



REKA ENGINEERING



ADMISSION TO AIM

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Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange. It is expected that the Ordinary Shares will be admitted to trading on AIM, and that dealings in the Ordinary Shares will commence, on 30 September 2013.

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Greka Engineering & Technology Ltd.

(Incorporated in the Cayman Islands under the Companies Law (2012 Revision) with registered number 276273)

Admission to trading on AIM

Smith & Williamson Corporate Finance Limited

Nominated adviser

RFC Ambrian Limited

WH Ireland Limited

Joint brokers

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Your attention is drawn to Part II of this document, which sets out the risk factors relating to an investment in Ordinary Shares. All statements regarding the Company’s business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or the securities laws of any state or other jurisdiction of the United States or under the applicable securities laws of Canada, Japan, Australia or South Africa and, subject to certain exceptions, may not be offered for sale or subscription, or sold or subscribed directly or indirectly, within the United States, Canada, Japan, Australia or South Africa or to or by any national, resident or citizen of such countries.

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DIRECTORS AND ADVISERS

Directors	Randeep Singh Grewal (<i>Executive Chairman</i>) Sanjay Krishna Saxena (<i>Non-executive Director</i>) Frederick Bryan Smart (<i>Non-executive Director</i>)
Registered Office	PO Box 472 2nd Floor, Harbour Place 103 South Church Street George Town Grand Cayman KY1-1106 Cayman Islands
Nominated Adviser	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Joint Broker	RFC Ambrian Limited Level 5, Condor House 10 St. Paul's Churchyard London EC4M 8AL
Joint Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Solicitors to the Company	<i>As to English law:</i> Pillsbury Winthrop Shaw Pittman LLP Tower 42, Level 23 25 Old Broad Street London EC2N 1HQ <i>As to Chinese law:</i> Guantao Law Firm 17/F, Tower 2 Yingtai Center No. 28 Finance Street Xicheng District Beijing 100140 China <i>As to Cayman Islands and British Virgin Islands law:</i> Travers Thorp Alberga 1205A The Centrum 60 Wyndham Street Central Hong Kong
Solicitors to the Introduction	Kaye Scholer LLP 140 Aldersgate Street London EC1A 4HY
Auditors and Reporting Accountant	BDO LLP 55 Baker Street London W1U 7EU (<i>member firm of the Institute of Chartered Accountants in England and Wales</i>)

Public Relations	Walbrook PR Limited 4 Lombard Street London EC3V 9HD
Registrars	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St. Sampson Guernsey GY2 4LH
Depository	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Website	www.grekaengineering.com

ADMISSION STATISTICS

Number of Ordinary Shares in issue on Admission (<i>see note below</i>)	409,622,133
ISIN code	KYG411211074
SEDOL code	B974S47
AIM symbol	GEL

Note:

The number of Ordinary Shares in issue on Admission shown above is based on the number of Green Dragon Shares in issue at the close of business on 23 September 2013. The actual number of Ordinary Shares in issue at Admission will depend on the number of Green Dragon Shares in issue at the Record Time.

EXPECTED TIMETABLE

Publication of this document	24 September 2013
Last day of dealings in Green Dragon Shares (cum entitlement to the Demerger Dividend)	27 September 2013
Record date for purposes of determining holders of Green Dragon Shares entitled to the Demerger Dividend	5.00 p.m. on 27 September 2013
Green Dragon Shares marked “ex-dividend” by the London Stock Exchange	8.00 a.m. on 30 September 2013
Effective date of the Demerger Dividend	30 September 2013
Admission and commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 30 September 2013
CREST accounts credited with entitlements to Depository Interests	As soon as possible after 8.00 a.m. on 30 September 2013
Expected despatch of definitive share certificates	7 October 2013

DEFINITIONS

“Act”	the Companies Act 2006 of Great Britain (as amended)
“Admission”	admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, both published by the London Stock Exchange, governing admission to and the operation of AIM
“Board” or “Directors”	the Directors of the Company whose names appear on page 3 of this document and “Director” means any one of them
“certificated or in certificated form”	recorded in physical paper form on the relevant share register
“Certificated Shareholders”	Green Dragon Shareholders who hold Green Dragon Shares in certificated form immediately prior to the Record Time, and “Certificated Shareholder” means any one of them
“City Code”	the City Code on Takeovers and Mergers of the UK
“CNOOC”	China National Offshore Oil Corporation
“CNPC”	China National Petroleum Corporation
“Company” or “Greka Engineering” or “GETC”	Greka Engineering & Technology Ltd.
“CREST”	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form, operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001No. 3755) as amended
“CUCBM”	China United Coal Bed Methane Corporation Limited
“Demerger”	the proposed demerger of the Group from Green Dragon to be implemented by the Demerger Dividend
“Demerger Date”	the effective date of the Demerger
“Demerger Dividend”	the proposed dividend <i>in specie</i> of Ordinary Shares payable to Green Dragon Shareholders on the Green Dragon Register at the Record Time
“Depository”	Capita IRG Trustees Limited
“Depository Interests” or “DIs”	the dematerialised depository interests issued by the Depository in respect of and representing on a one-for-one basis Ordinary Shares held by the Depository
“DI Holders”	holders of DIs
“GBV”	Greka Energy (International) B.V., a subsidiary of Green Dragon
“Gongyi Greka Transportation” or “GTIG”	Gongyi Greka Transportation Co., Ltd., a wholly owned subsidiary of Greka Integrated Products

“Green Dragon”	Green Dragon Gas Ltd or as the context may require, any of its subsidiaries (excluding members of the Group)
“Green Dragon Board”	the directors of Green Dragon
“Green Dragon Group”	Green Dragon and its subsidiaries (excluding members of the Group)
“Green Dragon Register”	the share register of Green Dragon
“Green Dragon Shareholders”	holders of Green Dragon Shares and (if the context so requires) depository interests representing Green Dragon Shares
“Green Dragon Shares”	ordinary shares of US\$0.0001 each in the capital of Green Dragon and (if the context so requires) depository interests representing Green Dragon Shares
“Greka Drilling”	Greka Drilling Limited
“Greka Drilling Group”	Greka Drilling and its subsidiaries
“Greka Information Technology” or “GTCB”	Greka Information Technology Ltd., a wholly owned subsidiary of the Company
“Greka Integrated Products” or “GIPB”	Greka Integrated Products Ltd., a wholly owned subsidiary of the Company
“Greka Manufacturing” or “GMCB”	Greka Manufacturing Ltd., a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Introduction Agreement”	the conditional agreement dated 24 September 2013 between the Company (1), Green Dragon (2), the Directors (3), and Smith & Williamson (4) details of which are set out in paragraph 8(a) of Part VI of this document
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the official list of the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“Ordinary Shareholders” or “Shareholders”	holders of Ordinary Shares and (if the context so requires) Depository Interests
“Ordinary Shares”	the ordinary shares of US\$0.00001 each in the capital of the Company and (if the context so requires) Depository Interests
“Petrochina”	Petrochina Company Limited
“PRC” or “China”	the People’s Republic of China
“Record Time”	5.00 p.m. on 27 September 2013 (or such other time or date as the Green Dragon Board (or any duly authorised committee thereof) may determine), being the time at which the names of Green Dragon Shareholders are required to be on the Green Dragon Register in order to be entitled to the Demerger Dividend
“Regulatory Information Service”	one of the Regulatory Information Services authorised by the London Stock Exchange to receive, process and disseminate information in respect of AIM listed companies

“Sinopec”	Sinopec Limited, a subsidiary of China Petroleum & Chemical Corporation
“Smith & Williamson” or “Nominated Adviser”	Smith & Williamson Corporate Finance Limited
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the US and the District of Columbia
“US\$”	the lawful currency of the United States
“Zhengzhou Greka Technology” or “GTCZ”	Zhengzhou Greka Technology Co., Ltd., a wholly owned subsidiary of Greka Information Technology
“Zhengzhou Greka Petro-Equipment” or “GMCZ”	Zhengzhou Greka Petro-Equipment Co., Ltd., a wholly owned subsidiary of Greka Manufacturing

GLOSSARY

“Bcf”	billion cubic feet
“Bcm”	billion cubic metres
“CAGR”	compound annual growth rate
“CBM”	coal bed methane
“CMM”	coal mine methane
“CNG”	compressed natural gas
“EPCM”	engineering, procurement, construction and management
“GW”	gigawatt
“IPF”	integrated production facility at Green Dragon’s Shizhuang South block
“LNG”	liquefied natural gas
“MW”	megawatt
“PNG”	pipeline natural gas
“PSC”	production sharing contract
“SCADA”	supervisory control and data acquisition
“Tcf”	trillion cubic feet
“Tcm”	trillion cubic metres

PART I

INFORMATION ON THE GROUP

Introduction

Greka Engineering is a newly-incorporated subsidiary of Green Dragon and was established to hold Green Dragon's engineering and technology businesses and certain of its pipeline and gas compression assets.

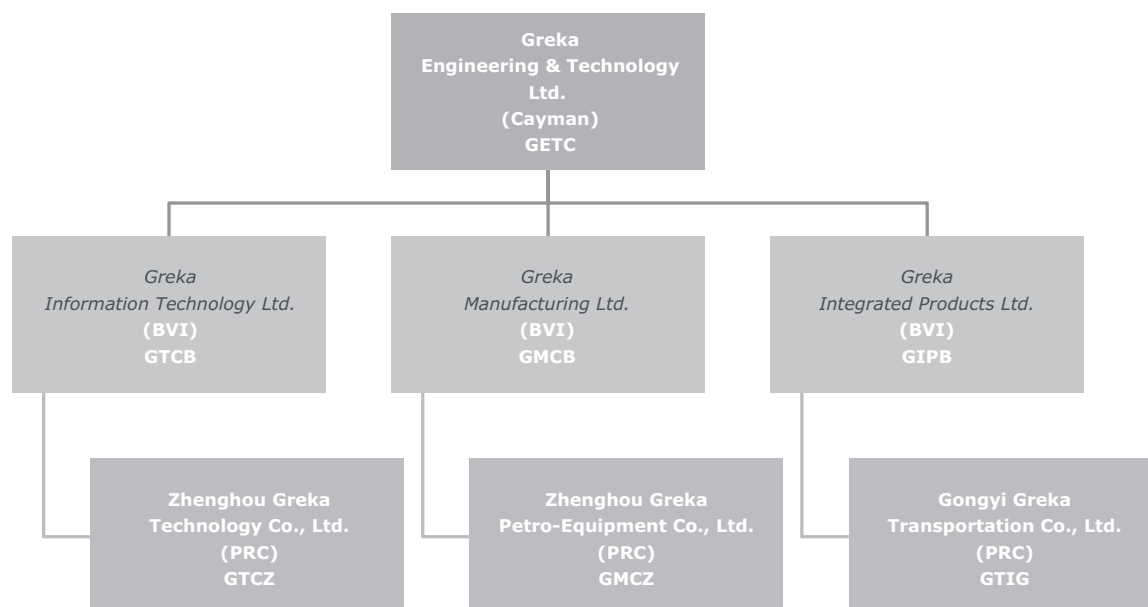
The Group's business includes the provision of engineering, procurement, construction and management (EPCM) services for infrastructure projects in the unconventional gas sector in China. Projects completed include the design, construction and management of gas gathering systems, a gas compression facility, the installation and commissioning of a 10MW gas-fired power facility and the construction of seven CNG retail stations. All of these projects were completed for Green Dragon and a number of them will at Admission be owned by members of the Group. The Group has also completed a gas pipeline connecting a Green Dragon gas producing block in Shanxi Province to the China West-East pipeline and a pipeline which connects a number of Green Dragon's producing wells to the Group's integrated production facility.

The Group 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 such as well-head and gas gathering system compressors, CNG and LNG dispensers, Integrated Circuit Card Point of Sale (ICC POS) gas station systems and a SCADA (supervisory control and data acquisition) system used for remote supervision and management of drilling operations, gas gathering systems, power facilities, vehicles and retail gas stations.

The Group has approximately 105 employees including design engineers, pipeline engineers, electrical and mechanical engineers, project managers, facility managers and operations/field support staff.

The Group's head office is in Zhengzhou, PRC.

Greka Engineering Group Structure on Admission



Greka Manufacturing and Greka Information Technology

Greka Manufacturing (through GMCZ) is an equipment manufacturing business which has historically sold its products both to Green Dragon and to external customers. Greka Information Technology (through GTIG) is a technology development company which has built SCADA systems and integrated circuit card (ICC) point of sale (POS) systems. GMCZ and GTCZ's products include:

<i>Product</i>	<i>Description</i>
CNG gas dispensers	GMCZ sells CNG dispenser products, predominantly to gas retail stations.
LNG gas dispensers	GMCZ has produced its first prototype LNG dispenser (June 2013) and is currently live-testing the unit and processing regulatory pre-qualification and approval for sale and mass distribution to the China market. The process should be complete by October 2013 at which point the LNG dispensers will be ready for sale.
Wellhead compressors	Used to boost gas flow.
Gas columns	Used principally by gas distributors, these products relate to a range of loading and unloading cylinders for the commercial loading of gas.
SCADA systems	Used to remotely monitor and capture data from on-site operating facilities. Bespoke SCADA systems have been manufactured by GMCZ to provide monitoring solutions for a number of different applications – including gas stations, gas wellheads and gas rigs.

Greka Integrated Products

Greka Integrated Products (through GTIG) has constructed and owns an Integrated Production Facility (IPF), located in Green Dragon's Shizhuang South production block in the Shanxi region of the PRC. The IPF is used to convert CBM produced by Green Dragon into CNG, PNG and power – rendering it ready for transportation to retail and industrial end users – and is connected to a 10MW CNG-fired power station, the net generating capacity of which is sold to Green Dragon and the Greka Drilling Group. The IPF is operated by GBV, a member of the Green Dragon Group.

Following Admission, Greka Integrated Products intends to incorporate a new subsidiary in Shanxi province, to which the assets of GTIG (excluding the transportation and logistics assets) will be transferred. This new company is also intended to become the operator of the IPF in place of GBV and Greka Integrated Products has agreed to sell the entire issued share capital of GTIG to a member of the Green Dragon Group, once the transfer referred to above has been completed, at which point the Group will cease to have any further interest in the transportation and logistics business.

