual Improvements to IFRSs[1]	(2012-2014 Cycle)	1 January 2016

[1] Not yet endorsed by the EU

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

New and amended standards adopted by the Group *(continued)*

The Directors have not fully assessed the impact of all standards but do not expect them to have a material impact.

Foreign currency translation

Transactions entered into by any of the group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise. In respect of intercompany transactions, exchange differences arising on such items are recorded in the consolidated statement of comprehensive income unless the loans are deemed to be as permanent as equity and not subject to repayment in the foreseeable future.

On consolidation, the results of overseas operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the year, in which case, the rate approximating to those ruling when the transactions took place is used. All assets and liabilities of overseas operations are translated at the rate ruling at the end of the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are depreciated so as to write off their costs net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each reporting date. The useful lives of property, plant and equipment are as follows:

Buildings and structures:	20 years
Motor vehicles:	5 years
Fixtures, fittings and equipment:	5 years
Plant and machinery	5-15 years and Units of Production
Leasehold improvements	2-5 years

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

The unit of production calculation multiplies the asset net book value by the ratio of the activity relative to the estimate total life of the asset based on design capacity and empirical norms.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Assets under construction are transferred to property, plant and equipment when they are available for use and depreciation begins.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss statement on disposal.

Impairment of property plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of comprehensive income as incurred and included in administrative expenses.

Amortisation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents	10 years

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Board.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the consolidated profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and investments in subsidiaries where the group are able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or
- to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should typically be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Revenue recognition

Revenue is recognised when services are provided and the amount of the revenue and associated costs incurred in respect of the relevant transaction can be reliably measured.

Revenue generated from the sale of gas equipment is recognised on transfer of the sale significant risks

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments

(i) Financial assets

Loans and receivables

The Group's receivables comprise trade and other receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are principally trade and other receivables and also incorporate other types of contractual monetary asset. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the asset will not be collectible in full according to the original terms of the instruments. Significant financial difficulties of the customers, probability that the customers will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income.

When loans and receivables are uncollectible, they are written off against the allowance account for loans and receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(ii) Financial liabilities

Financial liabilities held at amortised cost

Trade payables and other short-term monetary liabilities are recognised initially at fair value and subsequently carried at amortised cost using the effective interest rate method.

Loan and borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Employee benefits

(i) Defined contribution pension plan

Contributions to defined contribution pension plan are recognised as an expense in the consolidated statement of comprehensive income as the services giving rise to the company's obligations are rendered by the employees.

The employees of the operations in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions payable are charged to the consolidated statement of comprehensive income when they become payable in accordance with the rules of the central pension scheme and are disclosed under Employer's national social security contributions in note 7.

(ii) Other benefits

Other benefits, being benefits in kind, are charged to the consolidated statement of comprehensive income in the period to which they relate.

Leases

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the profit or loss on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purpose of lease classification.

3. CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk or cause a material adjustment to the carrying amounts of assets and liabilities during the years are as follows:

Impairment of property plant and equipment

In performing an impairment evaluation, management estimate the value in use of assets using future discounted net cash flows from the use and eventual disposition of property plant and equipment, grouped at the lowest level that cash flows can be identified. There are considered to be two cash generating units in the business, gas equipment sales and infrastructure services. If the sum of the estimated future discounted net cash flows is less than the carrying amount of the property plant and equipment for these asset grouping levels, then an impairment charge is recognised. The amount of an impairment charge would be measured as the difference between the carrying amount and the value in use of these assets. We did not record an impairment charge on any property plant and equipment for any of the years ended 31 December 2014 or 2013.

The value-in-use calculations involve estimates regarding customer demand, asset useful life, pricing, expenditures, PRC growth rates and discount rates. The recoverable amount of the integrated production facility indicates headroom of 10% and is dependent on estimated volume growth in the near term. The Board consider these growth rates achievable based on the secured contracts and the expected expenditure plans of key customers, including related parties. In addition, the long term growth rates of 10% are considered appropriate for the PRC CBM industry.

The recoverable amount of the gas sales equipment cash generating unit indicates headroom of 5% This is dependent upon anticipated growth in equipment sales which the Board considers achievable based on factors including order pipelines from related parties.

Carrying value of trade receivables

Management reviewed the carrying amount of trade receivables at year end to determine whether there are objective indicators of impairment. Judgment is involved in assessing the appropriate level of potential provisioning. Management reviewed the receivables and assessed the need for a provision based on the circumstances of each individual balance. Circumstances considered included the age of the debt adherence to contractual payment terms, the credit worthiness and financial condition of the counterparty and the payment history of the customer. As at 31 December 2014, we have recognised a provision of $353,000 against trade receivables.

3. CRITICAL ACCOUNTING ESTIMATES *(continued)*

Depreciation

Integrated production facility equipment is depreciated on a unit of production basis, which requires estimates of total throughput capacity to assess economic useful life.

4. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on reports, reviewed by the chief operating decision-makers ("CODMs"), which are also used to make strategic decisions.

The Group reports its operations as two reportable segments: gas equipment sales and the provision of contract infrastructure services in the PRC. The division of the engineering and technology operations into two reportable segments is reflective of how the CODMs manage the business.

The accounting policies of the reportable segments are the same as those described in the summary of principal accounting policies (see Note 2). We evaluate the performance of our operating segments based on revenues from external customers and segmental profits.

Year ended 31 December 2014

	Gas equipment sales US$'000	Infrastructure services US$'000	Intercompany US$'000	Consolidated from continuing operations US$'000
Revenue	1,973	3,734	(474)	5,233
Cost of sales	(1,488)	(3,069)	474	(4,083)
Gross profit	485	665	–	1,150
Loss before tax	(1,628)	(394)	–	(2,022)

4. REVENUE AND SEGMENT INFORMATION *(continued)*

As at 31 December 2014

	Gas equipment sales US$'000	Infrastructure services US$'000	Transportation Services (Discontinued Operations) US$'000	Intercompany US$'000	Consolidated US$'000
Segment assets	**5,773**	**32,632**	**1,753**	**(1,431)**	**38,727**
Segment liabilities	**11,024**	**35,321**	**–**	**(37,322)**	**9,023**

Year Ended 31 December 2013

	Gas equipment sales US$'000	Infrastructure services US$'000	Intercompany US$'000	Consolidated from continuing operations US$'000
Revenue	2,423	1,400	(122)	3,701
Cost of sales	(1,818)	(1,649)	118	(3,349)
Gross profit/(loss)	605	(249)	(4)	352
Loss before tax	(1,378)	(495)	–	(1,873)

As at 31 December 2013

	Gas equipment sales US$'000	Infrastructure services US$'000	Transportation Services (Discontinued Operations) US$'000	Intercompany US$'000	Consolidated US$'000
Segment assets	7,702	33,685	1,753	(455)	42,685
Segment liabilities	10,033	37,471	–	(36,321)	11,183

Gas equipment sales represent the net invoiced value of gas equipment sales provided to 73 (2013:63) customers for the year. Infrastructure services represent sales to wholly owned subsidiaries of the Green Dragon Gas group and the Greka Drilling Limited group.

5. LOSS FROM OPERATIONS

Loss from continuing operations is stated after charging:

	2014 US$'000	2013 US$'000
Auditor's remuneration	**34**	58
Staff costs (note 7)	**1,454**	1,486
Depreciation of property, plant and equipment	**1,022**	1,120
Amortisation of intangible assets	**495**	494
Operating lease expense (property)	**126**	150
Loss on disposal of property, plant and equipment	**–**	–
Foreign exchange gains/(losses)	**(1)**	–

6. FINANCE INCOME/EXPENSES

	2014 US$'000	2013 US$'000
Bank interest income	**2**	1
Bank interest expenses	**58**	3

7. STAFF COSTS

	2014 US$'000	2013 US$'000
Staff costs (including directors' remuneration (note 8) comprise:		
Wages and salaries	**1,050**	1,133
Employer's national social security contributions	**327**	329
Other benefits	**77**	24
	1,454	1,486

8. DIRECTORS' REMUNERATION

	2014 **US$'000**	2013 US$'000
Executive Directors:		
Randeep Grewal	**250**	63
Independent Non-executive Directors:		
Sanjay Krishna Saxena	**40**	10
Frederick Bryan Smart	**40**	10
	330	83

No share options or similar equity based share awards have been granted to directors or employees during the current or prior year.