Demerger rationale

The Board and the Green Dragon Board believe that the demerger of Greka Engineering from Green Dragon will enhance shareholder value in both companies. The Group already operates on a stand-alone basis and trades on an arm's length basis with other businesses within the Green Dragon Group. Greka Engineering's management team will focus on a separate strategy and business development plan from Green Dragon with enhanced growth prospects as an independent company servicing both Green Dragon and third party customers. In addition to Green Dragon, the Group has already provided its services to a number of third party clients including subsidiaries and affiliates of PetroChina, Sinopec and CNPC. The Board also believes that the Demerger will provide greater transparency and visibility for the Group's business whilst also providing Greka Engineering with direct access to the capital markets.

Demand in China for gas

The Chinese economy has been growing strongly for a number of years, experiencing GDP growth of an estimated 15 per cent. CAGR between 1999 and 2009. In 2010 China's GDP growth was 10.4 per cent., in 2011, 9.3 per cent. and 2012 saw growth of 7.8 per cent. The expansion of the Chinese economy has led to rapidly increasing demand for energy resources. In line with its aim to meet growing energy demand while

shifting away from coal, China has set an ambitious goal of doubling its use of natural gas from 2011 levels by 2015. Prospects are good for significant new gas supplies – both for domestic and imported, conventional and unconventional – to come online in the medium term.

The International Energy Agency report ‘The Golden Rules for the Golden Age of Gas (2012)’ shows support for an accelerated global expansion of gas supply from unconventional resources, with far-reaching consequences for global energy markets. The report states, assuming conditions are in place to allow for a continued global expansion of gas supply from unconventional resources, that “Greater availability of gas supply has a strong moderating impact on gas prices and, as a result, demand for gas grows by more than 50 per cent. to 2035 and the share of gas in the global energy mix rises to 25 per cent. in 2035, overtaking that of coal. Production of unconventional gas, primarily shale gas, more than triples in the Golden Rules Case to 1.6 Tcm in 2035. The share of unconventional gas in total gas output rises from 14 per cent. today to 32 per cent. in 2035. Whereas unconventional gas supply is currently concentrated in North America, in the Golden Rules report envisages its development in many other countries around the world, notably in China, Australia, India, Canada, Indonesia and Poland”.

World Energy Outlook

The World Energy Outlook Fact Sheet (2012) states “Large scale investment in energy supply infrastructure is required to replace existing supply capacity and expand to meet growing energy needs. In the New Policies Scenario, cumulative investment of US\$37 trillion is needed in the world’s energy supply system over 2012–2035, equivalent to 1.5 per cent. of global GDP on average during that period. Of the total, non-OECD countries require 61 per cent. Oil and gas supply account for \$19 trillion of the total; US\$17 trillion goes to the power sector, including for generation, transmission and distribution”. It goes on to state, “A total of 5,890 GW of capacity additions – more than the total installed capacity of the whole world in 2011 – is required over the Outlook period. One third of this is to replace retiring plants; the rest is to meet growing electricity demand. Renewables represent half the capacity additions, at 3,000 GW over the period 2012–2035, followed by gas at 1,400 GW. The total power sector requires investment over 2012–2035 of US\$16.9 trillion, almost half the total energy supply infrastructure investment in this period” (World Energy Outlook, 2012).

Coal bed methane

CBM is methane which exists within the carbon lattice of coal at a molecular level; this differs from conventional gas fields where gas is typically generated by hydrocarbon source rocks/material which then migrates through rock strata before being trapped in a porous and permeable reservoir rock such as sandstone.

CBM is generally held in place by water pressure. Extracting CBM involves drilling wells into the coal seam, perforating and then fracturing the coal seams to increase local permeability. Water is then pumped out of the coal seam reducing the pressure and allowing the gas to leave the coal and migrate through fracture systems into the well.

Historically, methane produced by coal seams has been viewed as an unwelcome by-product of coal mining and was treated as a hazardous waste product, but more recently the increased demand for natural gas and improved extraction methodology have led to the commercial exploitation of CBM reserves in China.

Coal bed methane in China

CBM is the most significant contributor to unconventional gas resources in China, with a total estimated undeveloped resource base of approximately 1,300 Tcf, representing approximately 35 per cent. of the total estimated undeveloped resource base in China.

According to the 12th Five-Year Plan period (2011–2015) issued by The National Energy Administration, China’s coal-bed methane output is expected to reach 1.1 Tcf (30 Bcm) in 2015. The country aims to add 35.3 Tcf (1 Tcm) of coal bed methane to its reserves over the next four years, and build methane production bases in Qinshui Basin in Shanxi province and in the Ordos Basin in Inner Mongolia. The country’s potential

reserves of coal bed methane have been estimated at approximately 1,306.5 Tcf (37 Tcm), ranking third in the world, with proved reserves of 9.6 Tcf (273 Bcm). The plan sets out China's intention of investing US\$18.5 billion in coal bed methane production over the next four years, and establishing 13 pipelines with a capacity of 0.4 Bcf (12 Bcm). During the 12th Five-Year Plan period, China aims to extract 2.3 Tcf (66 Bcm) of coal bed methane, which, if achieved, is expected to help save 80 million tonnes of coal equivalent and reduce greenhouse gas emissions by 990 million tonnes.

On 22 February 2013, the China National Energy Administration promulgated a policy to develop and utilize CBM resources in a scientific and efficient manner, and to speed up the cultivation and development of the CBM industry. The policy was issued in accordance with the "Coal Law of the People's Republic of China", the "Mineral Resources Law of the People's Republic of China" and the opinions of the State Council on accelerating the development and utilization of coal bed methane (Guo Ban Fa [2006] No. 47) and other laws and regulations.

The policy articulates China's plans for the development of its CBM reserves and has signaled the PRC Government's intention to encourage foreign investment as a way of dealing with the national demand for clean energy.

The key provisions of the policy are summarised below.

- The policy encourages foreign investors (in particular, those with advanced technology and management experience) to participate in the exploration and development of CBM, and the construction of associated infrastructure such as delivery pipelines and networks.
- Overlaps between coal and CBM mining rights have affected both local and foreign investors in China's CBM industry. The policy lays down a number of principles designed to overcome difficulties associated with overlapping mining rights. These include:
 - In areas where the mining of coal may be realized over a long period of time, the development of CBM will be given priority and the principle of "CBM first, coal second" will apply.
 - In areas where the mining of coal has been planned, the development of coal and CBM must be "integrated" and coal mining may only commence after CBM has been extracted and reduced to a prescribed level.
 - In areas where either CBM or coal mining rights have been granted, a holder of such rights must conduct comprehensive prospecting in relation to both CBM and coal within the area subject to its mining rights, and report on both CBM and coal reserves to the relevant authority.
 - In areas where coal mining right have been granted but CBM mining rights have not, a holder of coal mining rights may develop CBM on its own or through cooperation with other parties, provided that it is feasible to conduct a sizeable development of CBM in that area and the holder of coal mining rights has followed the necessary procedure to obtain a license to explore or extract CBM.
- Pipeline operators must provide 'fair and impartial' delivery services to CBM users ensuring delivery of CBM.
- The PRC Government plans to establish two CBM industrial bases in the Qinshui Basin (Shanxi province) and the Erdos Basin (Inner Mongolia) by 2015, in which an integrated system for exploration, development, processing and transportation of CBM will be established.
- The PRC Government will release additional exploration blocks to market participants, increase minimum exploration expenditure and require development within a specified period.

Of the PSCs awarded by CUCBM to foreign companies, six are currently held by Green Dragon covering a total area of 7,566 square km with estimated total original gas-in-place of 25.2 Tcf.

The market opportunity

The Board believes that China is at the start of an unconventional gas revolution which will see unconventional gas production grow to 6 Bcf per day in 2020, representing 30 per cent. of the domestic energy supply, from the current level of less than 1 Bcf per day.

The Board believes that the recent release of the 2013 CBM policy by the China National Energy Administration is a very significant and positive step in the right direction for supporting and encouraging investment in the continued growth of the Exploration and Production sector but also the development of midstream and downstream infrastructure with the support and encouragement for State Owned Enterprises to work with foreign companies who have the proven technology.

The Board believes that the policy statement of placing CBM first and coal mining second is significant and the establishment of CBM Industrial bases in Shanxi Province and Inner Mongolia as being equally significant and the Group is well placed to benefit from the anticipated growth of the unconventional gas sector in China as a result.

Green Dragon

Green Dragon focuses solely on the China gas market. It currently has interests in six PSCs which are located in close proximity to production pipelines and to end markets. The PSCs are in Shanxi, Jiangxi, Anhui and Guizhou provinces covering approximately 7,566 square km with an estimated 25.2 Tcf of gas in place.

PetroChina

As at 6 August 2012, PetroChina's CBM footprint was approximately 24,000 sq km. Petrochina has also stated that any of its 32.9m acres or 137,000 sq km of oil and gas property could also have CBM and other non-conventional gas potential (shale gas, tight gas). This would bring the total potential area to about 161,000 sq km. As at 6 August 2012, PetroChina's CBM footprint spanned 24 self-operated blocks and proven reserves of 89bcm (3.1Tcf), which was approximately 6 per cent. of PetroChina's total proven natural gas reserves. As at 6 August 2012, five blocks were in production in South Qinshui on the eastern side of the Ordos basin.

CNOOC

On 3 August 2012 CNOOC announced plans to invest an initial RMB9.9bn (US\$1.6bn) in CBM projects by partnering with CUCBM. CUCBM has 27 CBM blocks, with a total area of 20,151sq km, of which 14 blocks (covering more than half of that area) were in cooperation with foreign companies.

History of Greka Engineering

In July 2008, Green Dragon acquired Zhengzhou Clean Petroleum Equipment Co. Ltd (since renamed GMCZ) which was originally established by Jin Feng Qi and Wong Yongtao in Zhengzhou, Henan province in 2004. The business scope of Zhengzhou Clean Petroleum Equipment Co. Ltd included: CNG gas refilling machines, petro-equipment and electronic equipment sales; software development; and technical consulting.

The same month, Green Dragon acquired Zhengzhou Kelin Petro-Equipment Co., Ltd (since renamed CTIG) which was originally established by Wang Huitao and Wang Hongtao in Zhengzhou City in 2006. The business scope of Zhengzhou Kelin Petro-Equipment Co., Ltd included software development, technical consulting, system integration, electronic engineering installation, machinery and electronic and chemical product sales.

GTIG was subsequently acquired to add Midstream capability to Green Dragon in line with the strategy of developing a vertically-integrated business. This function will be assumed by a new subsidiary of GIPB when GTIG is sold to Green Dragon, as described in the description of Greka Integrated Products above.

Set out in the table below are summary details of examples of projects completed by the Group:

Infrastructure projects by the Group for Green Dragon

<i>Project</i>	<i>Date</i>	<i>Location</i>	<i>Description</i>
Gathering system	Completed	Shizhaung South (Shanxi)	49 wells connected to IPF
Gathering system	In Progress	Shizhaung South (Shanxi)	19 km pipeline project. Phase 1: 6.8km of the trunk-line completed. Design and planning in progress to connect 21 wells to this Phase 1 section.
GSS No.1 Integrated Production Facility (GSS No.1 IPF)	Completed	Shizhaung South (Shanxi)	PNG and CNG facility
Connection pipeline from IPF to China West East pipeline	Completed	Shizhaung South (Shanxi)	9 km pipeline (connected and operating)
Construction of power facility	Completed	Shizhaung South (Shanxi)	10MW power facility (CNG fired)
Operations Control Center (OCC)	Completed	Zhengzhou (Henan)	Supervisory Control and Data Acquisition operations hub (OCC) for management of Green Dragon operations
Construction/upgrade of CNG retail stations	Completed	Ji Yaun (Henan) Sha Kouiu (Henan) Airport (Henan) Xinzheng (Henan) Pinding Shan No.1 (Henan) Pinding Shan No.2 (Henan)	Civil construction/upgrade of stations including installation of CNG dispensers and GTCZ/GMCZ SCADA system plus ICC POS system

Customers

The Group's main customers are currently Green Dragon and members of the Greka Drilling Group, which accounted for 68.3 per cent. and 5.7 per cent. respectively of Group sales for the year ended 31 December 2012. In addition, the Group has provided its services to over 70 third party clients including subsidiaries and affiliates of PetroChina, Sinopec and CNPC.

Green Dragon is expected to remain a significant customer of the Group following the Demerger, although the Company intends to extend the provision of the Group's products and services to a growing number of third party customers both in China and across Asia.

Business model

Until recently, the Group has supplied its products and services on the basis of discrete, one-off supplies. However, in 2013 a contract has been agreed with Green Dragon which establishes ongoing recurring revenues for the Group through 31 December 2013 for the maintenance of assets based on a rate per cubic metre of PNG and CNG processed and a contractually determined rate per kilowatt hour for the sale of electricity generated by the Group's gas-fired power facilities.

Growth strategy

The Group's products and services cover gas production and supply from upstream to downstream and it plans to grow its business through the following initiatives:

Upstream

- Develop and expand the client base for SCADA systems for mobile assets including drill rigs and track and trace GPS systems with the delivery of Operations Control Centres (OCC).

Midstream

- Leverage early mover advantage enjoyed by GTCZ/GMCZ and GTIG in China and the relationship with Green Dragon to deliver major infrastructure projects to other CBM companies in China including State Owned Enterprises (SOE's).
- Maintain a strong relationship with Green Dragon to assist with implementing its strategic growth plan and continue to supply major infrastructure projects and facility management of gas gathering systems, integrated production facilities, power generation facilities, pipelines and CNG retail stations.
- Leverage established well head and pipeline compressor product technology to gain new third party customers in the domestic Chinese market.
- Develop and penetrate international markets with the GTCZ/GMCZ portfolio of products manufacturing and exporting from China.
- Leverage early mover skills and experience as an EPCM service provider in the CBM operating environment and pursue projects in strategically advantageous international locations.

Downstream

- Develop and expand the Chinese domestic market for CBM compressors and CNG and LNG dispensers as well as growing the customer base for SCADA station management systems and ICC POS systems.
- Develop and penetrate international markets with the GTCZ/GMCZ portfolio of products.
- Leverage experience gained from the construction of CNG and LNG retail stations and gas fired power generation for Green Dragon by pursuing construction projects for third party customers.

Competition

The Directors do not believe that the Group currently has any direct competition in China offering an equivalent range of technology, hardware, engineering, construction and management products and services for CBM-specific projects.

The Directors consider that the Group has two main competitors in the CNG and LNG dispenser market in China. The Directors believe the Group's dispenser products are superior to competing products in China as a result of its focus on CNG and LNG units combined with the ICC POS and the SCADA station management systems giving a more complete offering.

SCADA systems are produced by a number of major companies around the world each with specific features and benefits. The Greka Engineering SCADA system is integrated with live CCTV video streaming and data transfer and offers remote control of electronic devices. The Directors believe the Group's integrated offering focused on CBM production and CNG distribution is a key part of its solutions package.

Relationship between Green Dragon and Greka Engineering following the Demerger

The Group operates on a stand-alone basis trading on arm's length terms with Green Dragon and its subsidiaries. Accordingly, it is not expected that the day-to-day trading relationship between Green Dragon and the Group will be significantly affected by the Demerger.

It is intended that Green Dragon will remain a significant customer of the Group following the Demerger.

Randeep Grewal is Executive Chairman of Greka Engineering and will maintain his existing role with Green Dragon. Jin Feng Qi, the Company's General Manager and Chief Engineer, will continue to be responsible for the operational management and the engineering and technology activities of the Group.

Directors and senior management

Directors

Randeep Grewal (aged 48), *Executive Chairman*

Randeep Grewal is to act as Chairman and Chief Executive Officer of Greka Engineering. He also acts as Chairman and Chief Executive Officer of his estate controlled public companies including Green Dragon and Greka Drilling. Mr. Grewal also fills the same roles in all his private family companies including Greka Integrated Inc., a US-based heavy oil and gas production, oil transportation, oil refining and real estate business. From April 1997 to September 1997, Mr. Grewal served as Chairman and Chief Executive Officer for Horizontal Ventures, Inc., an oil and gas horizontal drilling technology company that became a subsidiary of Greka Energy Corporation in September 1997. From 1993 to 1996, Mr. Grewal was Corporate Vice President for the Rada Group with principal responsibility for global expansion and diversification. Mr. Grewal has a BSc in Mechanical Engineering from Northrop University.

Sanjay Saxena (aged 50), *Non-Executive Director*

Sanjay Saxena has more than 30 years' experience in business leadership and entrepreneurial roles in business management, sales, marketing, business development and strategic investments across a number of regions including Europe, Russia, the Middle East, Africa and Asia Pacific.

Mr. Saxena has spent 25 years with IBM, initially within its Software Division, and rose to his current position as a Leader in Global Technology Services, Central East West Africa – part of IBM's Services Division in 2011. Prior to joining IBM, Mr. Saxena was co-founder and director of a number of emerging markets focussed businesses. Mr. Saxena holds both a BA from Allahabad University and an MA in Political Science from Gorakhpur University.

Bryan Smart (aged 61), *Non-Executive Director*

Bryan Smart spent 25 years at DaimlerChrysler (UK) Limited, where he worked initially in internal audit before moving up from Financial Controller to Chief Financial Officer. He resigned from DaimlerChrysler in 2006 having overseen turnover increase from £1.3 billion in 1996 to over £3.0 billion in 2006 and managed the acquisition, assimilation and reorganisation of Chrysler and Jeep in the UK. He remains Trustee Director of DaimlerChrysler Pension Fund.

Since leaving DaimlerChrysler, Mr. Smart has advised a number of public and private companies. Between 2006 and 2010, he was Chairman of the supervisory board of CarboTech AG, a Salzburg-based designer and manufacturer of complex carbon fibre structures for automotive and industrial use. Mr. Smart is a Non-Executive Director and member of the audit and remuneration committees of Greka Drilling, AB Dynamics plc and Rangers International Football Club plc and, until recently, held the same positions at SCOTTY Group SE. Mr. Smart is a fellow of the Institute of Chartered Accountants in England and Wales.

Senior management

Jin Feng Qi (aged 45), *General Manager and Chief Engineer*

Jin Feng Qi joined Green Dragon in August 2008, assuming responsibility for the business operation of the technology and manufacturing arm of the Green Dragon Group. He has 23 years working experience in the oil and gas industry. In the early years of his career, from 1989 to 1999, he worked as an engineer and project manager at the Zhongyuan oilfield owned by Sinopec. In 2004, Mr. Jin became one of the founders and chief engineers of Zhengzhou Clean Petroleum Equipment Co. Ltd, which was acquired by Green Dragon in 2008. He participated in the development of the gas station IC card-machine linkage and network management system while he was at Zhengzhou Clean Petroleum Equipment Co. Ltd. Mr. Jin is extensively involved in

the technological research and development of the Group's products and services. Mr. Jin holds an Engineering Degree in Manufacturing Process Automation from China Petroleum University.

(Francine) Yaqun Ou (aged 42), *Chief Financial Officer*

Francine Ou joined Greka Zhengzhou Technical Service Co. Ltd. in February 2008 as Financial Department Manager, becoming Financial Controller in March 2011. Subsequent to this Ms. Ou became Chief Accounting Officer of Greka Drilling in December 2012 before joining Greka Engineering as Chief Financial Officer in September 2013. Ms. Ou has more than 20 years of experience in accounting and financial management and prior to joining the Greka Drilling Group, she worked for the Research & Design Institute of Nuclear Industry of China as Financial Department Manager from 1992 to 2007. From 2007 to 2008, Ms. Ou worked with Xinyuan Real Estate Group and was involved in listing the company on the New York Stock Exchange. Ms. Ou is a Certified Public Accountant and holds a masters degree in Accounting from Henan University of Economics and Law.

Zhang Zhen Feng (aged 35), *Infrastructure Planning Development – Vice General Manager*

Zhang Zhen Feng joined Green Dragon in March 2011 in charge of Design & Planning Department. From 2007 to 2011, Mr. Zhang worked in Zhonghua International Co. Ltd, with responsibility for investment project management as well as for the operation of Zhonghua International Storage & Transportation Co. Ltd. (Chongqing Branch). Between 2003 and 2007, Mr. Zhang worked as a project manager in China Chemical Engineering No. 4 Construction Company.

(Henry) Hui Wang (aged 47), *Director Sales and Marketing*

Hui Wang joined Greka Engineering in March 2013 from General Electric. Mr. Wang's primary function is the development of infrastructure projects for the EPCM business arm in the China domestic market, dealing heavily with state-owned and private businesses. Mr. Wang worked as Chief Representative and Market Development Manager for General Electric in Shanxi and Henan provinces for four years, focusing on developing and maintaining key government and account relationships. Prior to this Mr. Wang held various engineering and research & development roles in Canada including working for Information Mediarly Corp. in Ontario as a post-sales engineer and as a research assistant for the Department of Mechanical & Aerospace Engineering at Carleton University, Ontario. Prior to moving to Canada Mr. Wang was the Director of the Department Corporation Development with Zhongyuan Pharmaceutical Factory in Zhengzhou, Henan and also a researcher and engineer for three years at Henan Science & Technology Institute of Commerce in Zhengzhou. Mr. Wang holds a Masters' Degree in Mechanical Engineering from Carleton University, Ontario, Canada and a Bachelor Degree in Mechanical Engineering from Harbin University of Commerce, China.

Suo Qingyu (aged 35), *Financial Controller*

Suo Qingyu joined Green Dragon in January, 2011 as Financial Controller of the Greka Gas Distribution and also the Infrastructure Planning and Development and Transport divisions. He has 10 years of experience in accounting and financial management. Prior to joining Greka, he had worked as an accountant with Tianjian Huazheng Accounting Firm and China Yuyang Coker Group. Mr. Suo is a Certified Public Accountant in China, and holds a Master Degree in Business Administration from Zhongnan University of Economics and Law.

Summary financial information

The table below sets out selected key historical financial information for the Group's continuing operations, for the three years ended 31 December 2012 and for the six months ended 30 June 2013 which has been extracted (or in the case of EBITDA, derived) from the financial information set out in Part III and Part IV of this document.

	<i>12 months ended 31 December 2010 Audited US\$000</i>	<i>12 months ended 31 December 2011 Audited US\$000</i>	<i>12 months ended 31 December 2012 Audited US\$000</i>	<i>6 months ended 30 June 2013 Unaudited US\$000</i>
Revenue	1,463	5,400	5,204	1,663
Gross profit	323	942	1,195	539
EBITDA (note)	15	41	89	(169)
Loss for the period from continuing operations	(600)	(991)	(1,304)	(797)
Total assets	8,262	22,357	43,252	42,985

Note:

EBITDA has been calculated by adding back to the reported loss from operations depreciation and amortisation in note 5 of the historical financial information in section B of Part III and in Part IV of this document.

As explained elsewhere in this document, the basis on which certain Group revenues are generated has changed with effect from 1 January 2013. For example within GTIG, equipment rental income previously charged to Green Dragon has been replaced by PNG and CNG processing and electricity generation revenues. The Directors have recalculated the historical annual income statements of GTIG as if its current basis of operation had been in place throughout the three years ended 31 December 2012 (ie GTIG's activities consisted only of the gas compression and electricity generation businesses, and the commercial agreements governing trade between Green Dragon and GTIG had been in place). The resulting annual turnover for the Group as recalculated by the Directors on an illustrative basis is £3.6 million, £3.1 million, and £1.6 million in each of the three years ended 31 December 2012, 2011 and 2010 respectively.

Current trading and prospects

Trading in 2013 has been in line with the Board's expectations and it believes that the Group is well-positioned to take advantage of the rapidly-growing unconventional gas market both in China and internationally.

Employee incentives

The Directors believe that Greka Engineering's success is highly dependent on the quality and loyalty of its employees and directors. To assist in the recruitment, retention and motivation of the Group's employees it must have an effective remuneration strategy. The Directors consider that an important part of the Group's remuneration strategy is the ability to award an equity incentive. Consequently, the Company intends to adopt a share option scheme or other equity incentive scheme under which the total number of shares issuable over any ten year period may not exceed 10 per cent. of the issued ordinary share capital of the Company. It is intended that the scheme will be adopted by the Board in due course following Admission.

Corporate governance

The Board recognises the importance of sound corporate governance and intends so far as is practicable to ensure that, following Admission, the Company adopts policies and procedures which reflect such of the principles of the UK Corporate Governance Code (issued by the Financial Reporting Council) as are appropriate to the Company. Cayman Islands does not have a corporate governance regime.

The Company has established, conditional on Admission, an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities. The Audit Committee will consist of Sanjay Saxena and Bryan Smart. The Remuneration Committee will consist of Randeep Grewal, Sanjay Saxena and Bryan Smart.

The Audit Committee will determine the terms of engagement of the Company's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. It will also, if required by the Board, provide advice on whether the annual accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for Shareholders to be able to assess the Company's performance, business model and strategy. The Audit Committee will have unrestricted access to and oversee the relationship with the Group's auditors.

The Remuneration Committee will review the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share incentives 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 plans adopted by the Company from time to time.

The Board will take all proper and reasonable steps to ensure compliance with the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees and has adopted a share dealing code for this purpose.

Cayman Islands company law

The Company is a Cayman Islands company and is subject to Cayman Islands law which differs from the Act in relation to *inter alia* the issue of new shares by companies.

There are no provisions in Cayman Islands law equivalent to section 551 of the Act relating to the ability of directors to allot and issue shares and there are no provisions in Cayman Islands law equivalent to section 561 of the Act which, (subject to certain exceptions), confers pre-emption rights on existing shareholders in connection with the allotment of shares for cash. However the Company's articles of association provide that during any twelve month period, except with the approval of Shareholders, the Directors may not issue for cash shares or any securities conferring the right to subscribe for, or to convert such securities into, shares of the Company representing more than 25 per cent. of the nominal value of the issued Ordinary Shares as at the date of the preceding AGM other than *pro rata* to existing shareholders.

Takeover Code

The Company is registered in the Cayman Islands and accordingly Shareholders will not be afforded protections under the City Code.

Dividend policy

The Directors intend to commence payment of dividends when it becomes commercially viable to do so, subject to the working capital requirements of the Company and the availability of distributable funds and will adopt a progressive but prudent dividend policy thereafter.

Taxation

Certain general information regarding United Kingdom and Cayman Islands taxation in relation to the Admission is set out in paragraph 14 of Part VI of this document. Such information is intended only as a general guide and if you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

CREST and depository interests

CREST is a computerised paperless share transfer and settlement facility enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. Securities issued by non-UK registered companies such as the Company cannot be held

or transferred in the CREST system. To enable investors to settle such securities through the CREST system, a depository or custodian can hold the relevant securities and issue dematerialised depository interests representing the underlying securities which are held on trust for the holders of the depository interests.

The Company has therefore established an arrangement whereby Depository Interests, representing Ordinary Shares, can be issued to investors who wish to hold their Ordinary Shares in electronic form and an application has been made for such Depository Interests to be admitted to CREST with effect from Admission. Depository Interests will have the same ISIN as the underlying Ordinary Shares and will not require a separate application for admission to AIM. The Depository Interests will exist only in uncertificated form and cannot be traded other than through CREST. Accordingly, with effect from Admission, settlement of transactions in Ordinary Shares represented by Depository Interests may take place within the CREST system if an investor so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

The Depository Interests are independent securities constituted under English law and will be issued and created pursuant to the terms of the Deed Poll with the Depository. The Deed Poll governs the relationship between the Depository and the DI Holders. The Depository (or its nominated custodian) will hold the underlying Ordinary Shares and all or any rights, other securities, property and cash attributable to such Ordinary Shares and pertaining to the Depository Interests for the benefit of the relevant DI Holders.