9. LOSS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 **US$'000**	2013 US$'000
Loss for the year		
– Continuing operations	**(1,944)**	(1,802)
– Discontinuing operations	**241**	(133)
Loss for the purpose of basic and diluted loss per share	**(1,703)**	(1,935)
Denominators		
Number of shares used in basic and diluted loss calculations	**409,622,133**	409,622,133
Basic and diluted loss per share (cents)		
– Continuing operations	**(0.47)**	(0.44)
– Discontinued operations	**0.05**	(0.03)
Total used	**(0.42)**	(0.47)

9. LOSS PER SHARE *(continued)*

There were no potentially dilutive instruments in 2014 and 2013. The basic and diluted loss per share are equal as the Company has no dilutive instruments. There have been no shares or potentially dilutive instruments issued between year-end and the date these financial statements were approved. The 2013 comparative is calculated as if the shares legally issued during 2013 had been in issue since the start of that year.

10. TAXATION

	2014 US$'000	2013 US$'000
Current tax		
Charges for current year	**46**	53
Deferred tax liabilities		
Reversal of temporary difference	**(124)**	(124)
Income tax credit	**(78)**	(71)

The reasons for the difference between the actual tax charge for the years presented and the standard rate of corporation tax in the PRC, as the primary operating environment, applied to the loss for the years presented are as follows:

	2014 US$'000	2013 US$'000
Loss before income tax – continuing operations	**(2,022)**	(1,873)
Profit/(loss) before income tax – discontinued operations	**241**	(133)
Loss before income tax	**(1,781)**	(2,006)
Expected tax credit based on the standard rate of corporation tax in the PRC of 25% (2013: 25%)	**(445)**	(502)
Effect of:		
Tax effect of revenue not taxable for tax purposes	**22**	–
Movement in unrecognized tax losses and other temporary differences	**345**	431
Income tax credit on continuing operations	**(78)**	(71)
Income tax charge/credit on discontinued operations	**–**	–

10. TAXATION *(continued)*

The Company is incorporated in the Cayman Islands and is not subject to income tax. The primary operating companies are incorporated in the PRC and are subject to 25% tax rates. The group has unrecognised losses of $1,274,075 (2013: $763,393) which are not recognised given uncertainties in future taxable profits.

11. ASSETS HELD FOR SALE/DISCONTINUED OPERATIONS

The strategy of the Greka Engineering is to develop its engineering and technology operations. In order to focus on the delivery of this strategy, prior to the demerger from Green Dragon Gas Ltd, during 2012 one of the Company's subsidiaries agreed a proposal to sell its non-core transportation operations to subsidiaries being retained within the Green Dragon Gas Ltd group following the demerger. Subsequently, it entered a legal agreement with Green Dragon Gas Limited on 1 July 2013 to dispose of motor vehicles and equipment for $1,753,357 of cash consideration in line with the previously agreed proposals. Notwithstanding the period that has elapsed between meeting the requirements for classification as assets held for sale, the Group remains committed to the disposal and expects it completion in due course. The completion of the transaction is subject to obtaining necessary legislative approvals and those approvals are progressing.

The following are the totals for the major classes of assets relating to the Greka Engineering's's transportation operation at the end of the reporting period:

	2014 **US$'000**	2013 US$'000
Motor vehicles	**1,733**	1,733
Fixtures, fittings and equipment	**17**	17
Plant and machinery	**3**	3
	1,753	1,753

11. ASSETS HELD FOR SALE/DISCONTINUED OPERATIONS *(continued)*

The profit on discontinued operations in the Consolidated Statement of Comprehensive Income can be analysed, as follows:

	2014 US$'000	2013 US$'000
Transportation service revenue	**387**	589
Cost of sales	**(146)**	(553)
Administrative expenses	**–**	(169)
Profit/(Loss) before and after taxation	**241**	(133)