Pursuant to the Deed Poll, the Depository must pass on to the DI Holders and so far as it is reasonably able exercise and cause to be exercised by any custodian on behalf of the DI Holders, all rights and entitlements received or to which it is entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Subject to the terms of the Deed Poll, rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings of the Company shall be passed on to DI Holders. The Depository is entitled to exercise all voting rights attaching to the Ordinary Shares to which the Depository Interests relate on behalf of the DI Holders but DI holders may give voting instructions to the Depository on how to exercise the votes relating to the Ordinary Shares to which their underlying Depository Interests relate. Each Depository Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements.

If you have any queries please call Capita Registrars on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Further information

Your attention is drawn to the additional information set out in Parts II to VI of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occurs, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment described in this document may not be suitable for all recipients of this document. Before making an investment decision, prospective investors should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specializes in advising on the acquisition of shares and other securities, if taking advice in the United Kingdom or from another appropriately authorised financial adviser, if taking advice in a territory outside the United Kingdom. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risk and other factors associated with an investment of the type described in this document. In particular:

Risks relating to Greka Engineering's business

Dependence on Green Dragon

All of the Group's significant trading arrangements are with members of the Green Dragon Group. Certain of the Group's material trading contracts with the Green Dragon Group are currently due to expire during the course of 2013 or at the end of 2013. The loss of all or a substantial proportion of the business provided by one or more of the Group's top customers could have a material adverse effect on the Group's business.

Further, a reduction in the capital expenditure of the Green Dragon Group for whatever reason (including the inability of Green Dragon to raise additional debt and/or equity funding, to finance its business plan, or a breach of any of the PSCs in which Green Dragon holds an interest which adversely impacts its business plan) or the termination by the Green Dragon Group of its contracts with the Group for any reason, could adversely affect demand for the services of the Group and reduce materially the Group's revenues. In this regard, prospective investors should consider the following statement which was included in the announcement by Green Dragon of its interim results for the period ended 30 June 2013 (in which "the Company" refers to Green Dragon): "*The Company has sufficient working capital to fund its overheads and capital programme for the next 12 months. The Company has a liability of approximately \$50m arising from the findings of arbitration in connection to its dispute with a former farm in partner. The Company has lodged an appeal and the counterparty are not currently able to enforce the award. The Directors remain confident the appeal will be successful but have prudently recorded a liability. The Company does not currently have the liquid funds to settle this litigation should it fall due in the short term. A number of funding transactions are at an advanced state which if concluded would provide the necessary funds to settle the dispute if required. However, there can be no guarantee any of these transactions will conclude and they require the occurrence of events outside of the Directors' control. As a consequence, in the event the Company loses its appeal and should further funding not be available the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. These conditions indicate the existence of an uncertainty which may cast doubt about the Company's ability to continue as a going concern.*"

The Group's contractual commitments with the Green Dragon require the use of a high percentage of the Group's current resources to be deployed on these projects. The Group's plans for growth will need to be supported by further expansion of Green Dragon and an increased demand for the Group's expertise by Green Dragon. In addition, the Executive Chairman of the Company is also a director of Green Dragon. Situations may therefore arise in connection with the operation and development of the Group's business where the interests of this Director may conflict with those of the Group. If and in the event that any material conflict of interest should arise, the Company and the Director concerned will follow applicable legal and regulatory requirements in dealing with any such conflict.

When acting for clients other than Green Dragon, the Group will operate on a project-by-project basis, and its visible order book can fluctuate from time to time

It is anticipated that a portion of any contracts with and related revenues from non-Green Dragon customers will be awarded on a tender basis. It is generally difficult to predict when the Group will be awarded such contracts and, if awarded, whether they will proceed as originally planned. The tenders are affected by a number of factors outside of the Group's control, such as market conditions and governmental approvals required of the Group's clients. If the Group is not selected, or if the contracts entered into are delayed, or the Group is unable to execute the work it has contracted to perform within the agreed timeframe, the Group's workflow may be interrupted, contracts may not be renewed and the business, financial conditions and results of the operations of the Group may be adversely affected.

The period of notice given to members of the Group by its customers to carry out work can be relatively short. Additionally the scope of this work can vary in size and contract length. On any particular project, variations to the scope of work can occur both prior to commencing work and also whilst work is in progress on any particular contract. As a consequence, the Group's order book can fluctuate over the course of a financial period, making it difficult for management to accurately predict future revenues and the Group's results of operations. Any announcements which the Company may make in the future containing predictions of future revenues may be proved wrong as a result of such fluctuations in the order book.

Increasing competitiveness of alternative energy sources

The increasing competitiveness of alternative energy sources, including solar and wind power, may lead to less demand for oil and gas in the medium- to long term, and in turn, the Group's services. Without the benefit of government subsidies or mandates, alternative energy sources have generally not been competitive with oil and gas. However, changes in technology and consumer preferences have begun to alter fuel choices, an example being the growing popularity of alternatively fuelled vehicles.

Furthermore, alternative energy sources have been increasingly competitive due to governmental support in the forms of tax relief and subsidies for alternative energy providers, the adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. These measures could reduce demand for oil and gas in the medium- to long-term, thereby reducing demand for the Group's services.

The Group's businesses may be subject to claims for professional errors and omissions

Providing project management, engineering, construction and equipment leasing, maintenance, vehicle leasing and software development services involves the risk of contractual and professional errors and omissions and other liability claims, as well as adverse publicity that may adversely affect the Group's financial performance and condition. The Group may not be able to maintain or obtain adequate insurance coverage at rates it considers reasonable or it may take the decision not to insure such risks. Even if coverage is obtained, claims may exceed such insurance coverage.

Ownership and operations of the Group within China are subject to local and/or federal regulations and legislation

The ownership and operations of the Group are subject to a number of national and local regulations and legislation in the territories where it operates within China. The Directors believe that the ownership of the

Group and its operations within China have been broadly consistent with the manner in which other foreign companies have traditionally been owned and operated within China. Breach of such regulations and legislation could lead to certain liabilities arising on members of the Group and/or criminal or civil proceedings being taken against members of the Group in the future.

Operational assets and geographic diversification

All of the Group's operational assets are currently located in China. As a result, the Group's business is disproportionately exposed to adverse developments affecting this region. These potential adverse developments could result from, among other things, changes in governmental regulation, political instability in the region, curtailment of production by the Group's customers, disputes with residents on a block, or adverse weather conditions in or affecting this region. Due to the Group's lack of diversification in asset type and location, an adverse development in the Group's business or in this operating area may affect its financial condition and results of operations.

The Group may be affected by the actions of third parties, including sub-contractors and manufacturers

The Group often relies on inputs from third-party equipment manufacturers and sub-contractors for the completion of its manufactured hardware and construction projects. To the extent that the Group cannot engage sub-contractors or acquire equipment or materials according to its plans, its ability to supply customers or complete a project in a timely fashion or at a profit may be impaired. If the amount the Group is required to pay for these goods and services exceeds the amount estimated in bidding for lump sum work, the Group could experience losses under the relevant contracts. In addition, if a sub-contractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms or on time, the Group may be required to purchase such services, equipment or materials from another source at a higher price. The resulting additional costs may be substantial, and the Group may be required to compensate the project customer for delays. Further, the Group may not be able to recover any or all of these costs in all circumstances and/or the Group may be unable to pass the increased costs onto the client, which may reduce the profit to be realised or result in a loss on a project for which the services, equipment or materials were needed.

The Group is subject to counterparty credit risk

The Group provides its services to a variety of contractual counterparties and is therefore subject to the risk of non-payment for services it has rendered or non-reimbursement of costs it has incurred. The contracts which the Group enters into may require significant expenditure by the Group prior to receipt of relevant payments from the client and expose the Group to potential credit risk. In addition, the Group is open to the risk that its counterparties may take a strict contractual approach to performance of key performance indicators regardless of the overall success of the project. In these markets, local management intervention is often required in order to obtain payment.

Failure by any of its contractual counterparties to pay for services provided or reimburse costs incurred by the Group could have a material adverse effect on the Group's cash flow and on the profitability of the relevant contract for the Group.

Enforceability of loan agreements

GTIG entered into an agreement with, among others, Henan Boao Trading Co Limited pursuant to which Henan Boao Trading Co Limited made a loan facility available to GTIG in the amount of the Chinese Yuan Renminbi equivalent of US\$4,000,000. Neither party is qualified to advance loans and the validity of the contract is not recognized in China, although the parties may proceed in accordance with the contract at their own will. In the event of a dispute regarding the contract the parties may submit to arbitration in accordance with the contract terms. It may be possible that the arbitration award deems the contract invalid and the parties are ordered to be restored to their respective positions as if the contract had never been entered into. In such circumstances, GTIG will need to repay any amounts that it borrowed from Henan Boao Trading Co Limited. More information regarding the Chinese legal system is set out in the paragraph headed "The Chinese legal system" in this Part II.

Maintenance of licences and other permits and authorizations

From time to time the business of the Group may in part be dependent upon the continuing grant and maintenance by third parties of licences, permits and authorisations whether to members of the Group or to third parties with whom the Group contracts. The Group does not currently hold licences or authorisations to operate the assets in Shanxi Province owned by the Group, including the integrated production facility, and the assets are operated by GBV pursuant to an operating agreement between GBV and GTIG, as the asset owner. In due course the Group intends to incorporate a new subsidiary of GIPB which will assume operation of the assets as described in Part I above. The grant and continuation in force of any licences, permits and authorisations required for the operation of the assets by members of the Group and/or by GBV is beyond the control of the Group. Depending on the nature of the license, consent or authorisation, the absence of such license, consent or authorisation, and the failure of the Group or third parties with whom the Group contracts to secure an adequate alternative, or the inability of GBV to otherwise operate the assets in accordance with PRC law, may have a material adverse effect on the financial performance of the Group.

Maintenance by clients of exploration and production licences and other permits and authorizations

The Group's customers conduct operations under numerous exploration and production licences. Licences may be suspended, restricted or terminated in the event of a failure to comply with license requirements resulting in the loss of the customer.

The Group's customers may be unable to, or may voluntarily decide not to, comply with certain licence agreement requirements for some or all of the licensed areas. If the authorities find that the Group's customers have failed to fulfill the terms of their licences, permits or authorisations, or if the Group's customers operate in their license areas in a manner that violates applicable law, they may impose fines on the Group's customers or even suspend or terminate their licences. Any suspension, restriction or termination of the Group's customers' licences could adversely affect operating results and financial condition and, in turn, could also affect the demand for the Group's services.

Hazards customary for operations

Substantially all of the Group's operations are subject to hazards that are customary for the gas industry including gas explosions, natural disasters, pollution and mechanical failure. Despite the Group's adherence to applicable safety regulations, any of these events could occur, which may result in damage to or destruction of equipment, personal injury or damage to property, suspension of operations or harm or damage to the environment. The Group's exposure to such risks also depends on the ability of the engaged sub-contractors to properly perform their respective services in compliance with all applicable health and safety laws and regulations. Generally, where applicable, contracts provide for the division of responsibilities between a company and its customer. To the extent that the Group is unable to transfer such risks to its customers by contract, the Group generally seeks protection through insurance. However, the Group is self-insured for certain losses and there can be no assurance that insurance will be available to cover any or all of these risks, or, even if available, that insurance premiums or other costs will not rise significantly in the future, so as to make costs of such insurance prohibitive. There is no assurance that such contractual re-distribution of liability or insurance will adequately protect the Group against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured or indemnified against, or the failure of a client or insurer to meet its indemnification or insurance obligations, could result in substantial losses.

Difficulty managing growth in the business

Because of the relatively small size of the Group's current business operations, growth in accordance with business plans, if achieved, could place a significant strain upon its financial, technical, operational and management resources. The failure to continue to upgrade the Group's technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the recruitment and retention of the required personnel, could have an adverse effect on the Group's business, financial condition and results of operations and its ability to execute its business plans in a timely manner.

Litigation

In the ordinary course of business the Group may from time to time in the future be named as a defendant in legal actions in connection with the activities it carries out. These actions may include employment-related claims and contractual disputes (including claims by sub-contractors) or claims for personal injury or property damage which occurs in connection with services performed relating to project or construction sites. Any litigation, by or against any member of the Group, is likely to be costly and there can be no assurance that the Group would prevail. Litigation could also involve a significant diversion of resources and management attention, which could have a significant adverse effect on the business.

Insurance policies

Substantially all of the Group's operations are subject to hazards that are customary for natural gas operations, including, gas well fires and explosions, natural disasters, pollution and mechanical failure. Any of these hazards could result in damage to or destruction of equipment, personal injury and property damage, suspension of operations or harm or damage to the environment. The Group only carries insurance coverage for certain risks, which may not be sufficient to cover all potential losses or liabilities. The Group maintains insurance over all equipment and generally maintains employers' liability insurance covering death or work injury of employees, as well as public liability insurance covering injury to visitors. Moreover, the insurance coverage is based on PRC insurance standards, which provide significantly lower levels of compensation than international standards.

The occurrence of an event not fully insured, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. Because of the Group's relatively small size, an uninsured loss could be far more detrimental to its operations and future prospects than it would be to one of its larger competitors. The Group cannot assure investors that insurance will continue to be available to cover any or all of these risks, or, even if available, that insurance premiums or other costs will not rise significantly in the future, so as to make the cost of such insurance prohibitive.

Technology

The members of the Group have developed technology relating to the unconventional gas production and distribution and this has resulted in those Group members owning in aggregate copyright in nine software programmes registered with the National Copyright Administration of the People's Republic of China and nine patents registered with the State Intellectual Property Office of the People's Republic of China. The unconventional gas market is characterized by changing specialized technology, methods and applications. As a result, the success of the Group is dependent upon its ability to develop or acquire new technologies, methods and applications of existing technologies on a cost effective basis and to introduce them into the marketplace in a timely manner. If the Group is unable to adapt to evolving markets and technologies, develop new technologies and services, or acquire or maintain technological advantages, the Group's business and operating results may be materially and adversely affected.

Force majeure

The Group's projects may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, severe weather conditions, acts of God, explosions or other catastrophes or epidemics.

Competition in the China unconventional gas industry

The China unconventional gas industry is competitive and fragmented. It includes a few private enterprises capable of competing in markets on a local basis and in-house operations of subsidiaries of major state-owned oil and natural gas companies that possess substantially greater financial and other resources than the Group does for researching and developing technologies. In addition, such in-house operations may benefit from relationships with their state-owned parent that the Group do not have. The Directors believe that the main competition to the Company currently comes from the localized contractors and supply companies that offer components of the Group's portfolio but not the entire value chain although there can be no assurance that such competition, local or international will not develop in the future.

Market risks

Coal bed methane

The demand for the Group's range of products and services may be dependent to an extent on both the level of economic activity within the gas production industry, upstream sector, and the general processing and marketing industries, midstream and downstream. The Directors believe that to a certain extent the level of demand for the Group's products and services will depend on the demand for activities associated with new and revamped energy plants, in the gas sector, along with demand for downstream products, such as the popularity with consumers of gas powered transport systems. The level of new production and revamped facilities serving the energy market and the processing market is directly related to the growth in the worldwide economy and thus the resulting increase in demand for energy.

Risks of potential future areas of business

In line with the Group's growth strategy, the Directors intend to seek to expand the operations of the business into new geographical locations by way of acquisition, joint venture or the incorporation of new businesses. The Group's ability to penetrate such markets may be impeded if the Group's competitors have already become established in those markets. Furthermore, such actions by the Group may involve the issue of equity securities to raise funds, the incurring of debt or the use of significant cash sums, each of which could materially and adversely affect the Group's business, financial condition or the market price of the Ordinary Shares. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company and the diversion of management attention from other business concerns.

Diminishing return on intellectual property

A significant technological change developed or obtained by the Group's competitors could negatively impact the demand for the Group's services. As new technologies are developed, and the return on the Group's existing intellectual property becomes diminished by new technology, the Group may have to implement, purchase or research new technologies at a substantial cost in order to remain competitive. In addition, competitors may have greater resources to develop or acquire new technologies and may implement them quicker than the Group is able to, which may allow them to provide lower-priced or better-quality products and services. If this occurs, it could limit the Group's ability to compete effectively and, as a result, decrease demand for its services, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

In addition, third parties may infringe or misappropriate the Group's intellectual property rights and cause a material adverse effect on the business, financial condition or operating results. It could be difficult and expensive to police unauthorised use of the Group's intellectual property and to enforce the Group's rights to technology. The Group's ability to protect its intellectual property may be compromised in the event that any management members or employees in possession of confidential proprietary information leave the Group. Also, the Group may be required to litigate to enforce its rights to its proprietary information or determine the validity and scope of the proprietary rights of others. There can be no assurance that the outcome of such potential litigation will be in the Group's favour. Litigation may be costly and may divert management attention and other resources away from the business. An adverse determination in any such litigation against the Group will impair the Group's intellectual property rights and so harm its business, prospects and reputation. In addition, the Group would have to bear all costs arising from such litigation if it is unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on the business, results of operations and financial condition.

Although the Group has not been involved in any intellectual property rights disputes, the Group cannot assure investors that such disputes, which may result in significant legal and other costs and may distract management from operating the business, will not arise.

General economic climate

Factors such as the price of oil, inflation, currency fluctuations, interest rates, increased labour costs, supply and demand of capital and industrial disruption may have an impact on demand, business costs and stock

market prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the Group's control.

The Group's revenues depend significantly on the willingness of governments to award exploration and production licences and on the level of activity and capital expenditures by natural gas companies in its markets. A prolonged period of low natural gas prices could depress the levels of natural gas exploration, development and production activity. Anticipated lower long-term natural gas prices may cause natural gas exploration and production companies to reduce or defer major capital expenditures given the long lead times of many large-scale upstream, midstream and downstream projects.

Changes in certain fiscal regimes could adversely impact the financial condition of the Group

The Group's profitability is impacted by the levels of direct and indirect taxation, including any introduction of new or additional taxes, levied upon its profits and sales, and on the profits and sales of its clients in the locations in which they operate. Increases in these direct or indirect taxes can adversely affect the returns that can be achieved by the Group and its clients and may result in a decline in revenues and profits. In addition, the interpretation of guidelines, rules and legislation by governmental taxation bodies in the countries in which the Group operates may change from time to time. The Group's conduct of operations may not be held to be consistent with such changes in interpretation, which could require the Group to change aspects of its operations which may correspondingly lead to a decline in revenues and profits.

Risks relating to China

China's economic, political and social conditions and government policies

The economic system of China is very different from the economies of developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. China has a long history of a planned economy and is subject to five-year plans formulated by the PRC Government. In recent years, China has introduced economic reforms aimed at transforming its economy from a planned economy into a market economy with socialist characteristics. These economic reforms allow greater use of market forces in the allocation of resources and greater autonomy for enterprises in their operations. However, many rules and regulations implemented by the PRC Government are still in the early stages of development, and further refinements and amendments are necessary to enable the economic system to develop into a more sophisticated form. In addition, a substantial portion of productive assets in China remain state-owned which allows the PRC Government to exercise a high degree of control. The PRC Government continues to play a significant role in regulating industrial development by imposing industrial policies, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly. It is accordingly unclear how future economic reforms and macroeconomic measures to be adopted by the PRC Government will affect the economic development of China. Further, there can be no assurance that such measures will be applied consistently and effectively or that the Group will benefit from or will be able to capitalise on such reforms. Indeed, the business of the Group may be adversely affected by any reform.

The Chinese legal system

The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has promulgated laws and regulations dealing with financial and economic matters such as foreign investment, financing and provision of security, corporate organisation and governance, commerce, taxation and trade. As such, many of the laws that govern private and foreign investment, securities transactions, creditors' rights, intellectual property rights and contractual and other relationships in China are relatively new, unsophisticated, unproven and continue to evolve, at times in an uncertain manner. As a result, the Group may be subject to a number of unusual risks related to laws and regulations, particularly those involving taxation, foreign investment, trade, mining rights, title to property, securities, transfer of title and protection of intellectual property. The Group may be subject to inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, a lack of established or effective avenues for legal redress, including an underdeveloped judicial system and, a lack of standard practices characteristic of developed markets and a lack of enforcement of existing

regulations. Accordingly, there may be difficulty and uncertainty in the Group's ability to protect and enforce its rights against Chinese state and private entities in China.

Moreover, the Chinese legal system is based in part on government policies and internal rules (some of which are not published in a timely manner, or at all) that may have retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until some time after the violation. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United Kingdom or other countries. The Company cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to the Group and other foreign investors, including the Shareholders. In addition, any litigation in China may be protracted and result in substantial costs and diversion of the Group's resources and management attention.

Enforceability of foreign judgments

At present, China does not have treaties providing for the reciprocal recognition and enforcement of judgments with major economies such as the United Kingdom. Therefore, it may be difficult and may not be possible for the Group to enforce in China any judgments it may obtain in a foreign court.

Chinese foreign exchange regulations

All of the Group's China revenues will be denominated in Renminbi which is not a freely convertible currency. In order to pay dividends to Shareholders, the cash available for this purpose must be converted into another currency. The Group is subject to significant foreign exchange controls and conversion generally will require the approval of or registration with the State Administration of Foreign Exchange. There is no assurance that the requisite approval or registration can be maintained and as a result, the Company may not be able to pay dividends in foreign currencies to Shareholders, despite the existence of distributable profits.

Environmental regulations

The Group is subject to various PRC national and local environmental laws and regulations in the areas where the Group operates, including those governing the use, storage, discharge and disposal of hazardous substances. As of the date of this document, the Group had not received any regulatory notices or warnings in connection with, nor been the subject of any environmental investigations, orders or incidents arising out of, violations of environmental laws. The Group has policies in place to ensure compliance with environmental regulations. However, if more stringent compliance or clean-up standards under environmental laws or regulations are imposed, or the results of future testing and analyses of its operations indicate that the Group is responsible for the release of hazardous substances, the Group may be subject to remediation liability and increased environmental compliance costs.

Chinese tax rules and regulations

The taxation system in China is still developing, which may result in inconsistent enforcement at state and municipal levels. The Chinese Government has enacted a favorable tax regime to encourage the development and use of CBM. Any future changes in legislation, regulation or enforcement may have a material adverse impact on the Group's financial performance.

The Enterprise Income Tax Law, or EIT Law, provides that enterprises established outside of China whose "*de facto* management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25 per cent. enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on 22 April 2009, regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as "resident enterprises" clarified that dividends and other income paid by such offshore "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10 per cent., when recognized by non-PRC enterprise shareholders. This recent circular also subjects such offshore "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the new EIT Law, a "*de facto* management

body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the recent circular further provided that certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as “resident enterprises” if all of the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the directors with voting rights or senior management. However, as this document only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “*de facto* management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents. Therefore, although substantially all of the Group’s management is currently located in the PRC and all of the Group’s revenues arise from its operations in the PRC, it remains unclear whether the PRC tax authorities would require or permit overseas registered entities to be treated as PRC resident enterprises. If the PRC tax authorities determine that the enterprises established outside of China are “resident enterprises”, such companies would be subject to enterprise income tax at a rate of 25 per cent. on their worldwide income, which may have a material and adverse impact on the Group’s future financial condition and results of operations and the dividends paid by it to investors would be subject to PRC withholding tax.

Dividends payable to foreign investors

Under the EIT Law and implementation regulations issued by the State Council, a 10 per cent. PRC income tax is applicable to dividends payable to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC or which have such establishment or place of business but have income not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. It is unclear whether dividends paid on Ordinary Shares, or any gain realized from the transfer or sale of Ordinary Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC tax. If the Company is considered a PRC “resident enterprise,” then any dividends paid to overseas Shareholders that are “non-resident enterprises” may be regarded as being derived from PRC sources and, as a result, would be subject to PRC withholding tax at a rate of 10 per cent. In addition, if the Company is considered a PRC “resident enterprise,” non-resident Shareholders may be eligible for the benefits of income tax treaties entered into between China and other countries. If the Company is required under the EIT Law to withhold PRC income tax on dividends payable to non-PRC Shareholders that are “non-resident enterprises,” or if Shareholders are required to pay PRC income tax on the transfer or sale of Ordinary Shares, the value of the Ordinary Shares may be materially adversely affected.

Risks relating to the Company

Dependence on key personnel

The Company’s success depends to a significant extent on the continued services of its core senior management team. If one or more of these individuals were unable or unwilling to continue in his present position, the Group’s business would be disrupted and it might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact the Group’s financial results.

Attract and retain skilled and technically knowledgeable employees

The Group’s success depends upon attracting and retaining skilled and technically knowledgeable employees. A number of the Group’s employees are highly trained technicians, and the failure to continue to attract and retain such individuals could adversely affect the Group’s ability to compete in the oilfield services industry. The Group may confront significant and potentially adverse competition for these skilled and technically knowledgeable personnel, particularly during periods of increased demand for oil and gas. Additionally, at times there may be a shortage of skilled and technical personnel available in the market, potentially compounding the difficulty of attracting and retaining these employees. As a result, the Group’s business, results of operations and financial condition may be materially adversely affected.

Controlling shareholder

Randeep Grewal, together with a Grewal family trust, is the Company's largest shareholder and their combined holding in the issued share capital of the Company will, after Admission, exceed 50 per cent.

He is also the executive Chairman of the Company. Accordingly, Mr. Grewal will effectively be able to exercise a significant degree of influence over the management and policies of the Company as well as other matters requiring Shareholders' approval. There is no guarantee that Mr. Grewal's interests will coincide with the interests of other Shareholders.

Risks relating to the Cayman Islands

Rights of shareholders are more limited under Cayman Islands law than under United Kingdom law. The Company's corporate affairs are governed by its memorandum and articles of association, the Cayman Islands Companies Law (2012 Revision), as amended, and the common law of the Cayman Islands. The rights of shareholders to take action against directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of directors under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of shareholders and the fiduciary responsibilities of directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than the United Kingdom.

Risks relating to the investment and AIM

An investment in companies whose shares are traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. The rules of AIM are less demanding than the Official List.

Share price volatility and trading basis

Potential investors should be aware that the value of Ordinary Shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment.