The Consolidated Statement of Cash Flows contains the following elements related to discontinuing operations:

	2014 US$'000	2013 US$'000
Net cash flows attributable to operating activities	**241**	(133)
Net cash flows attributable to investing activities	**–**	(482)
Net cash flows attributable to financing activities	**–**	–

The assets held for sale are classified within the transportation services segment in Note 4.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures US$'000	Motor vehicles US$'000	Fixtures, fittings and equipment US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Construction in process US$'000	Total US$'000
Cost							
At 1 January 2013	1,335	128	221	5,005	234	18,761	25,684
Additions	21	498	13	601	73	621	1,827
Transfers	–	–	–	15,245	–	(15,245)	–
Exchange movement	42	39	7	412	8	121	629
Transfers to assets held for sale	–	(369)	–	–	–	–	(369)
At 31 December 2013	1,398	296	241	21,263	315	4,258	27,771
Additions	10	–	23	173	–	124	330
Disposals	–	–	(16)	–	–	(2,651)	(2,667)
VAT adjustment	–	–	–	(1,650)	(18)	–	(1,668)
Exchange movement	(5)	(1)	(8)	(76)	(1)	(26)	(116)
At 31 December 2014	1,403	295	240	19,710	296	1,706	23,650
Depreciation							
At 1 January 2013	70	75	88	869	79	–	1,181
Charge for the year	65	119	136	701	99	–	1,120
Exchange movement	3	13	5	38	4	–	63
At 31 December 2013	138	207	229	1,608	182	–	2,364
Charge for the year	67	26	(38)	950	17	–	1,022
Eliminated on disposals	–	–	(14)	–	–	–	(14)
VAT adjustment	–	–	–	(457)	–	–	(457)
Exchange movement	–	1	–	(4)	–	–	(3)
At 31 December 2014	205	234	177	2,097	199	–	2,912
Net book value							
At 31 December 2014	1,198	61	63	17,613	97	1,706	20,738
At 31 December 2013	1,260	89	12	19,655	133	4,258	25,407

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Loans and borrowings of US$653,702 (2013: $656,000) (note 17) are secured by buildings and structures of the Group. Construction in process in both years relates to the on-going work being undertaken on the Group's infrastructure facilities and pipelines. The disposal of $2,651,063 refers to assets acquired from related parties in 2013 which have been returned at cost following the identification of faults in the assets. The original assets were procured for the group by the related party from third party suppliers and full reimbursement of costs has been agreed. The VAT adjustment of $1,649,716 refers to irrecoverable VAT previously capitalised. Further to changes to PRC legislation, the VAT because recoverable and an adjustment has been recorded accordingly.

13. INTANGIBLE ASSETS

	US$'000
Cost	
At 1 January 2014	4,949
Exchange alignment	(3)
At 31 December 2014	4,946
Accumulated amortisation	
At 1 January 2013	2,056
Charge for the year	494
At 31 December 2013	2,550
Charge for the year	495
At 31 December 2014	3,045
Net book value	
At 31 December 2014	1,901
At 31 December 2013	2,399

Intangible assets relate to patents acquired by the Group. They are amortised over a life of 10 years.

14. INVENTORIES

	2014 **US$'000**	2013 US$'000
Raw materials and consumables	**719**	1,243
Work-in-progress	**1,037**	27
Finished goods	**222**	739
	1,978	2,009

The amount of cost of sales recognised in respect of inventories utilised totalled $2,217,000 (2013: $1,695,000) which is recognised in cost of sales. There has been no significant impairment of inventories in either year.

15. TRADE AND OTHER RECEIVABLES

	2014 **US$'000**	2013 US$'000
Trade receivables	**1,236**	1,318
Prepayments	**525**	575
Other receivables	**4,028**	4,024
Amounts due from related parties (note 21)	**3,942**	1,706
	9,731	7,623

The fair values of trade and other receivables approximate their respective carrying amounts at the end of each reporting periods due to their short maturities. The average terms of trade are 1 year but certain customers have extended credit terms. Trade receivables of $1,029,000 are past due and not impaired (2013: $1,318,000). A provision of $350,909 has been raised against trade receivables considered to be past due and impaired (2013: $103,000).