PART III

FINANCIAL INFORMATION

SECTION A: ACCOUNTANT'S REPORT ON THE COMBINED HISTORICAL FINANCIAL INFORMATION ON THE GROUP



BDO LLP
55 Baker Street
London
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The Directors
Greka Engineering & Technology Ltd.
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103 South Church Street
PO Box 472
George Town
Grand Cayman K1-1106
Cayman Islands

24 September 2013

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

Dear Sirs,

Greka Engineering & Technology Ltd. (the "Group")

Introduction

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 24 September 2013 of Greka Engineering & Technology Ltd. (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the

accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated losses, cash flows, changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

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

SECTION B: COMBINED HISTORICAL FINANCIAL INFORMATION ON THE GROUP

Combined Statements of Comprehensive Income

	<i>Note</i>	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Revenue	4	1,462,712	5,399,523	5,204,092
Cost of sales		<u>(1,139,223)</u>	<u>(4,457,521)</u>	<u>(4,008,778)</u>
Gross profit		323,489	942,002	1,195,314
Administrative expenses		<u>(1,035,180)</u>	<u>(1,957,016)</u>	<u>(2,525,263)</u>
Loss from operations	5	(711,691)	(1,015,014)	(1,329,949)
Finance income	6	<u>171</u>	<u>3,595</u>	<u>8,008</u>
Loss before income tax		(711,520)	(1,011,419)	(1,321,941)
Income tax	9	<u>111,815</u>	<u>19,996</u>	<u>18,161</u>
Loss for the year from continuing operations		(599,705)	(991,423)	(1,303,780)
(Loss)/profit from discontinuing operations	10	<u>(78,055)</u>	<u>200,435</u>	<u>(81,064)</u>
Loss for the year		(677,760)	(790,988)	(1,384,844)
Other comprehensive income:				
Exchange differences on translating foreign operations		<u>(422,308)</u>	<u>128,892</u>	<u>25,289</u>
Total comprehensive loss for the year		<u>(1,100,068)</u>	<u>(662,096)</u>	<u>(1,359,555)</u>
Loss attributable to:				
Owners of the Company		<u>(677,760)</u>	<u>(790,988)</u>	<u>(1,384,844)</u>
Total comprehensive loss attributable to:				
Owners of the Company		<u>(1,100,068)</u>	<u>(662,096)</u>	<u>(1,359,555)</u>

Combined Statements of Financial Position

	<i>Note</i>	<i>As at 31 December 2010 US\$</i>	<i>As at 31 December 2011 US\$</i>	<i>As at 31 December 2012 US\$</i>
Assets				
Non-current assets				
Property, plant and equipment	11	2,520,487	8,511,844	24,502,896
Intangible assets	12	3,879,509	3,384,911	2,890,312
		<u>6,399,996</u>	<u>11,896,755</u>	<u>27,393,208</u>
Current assets				
Inventories	13	400,692	1,387,052	2,122,777
Trade and other receivables	14	1,420,215	2,724,865	8,470,056
Cash and cash equivalents		40,697	6,348,409	3,881,944
Assets held for sale	10	–	–	1,384,114
		<u>1,861,604</u>	<u>10,460,326</u>	<u>15,858,891</u>
Total assets		<u>8,261,600</u>	<u>22,357,081</u>	<u>43,252,099</u>
Liabilities				
Current liabilities				
Trade and other payables	15	8,376,948	23,214,696	41,662,715
Loans and borrowings	16	–	–	3,945,149
Current tax liabilities		14,843	58,321	43,376
Total liabilities		<u>8,391,791</u>	<u>23,273,017</u>	<u>45,651,240</u>
Non-current liabilities				
Deferred tax liabilities	17	969,877	846,228	722,578
Total liabilities		<u>9,361,668</u>	<u>24,119,245</u>	<u>46,373,818</u>
Total net liabilities		<u>(1,100,068)</u>	<u>(1,762,164)</u>	<u>(3,121,719)</u>
Invested capital		<u>(1,100,068)</u>	<u>(1,762,164)</u>	<u>(3,121,719)</u>
Total equity		<u>(1,100,068)</u>	<u>(1,762,164)</u>	<u>(3,121,719)</u>

Combined Statements of Cash Flows

		<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>
	<i>Note</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Operating activities				
Loss before income tax		(789,576)	(810,984)	(1,403,005)
Adjustments for:				
Depreciation	11	231,722	560,983	923,945
Amortisation of other intangible assets	12	494,599	494,598	494,599
Loss on disposal of property, plant and equipment		–	173	70,854
Finance income		(171)	(3,595)	(8,008)
Cash flows before changes in working capital		<u>(63,426)</u>	<u>241,175</u>	<u>78,385</u>
Increase in inventories		(327,695)	(986,360)	(735,725)
Increase in trade and other receivables		(429,072)	(1,486,895)	(5,745,190)
Increase in trade and other payables		3,585,029	15,019,992	18,448,018
Cash generated from operations		<u>2,764,836</u>	<u>12,787,912</u>	<u>12,045,488</u>
Income tax payment		(33,864)	(69,844)	(72,310)
Net cash from operating activities		<u>2,730,972</u>	<u>12,718,068</u>	<u>11,973,178</u>
Investing activities				
Payments for purchase of property, plant and equipment		(2,713,022)	(6,423,787)	(18,349,110)
Finance income		171	3,595	8,008
Net cash used in investing activities		<u>(2,712,851)</u>	<u>(6,420,192)</u>	<u>(18,341,102)</u>
Financing activities				
Proceeds of short term loan		–	–	3,945,149
Net cash (used in)/from financing activities		<u>–</u>	<u>(30,388)</u>	<u>3,945,149</u>
Net (decrease)/increase in cash and cash equivalents		18,121	6,297,876	(2,422,775)
Cash and cash equivalents at the beginning of the year		<u>22,576</u>	<u>40,697</u>	<u>6,348,409</u>
		40,697	6,338,573	3,925,634
Effect of foreign exchange rate changes		–	9,836	(43,690)
Cash and cash equivalents at end of year		<u>40,697</u>	<u>6,348,409</u>	<u>3,881,944</u>

Notes Forming Part of the Historical Financial Information

1. General

This financial information shows the engineering and technology businesses of Green Dragon Gas Ltd., whose principal activities consist of the provision of engineering, procurement, construction and management for infrastructure projects in China. These businesses are hereinafter collectively referred to as the “Group”.

The financial information is presented in United States dollars.

2. Principal Accounting Policies

Basis of preparation

The combined financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”) except as described below.

The Group comprises the entities set out below, together with a number of assets held separately within the Green Dragon Gas Ltd. group.

<i>Entity:</i>	<i>Summary Description:</i>
Greka Manufacturing Ltd.	Investment holding
Zhengzhou Greka Technology Co., Ltd.	Supply and distribution of gas control systems
Zhengzhou Greka Petro-Equipment Co., Ltd.	Supply and distribution of gas equipment
Greka Integrated Products Ltd.	Investment holding
Henan Gongyi Greka Transportation Co., Ltd.	Provision of infrastructure services

The Group did not form a legal group in the period presented in the combined financial information. However the companies forming the Group were under common management and control throughout the period and accordingly combined financial information on these entities has been prepared.

IFRSs do not provide for the preparation of combined financial information and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs. In other respects IFRSs have been applied.

The combined financial information has been prepared by aggregating the assets, liabilities and results of the Group, after eliminating intercompany transactions, intercompany balances and unrealised gains on transactions between the combined entities. As the Group entities do not have a single holding company, it is not meaningful to present share capital and reserves, and instead “Invested capital” is presented which represents the aggregated share capital and reserves of the companies making up the Group.

The preparation of financial information 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 information are disclosed in note 2 to the financial information. 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.

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2012. Except as noted, the implementation of these standards is not expected to have a material effect on the Group:

<i>Standard</i>	<i>Effective date</i>	<i>Impact on initial application</i>
IFRS 7 – Amendment – Transfer of Financial Asset	1 Jul 2011	This Amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.
IFRS 1 – Amendment – Severe hyperinflation and removal of fixed dates	1 Jul 2011	This Amendment makes two changes to the requirements of IFRS 1. The first change replaces references to a fixed date of ‘1 January 2004’ with ‘the date of transition to IFRSs’, thus eliminating the need for companies adopting IFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to IFRSs. The second change provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
IAS 12 – Amendment – Recovery of Underlying Assets	1 Jan 2012	IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale.

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

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

<i>Standard</i>	<i>Description</i>	<i>Effective period commencing on or after</i>
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 10	IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11	IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12	IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement	1 January 2013
IAS 27	IAS 27 – Separate Financial Statements	1 January 2013
IAS 28	IAS 28 – Investments in Associates and Joint Ventures	1 January 2013
IAS 19	IAS 19 – Employee Benefits	1 January 2013
IFRS 7	IFRS 7 Amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 1	Amendment – Government Loans	1 January 2013
	Improvements to IFRS (2009-2011 Cycle)	1 January 2013
IFRS 10, 11 and 12	Amendments – Transition Guidance	1 January 2013
IAS 32	Amendment – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10, 12 and IAS 27*	Amendments – Investment Entities	1 January 2014
IFRS 9*	Financial Instruments	1 January 2015

* Not yet endorsed by European Union.

The Group is evaluating the impact of the above pronouncements, but they are not expected to have a material impact on the Group’s reporting or reported numbers.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 year/period, unless exchange rates fluctuate significantly during the period/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 balance sheet 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 balance sheet 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	5–10 years
Leasehold improvements	2–5 years

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.

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 consolidated statement of comprehensive income on disposal.

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 income statement as incurred.

Amortisation is recognised in the income statement 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
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Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs 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 Chief Executive Officer, the Chief Financial Officer and non-executive Board Members.

Taxation

Tax on the profit or loss for the period comprises current tax. Tax is recognised in the consolidated statement of comprehensive income 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 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 and jointly controlled entities where the Group is 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 balance sheet 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.

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.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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 institutions. 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.

(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.

Loans 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 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 consolidated statement of comprehensive income 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.

Impairment of property plant and equipment

At the end of each 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.

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

At the end of each reporting period, management 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.

Circumstances that could indicate a potential impairment include significant adverse changes in industry trends, economic climate, legal factors, and an adverse action or assessment by a regulator. More specifically, significant adverse changes in industry trends include significant declines in revenue rates and oil and natural gas market prices. In performing an impairment evaluation, management estimate the future undiscounted 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. If the sum of the estimated future undiscounted 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 fair value of these assets. We did not record an impairment charge on

any property plant and equipment for any of the years ended 31 December 2012, 2011 or 2010. The assumptions used in the impairment evaluation for property plant and equipment are inherently uncertain and require management judgement.

4. Revenue and Segment Information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (“CODMs”) that are used to make strategic decisions.

The Group reports its operations as a single reportable segment: gas equipment sales and the provision of contract infrastructure services in the People’s Republic of China (the “PRC”). The consolidation of our engineering and technology operations into one reportable segment is attributable to how the CODMs manage the business.

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

Gas equipment sales and infrastructure services revenue represents the net invoiced value of gas equipment sales and contract infrastructure services provided to 61, 51 and 56 customers for the years ended 31 December 2010, 2011 and 2012, respectively. The amounts of each significant category of revenue recognised during the years ended 31 December 2010, 2011 and 2012 are as follows:

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Gas equipment sales	1,248,816	2,138,225	2,496,677
Infrastructure services	213,896	3,261,298	2,707,415
Revenue from continuing operations	1,462,712	5,399,523	5,204,092
Revenue from discontinuing operations (note 10)	530,998	873,634	711,507
	<u>1,993,710</u>	<u>6,273,157</u>	<u>5,915,599</u>

5. Loss from Operations

Loss from operations is stated after charging/(crediting):

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Staff costs (note 7)	493,146	1,076,164	1,525,808
Depreciation of property, plant and equipment	231,722	560,983	923,945
Amortisation of intangible assets	494,599	494,598	494,599
Operating lease expense	173,926	300,284	604,891
Loss on disposal of property, plant and equipment	–	173	70,854
Foreign exchange losses	–	20,724	6,963
	<u> </u>	<u> </u>	<u> </u>

6. Finance Income

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Bank interest	171	3,595	8,008
	<u> </u>	<u> </u>	<u> </u>

7. Staff Costs

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Staff costs (including directors' remuneration (note 8)) comprise:			
Wages and salaries	434,369	832,978	1,172,320
Employer's national social security contributions	55,346	202,647	327,517
Other benefits	3,431	40,539	25,971
	<u>493,146</u>	<u>1,076,164</u>	<u>1,525,808</u>

8. Directors' Remuneration

None of the directors received any remuneration from the Group in any of the 3 years.

9. Taxation

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
<i>Current tax</i>			
Charges for current year	11,835	103,653	105,489
<i>Deferred tax</i>			
Credit for the year	(123,650)	(123,649)	(123,650)
Total tax credit	<u>(111,815)</u>	<u>(19,996)</u>	<u>(18,161)</u>

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

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Loss before income tax	<u>(789,576)</u>	<u>(810,984)</u>	<u>(1,403,005)</u>
Expected tax credit based on the standard rate of corporation tax in the PRC of 25% (2010, 2011 and 2012 – 25%)	(197,394)	(202,746)	(350,751)
Effect of:			
Tax effect of revenue not taxable for tax purposes	–	–	–
Tax effect of expenses not deductible for tax purposes	–	–	–
Tax effect of tax losses not recognised	85,579	182,750	332,590
Income tax credit	<u>(111,815)</u>	<u>(19,996)</u>	<u>(18,161)</u>

The Group entities incorporated in the British Virgin Islands are not subject to income tax.

10. Discontinuing Operations

The strategy of the Group is to develop its engineering and technology operation. In order to focus on the delivery of this strategy, the Group has decided to sell its non-core transportation operations as soon as possible following demerger.

The following are the totals for the major classes of assets relating to the Group's transportation operation:

	<i>US\$</i>
Motor vehicles	1,361,733
Fixtures, fittings and equipment	18,729
Plant and machinery	3,652
At 31 December 2012	<u>1,384,114</u>

The (loss)/profit on discontinuing operations in the Combined Statement of Comprehensive Income can be analysed, as follows:

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Transportation service revenue	530,998	873,634	711,507
Cost of sales	<u>(609,053)</u>	<u>(673,199)</u>	<u>(792,571)</u>
	<u>(78,055)</u>	<u>200,435</u>	<u>(81,064)</u>

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

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Net cash flows attributable to operating activities	(78,055)	200,435	(81,064)
Net cash flows attributable to investing activities	(1,215,956)	(687,425)	(20,320)
Net cash flows attributable to financing activities	<u>–</u>	<u>–</u>	<u>–</u>

11. Property, Plant and Equipment

	<i>Buildings and structures</i> <i>US\$</i>	<i>Motor vehicles</i> <i>US\$</i>	<i>Fixtures, fittings and equipment</i> <i>US\$</i>	<i>Plant and machinery</i> <i>US\$</i>	<i>Leasehold improve- ments</i> <i>US\$</i>	<i>Construction in progress</i> <i>US\$</i>	<i>Total</i> <i>US\$</i>
Cost							
At 1 January 2010	–	56,528	34,800	–	–	–	91,328
Additions	–	1,178,805	4,095	1,191,488	–	338,634	2,713,022
Transfers	–	–	–	329,576	–	(329,576)	–
Exchange movement	–	1,660	1,022	–	–	–	2,682
At 31 December 2010	<u>–</u>	<u>1,236,993</u>	<u>39,917</u>	<u>1,521,064</u>	<u>–</u>	<u>9,058</u>	<u>2,807,032</u>
Additions	1,093,520	751,714	190,404	3,250,005	205,853	932,291	6,423,787
Disposals	–	(5,000)	(12,241)	–	–	–	(17,241)
Exchange movement	–	63,176	2,039	77,683	–	462	143,360
At 31 December 2011	<u>1,093,520</u>	<u>2,046,883</u>	<u>220,119</u>	<u>4,848,752</u>	<u>205,853</u>	<u>941,811</u>	<u>9,356,938</u>
Additions	238,719	–	26,771	116,443	114,084	17,853,093	18,349,110
Disposals	–	–	–	(1,503)	(86,293)	–	(87,796)
Transfers	–	–	–	35,958	–	(35,958)	–
Exchange movement	2,679	5,015	539	11,880	505	2,308	22,926
Transfers to assets held for sale	–	(1,923,449)	(26,627)	(6,955)	–	–	(1,957,031)
At 31 December 2012	<u>1,334,918</u>	<u>128,449</u>	<u>220,802</u>	<u>5,004,575</u>	<u>234,149</u>	<u>18,761,254</u>	<u>25,684,147</u>

	<i>Buildings and structures US\$</i>	<i>Motor vehicles US\$</i>	<i>Fixtures, fittings and equipment US\$</i>	<i>Plant and machinery US\$</i>	<i>Leasehold improve- ments US\$</i>	<i>Construction in progress US\$</i>	<i>Total US\$</i>
Accumulated depreciation							
At 1 January 2010	–	35,575	17,684	–	–	–	53,259
Charge for the year	–	126,491	6,055	99,176	–	–	231,722
Exchange movement	–	1,045	519	–	–	–	1,564
At 31 December 2010	–	163,111	24,258	99,176	–	–	286,545
Charge for the year	8,657	235,728	20,706	269,365	26,527	–	560,983
Eliminated on disposal	–	(5,000)	(12,068)	–	–	–	(17,068)
Exchange movement	–	8,330	1,239	5,065	–	–	14,634
At 31 December 2011	8,657	402,169	34,135	373,606	26,527	–	845,094
Charge for the year	61,494	233,751	61,420	498,111	69,169	–	923,945
Eliminated on disposals	–	–	–	(328)	(16,613)	–	(16,941)
Exchange movement	21	985	84	915	65	–	2,070
Transfers to assets held for sale	–	(561,716)	(7,898)	(3,303)	–	–	(572,917)
At 31 December 2012	70,172	75,189	87,741	869,001	79,148	–	1,181,251
Net book value							
At 31 December 2010	–	1,073,882	15,659	1,421,888	–	9,058	2,520,487
At 31 December 2011	1,084,863	1,644,714	185,984	4,475,146	179,326	941,811	8,511,844
At 31 December 2012	1,264,746	53,260	133,061	4,135,574	155,001	18,761,254	24,502,896

12. Intangible Assets

US\$

Cost

At 1 January 2010 and 31 December 2010, 2011 and 2012 4,945,987

Accumulated amortisation

At 1 January 2010 571,879

Charge for the year 494,599

At 31 December 2010 1,066,478

Charge for the year 494,598

At 31 December 2011 1,561,076

Charge for the year 494,599

At 31 December 2012 2,055,675

Net book value

At 31 December 2010 3,879,509

At 31 December 2011 3,384,911

At 31 December 2012 2,890,312

13. Inventories

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Raw materials and consumables	332,436	419,927	1,273,706
Work-in-progress	32,909	683,156	400,316
Finished goods	35,347	283,969	448,755
	<u>400,692</u>	<u>1,387,052</u>	<u>2,122,777</u>

14. Trade and Other Receivables

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Trade receivables	931,234	1,043,022	877,661
Prepayments	22,509	58,484	40,692
Other receivables	193,054	1,080,859	5,224,308
Amounts due from related parties (note 20)	273,418	542,500	2,327,395
	<u>1,420,215</u>	<u>2,724,865</u>	<u>8,470,056</u>

The fair values of other receivables approximate their respective carrying amounts at the end of each reporting periods due to their short maturities.

15. Trade and Other Payables

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Trade payables	1,474,040	1,374,874	2,943,228
Other current liabilities	351,782	313,949	2,064,831
Amounts due to related parties (note 20)	6,551,126	21,525,873	36,654,656
	<u>8,376,948</u>	<u>23,214,696</u>	<u>41,662,715</u>

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.

16. Loans and Borrowings

	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Loans – unsecured and interest free	<u>–</u>	<u>–</u>	<u>3,945,149</u>

Borrowings are fully repayable within six months from the end of the reporting period.

17. Deferred Taxation

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Deferred tax liabilities			
At the beginning of the year	1,093,527	969,877	846,228
Reversal of temporary differences	(123,650)	(123,649)	(123,650)
At the end of the year	<u>969,877</u>	<u>846,228</u>	<u>722,578</u>
Recognised deferred tax liabilities at PRC rate of 25 per cent.			
Deferred tax assets and liabilities are attributable to the following:			
Tax losses – overseas	<u>969,877</u>	<u>846,228</u>	<u>722,578</u>
	<u>969,877</u>	<u>846,228</u>	<u>722,578</u>

There were unrecognised deferred tax assets in each year. Deferred tax assets have not been recognised at this point due to the uncertainty of future taxable income in the short term.

The deductible temporary differences and domestic tax losses do not expire under current tax legislation. Foreign tax losses expire after 5 years. The Group has not offset deferred tax assets across different jurisdictions.

18. Invested Capital and Non-Controlling Interests

	<i>Invested capital US\$</i>
At 1 January 2010	–
Loss for the year	(677,760)
Other comprehensive income:	
Exchange differences on translating foreign operations	(422,308)
Total comprehensive loss for the year	<u>(1,100,068)</u>
At 31 December 2010	<u>(1,100,068)</u>
Loss for the year	(790,988)
Other comprehensive income:	
Exchange differences on translating foreign operations	128,892
Total comprehensive loss for the year	<u>(662,096)</u>
At 31 December 2011	<u>(1,762,164)</u>
Loss for the year	(1,384,844)
Other comprehensive income:	
Exchange differences on translating foreign operations	25,289
Total comprehensive loss for the year	<u>(1,359,555)</u>
At 31 December 2012	<u>(3,121,719)</u>

19. Subsidiaries

The principal subsidiaries of the Group, all of which have been included in this combined financial information, are as follows:

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

20. Related Party Transactions

(a) 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:

	Year ended 31 December 2010 US\$	Year ended 31 December 2011 US\$	Year ended 31 December 2012 US\$
Amounts due from related companies:			
– Zhengzhou Greka Gas Co., Ltd	–	47,031	1,539
– Greka (Zhengzhou) Technical Services Co., Ltd	–	–	39,041
– Greka Energy (International) B.V.	273,418	487,059	2,273,288
– Pindingshan Sinoenergy Ltd	–	8,410	13,527
Total of the above which is included in other receivables (note 14)	<u>273,418</u>	<u>542,500</u>	<u>2,327,395</u>
Amounts due to related companies (note (i)):			
– Greka Gas China Ltd	4,149,784	20,655,190	33,781,370
– Zhengzhou Greka Gas Co., Ltd	390,048	631,988	2,760,658
– Greka (Zhengzhou) Technical Services Co., Ltd	2,011,294	158,665	–
– Greka Energy (International) B.V.	–	67,366	106,158
– Pindingshan Sinoenergy Ltd	–	12,664	6,470
Total of the above which is included in trade and other payables (note 15)	<u>6,551,126</u>	<u>21,525,873</u>	<u>36,654,656</u>

Note:

(i) These balances are unsecured, interest-free and have no fixed terms of repayment.

Related party transactions comprise:

	<i>Year ended</i> <i>31 December</i> 2010 US\$	<i>Year ended</i> <i>31 December</i> 2011 US\$	<i>Year ended</i> <i>31 December</i> 2012 US\$
Equipment sales to related companies:			
– Zhengzhou Greka Gas Co., Ltd	–	284,925	692,967
– Greka (Zhengzhou) Technical Services Co., Ltd	3,886	227,386	128,134
– Greka Energy (International) B.V.	115,671	318,409	242,565
– Pindingshan Sinoenergy Ltd	–	–	31,800
– Beijing Huayou United Gas Development Co., Ltd	24,521	–	13,611
	<hr/>	<hr/>	<hr/>
Provision of infrastructure services to related companies:			
– Zhengzhou Greka Gas Co., Ltd	435,017	415,530	437,318
– Greka (Zhengzhou) Technical Services Co., Ltd	19,813	2,220,901	173,392
– Mitchell (Guizhou) Drilling Co., Ltd	8,256	–	–
– Greka Energy (International) B.V.	194,083	928,403	2,557,930
– Pindingshan Sinoenergy Ltd	–	428,750	250,283
	<hr/>	<hr/>	<hr/>
Vehicle rental expense from related companies:			
– Zhengzhou Greka Gas Co., Ltd	–	11,903	56,081
– Greka (Zhengzhou) Technical Services Co., Ltd	–	71,418	130,825
	<hr/>	<hr/>	<hr/>
Purchases from related companies:			
– Zhengzhou Greka Gas Co., Ltd	–	26,962	15,554
– Greka (Zhengzhou) Technical Services Co., Ltd	–	71,418	–
– Greka Energy (International) B.V.	–	47,663	60,182
– Pindingshan Sinoenergy Ltd	–	91,619	60,564
	<hr/>	<hr/>	<hr/>

(b) ***Subsidiary companies***

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

(c) ***Key management personnel***

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

21. Operating Lease Commitments

At the end of each reporting periods, 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:

	<i>Year ended</i> <i>31 December</i> 2010 US\$	<i>Year ended</i> <i>31 December</i> 2011 US\$	<i>Year ended</i> <i>31 December</i> 2012 US\$
Within one year	156,337	297,049	117,291
Within two to five years	25,574	108,593	16,864
	<hr/>	<hr/>	<hr/>
	181,911	405,642	134,155

22. Capital Commitments

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Capital expenditure contracted but not provided for in respect of:			
– acquisition of property, plant and equipment	<u>7,746,666</u>	<u>13,489,403</u>	<u>3,126,469</u>

23. Financial Instruments

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Financial assets			
Loans and receivables:			
Trade and other receivables	1,397,706	2,666,381	8,429,364
Cash and cash equivalents	<u>40,697</u>	<u>6,348,409</u>	<u>3,881,944</u>
	<u>1,438,403</u>	<u>9,014,790</u>	<u>12,311,308</u>
Financial liabilities			
At amortised cost:			
Trade and other payables	8,376,948	23,214,696	41,662,715
Loans	<u>–</u>	<u>–</u>	<u>3,945,149</u>
	<u>8,376,948</u>	<u>23,214,696</u>	<u>45,607,864</u>

(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, the management closely monitors its exposure to future cash flow as a result of changes in market interest rates, and will consider hedging such changes should the need arise.

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

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Cash and cash equivalents			
US dollars (Floating rate)	3,821	5,567,218	3,482,549
RMB (Floating rate)	<u>36,876</u>	<u>781,191</u>	<u>399,395</u>
Other financial assets			
US dollars (Non-interest bearing)	–	–	4,000,000
RMB (Non-interest bearing)	<u>1,397,706</u>	<u>2,666,381</u>	<u>4,429,364</u>
	<u>1,438,403</u>	<u>9,014,790</u>	<u>12,311,308</u>

The weighted average interest rate earned during the year was 0.02 per cent. for the years ended 31 December 2010, 2011 and 2012 on floating rate US dollar cash balances, and 0.14 per cent. for the years ended 31 December 2010, 2011 and 2012 on floating rate RMB balances. At the end of each reporting period, the Group had cash on short-term deposit for periods of between over-night and one week.

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

	<i>Year ended 31 December 2010 US\$</i>	<i>Year ended 31 December 2011 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Loans			
RMB (Non-interest bearing)	–	–	3,945,149
Other financial liabilities			
US dollars (Non-interest bearing)	4,149,784	15,125,797	22,684,998
RMB (Non-interest bearing)	4,227,164	8,088,899	18,977,717
	<u>8,376,948</u>	<u>23,214,696</u>	<u>45,607,864</u>

(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 main currency exposure risk to the Group has been in relation to the trade payable and other payables denominated in RMB. The directors consider the foreign currency exposure to be limited. Receivables are generated in RMB, operational cash balances are held in RMB, and future revenues from certain trading subsidiary operations will be generated in RMB.

	<i>In USD US\$</i>	<i>In RMB US\$</i>	<i>Total in USD US\$</i>
As at 31 December 2010			
Financial assets			
Trade and other receivables	–	1,397,706	1,397,706
Cash and cash equivalents	3,821	36,876	40,697
	<u>3,821</u>	<u>1,434,582</u>	<u>1,438,403</u>
Financial liabilities			
Trade and other payables	4,149,784	4,227,164	8,376,948
	<u>4,149,784</u>	<u>4,227,164</u>	<u>8,376,948</u>
As at 31 December 2011			
Financial assets			
Trade and other receivables	–	2,666,381	2,666,381
Cash and cash equivalents	5,567,218	781,191	6,348,409
	<u>5,567,218</u>	<u>3,447,572</u>	<u>9,014,790</u>
Financial liabilities			
Trade and other payables	15,125,797	8,088,899	23,214,696
	<u>15,125,797</u>	<u>8,088,899</u>	<u>23,214,696</u>

	<i>In USD</i> US\$	<i>In RMB</i> US\$	<i>Total in USD</i> US\$
As at 31 December 2012			
Financial assets			
Trade and other receivables	4,000,000	4,429,364	8,429,364
Cash and cash equivalents	3,482,549	399,395	3,881,944
	<u>7,482,549</u>	<u>4,828,759</u>	<u>12,311,308</u>
Financial liabilities			
Trade and other payables	22,684,998	18,977,717	41,662,715
Loans	–	3,945,149	3,945,149
	<u>22,684,998</u>	<u>22,922,866</u>	<u>45,607,864</u>

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 per cent. increase or decrease in the US dollar/RMB exchange rate would result in reported profits for the years ended 31 December 2010, 2011 and 2012 of US\$141,000, US\$271,000 and US\$727,000 higher or lower, respectively.

(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.