The Group has entered into a single agreement with Aowei International (H.K) Co., Limited (Awoei HK) Henan Boao Trading Co., Ltd. ("Henan Boao") in 2012 whereby Greka Integrated Products Ltd (a wholly owned subsidiary of Greka Engineering and Technology Limited) has provided US$4,000,000 to Awoei HK with Henan Boao providing a RMB loan facility of equal value to Gongyi Greka Transport Company Limited, another wholly owned subsidiary of the Group, as part of a foreign currency arrangement. The loans have the same settlement date and are unsecured and repayable on demand. A margin based fee was payable as part of the transaction. Awoei HK and Henan Boao are unrelated to the Group.

16. TRADE AND OTHER PAYABLES

	2014 **US$'000**	2013 US$'000
Trade payables	**1,817**	1,238
Other current liabilities	**260**	4,609
Amounts due to related parties (note 21)	**1,753**	68
	3,830	5,915

Trade and other payables are expected to be settled within one year. Their fair values approximate their respective carrying amounts at the end of each reporting periods due to their short maturities.

17. LOANS AND BORROWINGS

	2014 **US$'000**	2013 US$'000
Loans and borrowing – secured	**4,706**	4,656

On 11 April 2012, GTIG, Greka Integrated Products, Henan Boao Trading Co Limited and Aowei International (H.K.) Co., Limited (Aowei HK) entered into a loan agreement, pursuant to which Henan Boao Trading Co Limited made available a loan facility in the amount of the RMB equivalent of US$4,000,000. The facility is fully drawn and is repayable on demand but is matched by a US$4,000,000 receivable. Further details are in provided in note 15.

Included within loans and borrowings is a bank loan of US$653,702 (2013: $656,000) which is secured by buildings and structures (note 12) with a book value of US$1,197,330 (2013: US$1,265,000).

18. DEFERRED TAXATION

	2014 US$'000	2013 US$'000
Deferred tax liabilities		
At the beginning of the year	**599**	723
Reversal of temporary differences	**(124)**	(124)
At the end of the year	**475**	599
Recognised deferred tax liabilities at PRC rate of 25%		
Deferred tax assets and liabilities are attributable to the following:		
Accelerated depreciation	**475**	599
	475	599

Tax losses in the PRC expire after 5 years. The Group has not offset deferred tax assets and liabilities across different jurisdictions.

19. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January 2013	–	–	–	–
Issue of an ordinary share as subscriber share upon incorporation of the Company of US$0.00001 each	5,000,000,000	50	1	–
Placement of shares of 409,622,132 on 18 April 2013	–	–	409,622,132	4
Issue of an ordinary share – waiver of liabilities	–	–	1	–

19. SHARE CAPITAL *(continued)*

The authorised share capital of the Company on incorporation was US$50,000 divided into 5,000,000,000 ordinary shares of US$0.00001 each, of which one share was issued to the subscriber of the memorandum of association.

Upon incorporation, the Company issued one subscriber share at par. On 18 April 2013 the sole director at that time, Randeep Grewal, approved the transfer of the one subscriber share from International Corporation Services Ltd. to Green Dragon Gas Ltd. On 18 April 2013, the Company acquired the entire issued share capital of Greka Integrated Products, Greka Information Technology and Greka Manufacturing from Greka China Ltd. as part of a group restructuring, in consideration for which it issued and allotted as fully paid an additional 409,622,132 shares to Green Dragon Gas Ltd. On 19 September 2013 Greka Gas China Ltd. subscribed for one additional share in the capital of the Company in satisfaction of certain inter-company debts outstanding in the amount of US$35,953,235.31. Following issue, this one share was sold and transferred to Green Dragon Gas Ltd. To ensure that the exact and correct number of shares are in issue in the capital of the Company, Green Dragon Gas surrendered one share in the capital of the Company for no consideration on 19 September 2013.

Subsequently, the shares of the Company were distributed to the shareholders of Green Dragon Gas Ltd., by way of a dividend in specie.

20. SUBSIDIARIES

Name	Country of incorporation	Ownership%		Principal activities
		Direct	Indirect	
Greka Technology and Manufacturing Ltd.	British Virgin Islands	100%	–	Investment holding
Zhengzhou Greka Technology Development Ltd.	People's Republic of China	–	100%	Supply and distribution of gas control systems
Zhengzhou Greka Petro-Equipment Ltd.	People's Republic of China	–	100%	Supply and distribution of gas equipment
Greka Transport and Infrastructure Ltd.	British Virgin Islands	100%	–	Investment holding
Henan Gongyi Greka Transportation Co., Ltd.	People's Republic of China	–	100%	Provision of infrastructure services
Shanxi Greka Integrated Production Facilities Co., Ltd	People's Republic of China	–	100%	Provision of infrastructure services

21. RELATED PARTY TRANSACTIONS

Green Dragon Gas Ltd ("GDG") is a related party as the Company's shareholder during part of the year and by virtue of common directorship and control. The ultimate controlling party is Randeep Grewal.

a) *Demerger from Green Dragon Gas*

The Company was incorporated as a new subsidiary of GDG in March 2013. In 2013, the Company acquired the entire share capital of fellow wholly-owned subsidiaries of GDG as detailed in note 2 and issued an ordinary share as consideration for liabilities to the GDG group as detailed in note 19. Subsequently, GDG demerged the engineering division (i.e. the new consolidated group of Greka Engineering and Technology) by means of a dividend in specie of its shares in the Company.

b) *Agreement to sell transportation business*

The Group has entered into an agreement to sell its transportation business to GDG. Further details are included in note 11.

c) *Amounts due from/to related parties and corresponding transactions:*

The related parties of the Group, which are noted below, are companies that are all fellow subsidiaries of Green Dragon Gas Limited which are under common management and control.

Amounts due from/to related parties comprise:

	2014 **US$'000**	2013 US$'000
Amounts due from related companies:		
– Zhengzhou Greka Gas Co., Ltd	**1,904**	2
– Greka (Zhengzhou) Technical Services Co., Ltd	**53**	33
– Greka Energy (International) B.V.	**1,518**	1,405
– Pindingshan Sinoenergy Ltd	**467**	266
Total of the above which is included in other receivables (note 15)	**3,942**	1,706
Amounts due to related companies (note (i)):		
– Greka Gas China Ltd	**–**	62
– Greka Energy (International) B.V.	**–**	6
– Greka Gas Distribution Ltd	**1,753**	–
Total of the above which is included in trade and other payables (note 16)	**1,753**	68

21. RELATED PARTY TRANSACTIONS *(continued)*

c) *Amounts due from/to related parties and corresponding transactions: (continued)*

Notes:

(i) These balances are unsecured, interest-free and are repayable on demand.

Related party transactions comprise:

	2014 **US$'000**	2013 US$'000
Equipment sales to related companies:		
– Zhengzhou Greka Gas Co., Ltd	**104**	123
– Greka (Zhengzhou) Technical Services Co., Ltd	**14**	125
– Greka Energy (International) B.V.	**–**	90
– Pindingshan Sinoenergy Ltd	**1**	16
Provision of infrastructure services to related companies:	**–**	
– Zhengzhou Greka Gas Co., Ltd	**–**	337
– Greka (Zhengzhou) Technical Services Co., Ltd	**123**	115
– Greka Energy (International) B.V.	**2,933**	1,324
– Pindingshan Sinoenergy Ltd	**–**	268
Vehicle rental expense from related companies:		
– Zhengzhou Greka Gas Co., Ltd	**13**	4
– Greka (Zhengzhou) Technical Services Co., Ltd	**38**	31
Purchases from related companies:		
– Greka Energy (International) B.V.	**724**	934

d) *Subsidiary companies*

Transactions between the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are described above.

e) *Key management personnel*

Key management personnel of the Group are the directors. Directors' remuneration is disclosed in note 8.

22. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments, as lessee, for future minimum lease payments under non-cancellable operating lease in respect of land and buildings which fall due as follows:

	2014 US$'000	2013 US$'000
Within one year	**46**	60

23. CAPITAL COMMITMENTS

	2014 US$'000	2013 US$'000
Capital expenditure contracted but not provided for in respect of: acquisition of property, plant and equipment	**2,223**	3,395

24. FINANCIAL INSTRUMENTS

The Group's financial instruments were as follows:

	2014 US$'000	2013 US$'000
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**2,626**	3,494
Trade and other receivables	**9,206**	7,048
	11,832	10,542
Financial liabilities		
At amortised cost:		
Trade and other payables	**3,830**	5,915
Bank loans	**4,706**	4,656
	8,536	10,571

24. FINANCIAL INSTRUMENTS *(continued)*

a) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk related primarily to the variable interest bearing bank loans. The Group has not entered into any cash flow interest rate hedging contracts or any other derivative financial instruments for hedging purposes. However, management closely monitors its exposure to future cash flow as a result of changes in market interest rates, and will consider hedging should the need arise.

The interest rate profile of the Group's financial assets at the end of each reporting periods was as follows:

	2014 **US$'000**	2013 US$'000
Cash and cash equivalents		
US dollars (Floating rate)	**1,876**	2,795
RMB (Floating rate)	**750**	699
Other financial assets		
US dollars (Non-interest bearing)	**4,000**	4,000
RMB (Non-interest bearing)	**5,206**	3,048
	11,832	10,542

The weighted average interest rate earned during the year was 0.02% on floating rate US dollar cash balances and 0.14% for the years ended 31 December 2014 and 2013 on floating rate RMB balances. At the end of the reporting period, the Group had cash on short-term deposit for periods of between over-night and one week.

24. FINANCIAL INSTRUMENTS *(continued)*

a) *Interest rate risk* *(continued)*

The interest rate profile of the Group's financial liabilities at the end of the reporting period was as follows:

	2014 US$'000	2013 US$'000
Loans		
RMB (Non-interest bearing)	**4,052**	4,000
– RMB (Fixed rate)	**654**	656
Other financial liabilities		
RMB (Non-interest bearing)	**3,830**	5,915
	8,536	10,571

b) *Foreign currency risk*

The Group undertakes transactions principally in RMB. While the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The directors consider the foreign currency exposure to be limited. Details of the currency profile of assets and liabilities are shown below:

As at 31 December 2014

	In RMB US$'000
Financial assets	
Trade and other receivables	**5,206**
Cash and cash equivalents	**750**
	5,956
Financial liabilities	
Trade and other payables	**3,830**
Loans and borrowings	**4,706**
	8,536

24. FINANCIAL INSTRUMENTS *(continued)*

b) *Foreign currency risk* *(continued)*

As at 31 December 2013

	In RMB US$'000
Financial assets	
Trade and other receivables	3,048
Cash and cash equivalents	699
	3,747
Financial liabilities	
Trade and other payables	5,915
Loans and borrowings	4,656
	10,571

Some of the above RMB cash and cash equivalents, trade and other receivables and trade and other payables balances are denominated in a currency other than US dollars. A 5% increase or decrease in the US dollar/RMB exchange rate would result in reported losses for the year being US$141,000 higher or lower.

c) *Liquidity risk*

The liquidity risk of each group entity is managed centrally by the Group's treasury function. The investment budgets and work plans are set by the operating teams in the PRC and agreed by the board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the board.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale while required cash will be remitted to the PRC based on monthly cash-call basis.

24. FINANCIAL INSTRUMENTS *(continued)*

c) *Liquidity risk* *(continued)*

The maturity profile of the Group's financial liabilities at the end of each reporting periods based on contractual undiscounted payments are summarised below:

	Six months or less US$'000	Six months to one year US$'000	Within one to five years US$'000	Undiscounted payments US$'000 (note i)	Adjustments US$'000	Carrying value US$'000 (note ii)
At 31 December 2013						
Trade and other payables	5,915	–	–	5,915	–	5,915
Loans and borrowings	4,656	–	–	4,656	–	4,656
	10,571	–	–	10,571	–	10,571
At 31 December 2014						
Trade and other payables	2,213	72	1,545	3,830	–	3,830
Loans and borrowings	654	–	4,052	4,706	–	4,706
	2,867	72	5,597	8,536	–	8,536

Notes:

(i) Undiscounted payments are drawn up based on the earliest date on which the Group can be required to pay. They include both principal and interest cash outflows.

(ii) Carrying value represents the balance per consolidated statement of financial positions at the end of each reporting period.

24. FINANCIAL INSTRUMENTS *(continued)*

d) *Credit risk*

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	2014		2013	
	Carrying value US$'000	**Maximum exposure US$'000**	Carrying value US$'000	Maximum exposure US$'000
Current assets				
Cash and cash equivalents	**2,626**	**2,626**	3,494	3,494
Trade and other receivables	**9,206**	**9,206**	7,048	7,048
	11,832	**11,832**	10,542	10,542

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources. The Group holds approximately 100% (2013:100%) of its US dollar deposits with Baa2 or higher (Moody's) rated institutions for the years ended 31 December 2014 and 2013. Cash balances are primarily held in US dollars to manage RMB related credit risk. The Group continues to monitor its treasury management to ensure an appropriate balance of the safety of funds and maximisation of yield.

Receivables are predominantly non-interest bearing. The Group does not hold any collateral as security and the Group do not hold any significant provision in the impairment account for other receivables as they mainly relate to receivables with no default history. The Group maintains a credit control team who are responsible for chasing debts.

e) *Capital risk management*

The Group's objectives when managing capital are to ensure the ability of the entities in the Group to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the Group consider the macro economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generated from operations and may adjust the amount of dividends paid or payable to owners, adjust the amounts payable to other group entities, raise funding through capital markets, adjust the amount of other borrowings as necessary. No changes were made to the objectives or policies during the years ended 31 December 2014 and 2013.

24. FINANCIAL INSTRUMENTS *(continued)*

f) *Fair value*

The carrying value of significant financial assets and liabilities approximate their respective fair values as at 31 December 2014 and 2013.

The carrying values of cash and cash equivalents, other receivables, trade and other payables and bank loans approximate their respective fair values because of their short maturities.

25. SIGNIFICANT NON CASH TRANSACTIONS

The table below summarizes the significant non cash transactions for the Group:

	2014 US$'000	2013 US$'000
Operating activities		
Depreciation of property, plant and equipment	**1,022**	1,120
Amortisation of intangibles	**495**	494
Movements in amounts due (to)/from related parties	**–**	(36,008)
Disposal of fixed assets to related parties	**2,651**	–
VAT adjustment	**1,649**	–
	5,817	(34,394)
Financing activities		
Non-cash issue of shares	**–**	35,953
	–	35,953

26. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Mr Randeep Grewal, who holds 64.68%of the issued share capital of the Group.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2015.

28. POST REPORTING DATE EVENTS

In March 2015, the company successfully signed a power contract with CUCBM.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

DIRECTORS

Randeep S. Grewal
Executive Director, Chairman and CEO

Sanjay Krishna Saxena
Non-Executive Director

Frederick Bryan Smart
Non-Executive Director

REGISTERED OFFICE

PO Box 472
2nd Floor, Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

Principal Corporate Office
12/F, NO.5 Building, Hua Meilong plaza
Jing Nan Wu road ETDZ Dist., Zhengzhou
Business District, Henan Province
Zhengzhou, 450000, PRC

Share Registrar
Capita Registrars
The Registry
Mont Crevelt House
Bulwer Avenue
St. Sampson

COMPANY SECRETARY

International Corporation Services Ltd.

NOMINATED ADVISER

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY

AUDITORS

BDO LLP
55 Baker Street
London W1U 7EU

LEGAL ADVISERS

As to Chinese Law
Guantao Law Firm
17/F, Tower 2,
Yingtai Center,
No.28 Finance Street Xicheng District
Beijing 100140, PRC

As to Cayman Islands & BVI Law
Travers Thorp Alberga
1205A The Centrium
60 Wyndham Street
Central Hong Kong

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