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

	<i>Six months or less US\$'000</i>	<i>Six months to one year US\$'000</i>	<i>Within one to five years US\$'000</i>	<i>Undiscounted payments US\$'000 (note i)</i>	<i>Adjustments US\$'000</i>	<i>Carrying value US\$'000 (note ii)</i>
At 31 December 2010						
Trade and other payables	8,376,948	–	–	8,376,948	–	8,376,948
	<u>8,376,948</u>	<u>–</u>	<u>–</u>	<u>8,376,948</u>	<u>–</u>	<u>8,376,948</u>
At 31 December 2011						
Trade and other payables	23,214,696	–	–	23,214,696	–	23,214,696
	<u>23,214,696</u>	<u>–</u>	<u>–</u>	<u>23,214,696</u>	<u>–</u>	<u>23,214,696</u>
At 31 December 2012						
Trade and other payables	41,662,715	–	–	41,662,715	–	41,662,715
Loans	3,945,149	–	–	3,945,149	–	3,945,149
	<u>45,607,864</u>	<u>–</u>	<u>–</u>	<u>45,607,864</u>	<u>–</u>	<u>45,607,864</u>

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.

(d) **Credit risk**

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

	<i>31 December 2010</i>		<i>31 December 2011</i>		<i>31 December 2012</i>	
	<i>Carrying value</i>	<i>Maximum exposure</i>	<i>Carrying value</i>	<i>Maximum exposure</i>	<i>Carrying value</i>	<i>Maximum exposure</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Current assets						
Cash and cash equivalents	40,697	40,697	6,348,409	6,348,409	3,881,944	3,881,944
Trade and other receivables	1,215,462	1,215,462	2,666,381	2,666,381	8,429,364	8,429,364
	<u>1,256,159</u>	<u>1,256,159</u>	<u>9,014,790</u>	<u>9,014,790</u>	<u>12,311,308</u>	<u>12,311,308</u>

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 94 per cent., 100 per cent. and 100 per cent. of its cash in US dollars with Baa2 or higher (Moody's) rated institutions for the years ended 31 December 2010, 2011 and 2012 respectively. The Group continues to monitor its treasury management to ensure an appropriate balance of the safety of funds and maximisation of yield.

None of other receivables had been impaired. Other receivables are predominantly non-interest bearing. The Group does not hold any collateral as security and the Group does not hold any significant provision in the impairment account for other receivables as they mainly relate to receivables with no default history.

(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 considers 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 2010, 2011 and 2012.

(f) **Fair value**

The carrying value of significant financial assets and liabilities approximate their respective fair values as at 31 December 2010, 2011 and 2012.

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.

PART IV

UNAUDITED INTERIM FINANCIAL INFORMATION ON THE GROUP

Combined Statements of Comprehensive Income

	<i>Six months ended 30 June 2013 US\$</i>	<i>Six months ended 30 June 2012 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Revenue	1,662,703	2,654,243	5,204,092
Cost of sales	<u>(1,123,692)</u>	<u>(1,656,550)</u>	<u>(4,008,778)</u>
Gross profit	539,011	997,693	1,195,314
Administrative expenses	<u>(1,408,141)</u>	<u>(1,427,843)</u>	<u>(2,525,263)</u>
Loss from operations	(869,130)	(430,150)	(1,329,949)
Finance income	<u>34,725</u>	<u>17,137</u>	<u>8,008</u>
Loss before income tax	(834,405)	(413,013)	(1,321,941)
Income tax	<u>37,756</u>	<u>5,153</u>	<u>18,161</u>
Loss for the period from continuing operations	(796,649)	(407,860)	(1,303,780)
Loss from discontinuing operations	<u>(223,693)</u>	<u>(71,029)</u>	<u>(81,064)</u>
Loss for the period	(1,020,342)	(478,889)	(1,384,844)
Other comprehensive income:			
Exchange differences on translating foreign operations	<u>556,291</u>	<u>4,095</u>	<u>25,289</u>
Total comprehensive loss for the period	<u>(464,051)</u>	<u>(474,794)</u>	<u>(1,359,555)</u>
Loss attributable to:			
– Owners of the Company	<u>(1,020,342)</u>	<u>(478,889)</u>	<u>(1,384,844)</u>
Total comprehensive loss attributable to:			
– Owners of the Company	<u>(464,051)</u>	<u>(474,794)</u>	<u>(1,359,555)</u>

Combined Statements of Financial Position

		<i>Six months ended 30 June 2013 US\$</i>	<i>Six months ended 30 June 2012 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Assets				
Non-current assets				
Property, plant and equipment		25,488,101	7,593,579	24,502,896
Intangible assets		2,643,012	3,137,611	2,890,312
		<u>28,131,113</u>	<u>10,731,190</u>	<u>27,393,208</u>
Current assets				
Inventories		2,086,292	2,038,671	2,122,777
Trade and other receivables	4	7,315,690	12,032,929	8,470,056
Cash and cash equivalents		3,699,028	4,714,369	3,881,944
Assets held for sale		1,753,358	1,486,412	1,384,114
		<u>14,854,368</u>	<u>20,272,381</u>	<u>15,858,891</u>
Total assets		<u>42,985,481</u>	<u>31,003,571</u>	<u>43,252,099</u>
Liabilities				
Current liabilities				
Trade and other payables	5	41,739,823	30,714,316	41,662,715
Loans and borrowings		4,097,542	1,682,983	3,945,149
Current tax liabilities		66,550	58,827	43,376
Total Current liabilities		<u>45,903,915</u>	<u>32,456,126</u>	<u>45,651,240</u>
Non-current liabilities				
Deferred tax liabilities		667,336	784,403	722,578
Total liabilities		<u>46,571,251</u>	<u>33,240,529</u>	<u>46,373,818</u>
Total net liabilities		<u>(3,585,770)</u>	<u>(2,236,958)</u>	<u>(3,121,719)</u>
Invested capital		<u>(3,585,770)</u>	<u>(2,236,958)</u>	<u>(3,121,719)</u>
Total equity		<u>(3,585,770)</u>	<u>(2,236,958)</u>	<u>(3,121,719)</u>

Combined Statements of Cash Flows

	<i>Six months ended 30 June 2013 US\$</i>	<i>Six months ended 30 June 2012 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Operating activities			
Loss before income tax	(1,058,098)	(484,042)	(1,403,005)
Adjustments for:			
Depreciation	452,648	417,984	923,945
Amortisation of other intangible assets	247,300	247,299	494,599
Loss on disposal of property, plant and equipment	–	–	70,854
Finance income	(34,725)	(17,137)	(8,008)
Cash flows before changes in working capital	<u>(392,875)</u>	<u>164,104</u>	<u>78,385</u>
Increase/Decrease in inventories	(36,485)	(651,618)	(735,725)
Increase/Decrease in trade and other receivables	1,154,366	(9,700,880)	(5,745,190)
Increase/Decrease in trade and other payables	(1,179,999)	8,437,998	18,448,018
Cash generated from operations	<u>(454,993)</u>	<u>(1,750,396)</u>	<u>12,045,488</u>
Income tax payment	(26,704)	(69,752)	(72,310)
Net cash from operating activities	<u>(481,697)</u>	<u>(1,820,148)</u>	<u>11,973,178</u>
Investing activities			
Payments for purchase of property, plant and equipment	(327,369)	(1,550,061)	(18,349,110)
Finance income	34,725	17,137	8,008
Net cash used in investing activities	<u>(292,644)</u>	<u>(1,532,924)</u>	<u>(18,341,102)</u>
Financing activities			
Proceeds of short term loan	–	1,632,740	3,945,149
Net cash (used in)/from financing activities	–	1,632,740	3,945,149
Net (decrease)/increase in cash and cash equivalents	<u>(774,341)</u>	<u>(1,720,332)</u>	<u>(2,422,775)</u>
Cash and cash equivalents at the beginning of the year	<u>3,881,944</u>	<u>6,348,409</u>	<u>6,348,409</u>
	3,107,603	4,628,077	3,925,634
Effect of foreign exchange rate changes	591,425	86,292	(43,690)
Cash and cash equivalents at end of year	<u><u>3,699,028</u></u>	<u><u>4,714,369</u></u>	<u><u>3,881,944</u></u>

Notes to the Interim Financial Information for the six months ended 30 June 2013

1. Accounting policies

Basis of preparation

The interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted for use in the EU.

The interim financial information has been prepared using the accounting policies which were applied in the Group's financial information in Section B of Part III for the year ended 31 December 2012. The Group has not adopted IAS 34: Interim Financial Reporting in the preparation of the interim financial statements.

There has been no impact on the Group of any new standards, amendments or interpretations that have become effective in the period. The Group has not early adopted any new standards, amendments or interpretations.

2. Financial reporting period

The interim financial information for the period 1 January 2013 to 30 June 2013 is unaudited but was the subject of an independent review carried out by the Group's auditors, BDO LLP. The financial information also incorporated the unaudited figures for the interim period 1 January 2012 to 30 June 2012 and the audited year ended 31 December 2012.

3. Segmental information

The Group reports its operations as a single reportable segment. Detail of the single operating segment is provided in the notes to the financial information provided in Section B of Part III. There have been no changes to the way in which the chief operating decision maker reviews information or manages the business in the period under review.

4. Trade and other receivables

	<i>Six months ended 30 June 2013 US\$</i>	<i>Six months ended 30 June 2012 US\$</i>	<i>Year ended 31 December 2012 US\$</i>
Trade receivables	1,004,013	983,364	877,661
Prepayments	66,083	88,453	40,692
Other receivables	4,159,628	9,319,613	5,224,308
Amounts due from related parties	2,085,966	1,641,499	2,327,395
	<u>7,315,690</u>	<u>12,032,929</u>	<u>8,470,056</u>

5. Trade and other payables

	<i>Period ended</i> <i>30 June</i> <i>2013</i> <i>US\$</i>	<i>Period ended</i> <i>31 June</i> <i>2012</i> <i>US\$</i>	<i>Year ended</i> <i>31 December</i> <i>2012</i> <i>US\$</i>
Trade payables	3,688,275	1,660,412	2,943,228
Other current liabilities	344,955	495,658	2,064,831
Amounts due to related parties	37,706,593	28,558,246	36,654,656
	<u>41,739,823</u>	<u>30,714,316</u>	<u>41,662,715</u>

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.

6. Related Party Transactions

The related parties disclosed in Part B of Section III are consistent with those at the period end and the balances with related parties are disclosed within notes 4 and 5 above.

PART V

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) is based on the combined net liabilities of the Group as at 30 June 2013, set out in the unaudited combined financial information on the Group for the period ended on that date, and has been prepared to illustrate the consolidated net assets of the Group as if the Demerger and the capitalisation of related party balances had all been completed on 30 June 2013.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information has been prepared on the basis of the accounting policies set out in the combined financial information in Part III of this document and on the basis set out in the notes below.

	<i>The Group As at 30 June 2013 (note 1) US\$000</i>	<i>Adjustments Capitalisation of related party balances (note 2) US\$000</i>	<i>Pro forma net assets of the Group US\$000</i>
Non-current assets	28,131	–	28,131
Current assets			
Inventories	2,086	–	2,086
Amounts due from related parties	2,086	–	2,086
Other receivables	5,230	–	5,230
Cash at bank and in hand	3,699	–	3,699
Assets held for sale	1,753	–	1,753
	14,854	–	14,854
Total assets	42,985	–	42,985
Current liabilities			
Trade and other payables	(4,034)	–	(4,034)
Amounts due to related parties	(37,706)	35,953	(1,753)
Loans and borrowings	(4,098)	–	(4,098)
Current tax liabilities	(67)	–	(67)
	(45,905)	35,953	(9,952)
Deferred tax liabilities	(666)	–	(666)
Net (liabilities)/assets	(3,586)	35,953	32,367

Notes:

1. The net liabilities of the Group at 30 June 2013 have been extracted without material adjustment from the unaudited financial information on the Group set out in Part IV of this document.

Adjustments:

2. On 19 September 2013, the sum of US\$35,953,235, relating to certain amounts included within the inter-group balances owing by the Group to Green Dragon and its other subsidiaries at 30 June 2013, was capitalised by the issue of one new ordinary share in the capital of GETC issued to Greka Gas China Limited. Such share was subsequently transferred to the Company for its consideration on 19 September 2013.
3. No account has been taken of the financial performance of the Group since 30 June 2013 nor of any other event save as disclosed above.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

- (a) The Directors, whose names and functions are set out on page 3 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The business address of the Company is 12th Floor, Hua Mellong Plaza, Jing nan Wu Road, Economic and Technology Development District, Zhengzhou, Henan Province, Zhengzhou, 450016, PRC.

2. The Company

- (a) The Company was incorporated under the Companies Law (2012 Revision) of the Cayman Islands on 18 March 2013 as an exempted company with limited liability and was registered in the Cayman Islands with number 276273.
- (b) The Company's registered office is at the offices of International Corporation Services Ltd., PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The telephone number of the registered office is +1 345 949 8066.
- (c) Upon incorporation, by resolution of the subscriber to the Memorandum of Association dated 18 March 2013, Randeep Grewal was appointed as the sole director of the Company. On 18 April 2013 the sole director approved the transfer of the one subscriber share from International Corporation Services Ltd. to Green Dragon, and the register of members was updated accordingly. Sanjay Saxena and Bryan Smart were appointed as additional directors of the Company to take effect on 23 September 2013 by written resolutions of the sole director dated 18 September 2013.
- (d) On 18 April 2013, pursuant to written resolutions of the sole director and of the sole shareholder of Greka Gas China Ltd., 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.
- (e) 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. To ensure that the exact and correct number of shares are in issue in the capital of the Company, Green Dragon surrendered one share in the capital of the Company for no consideration on 19 September 2013.
- (f) The resulting Group share ownership following the transactions described in paragraph 2(c) and 2(d) above is that Green Dragon holds 100 per cent. of the issued share capital of the Company, which in turn holds 100 per cent. of the issued share capital of Greka Integrated Products, Greka Information Technology and Greka Manufacturing, each of which in turn holds 100 per cent. of the issued share capital of Gongyi Greka Transportation, Zhengzhou Greka Technology (WFOE) and Zhengzhou Greka Petro-Equipment (WFOE) respectively.

3. Subsidiaries

- (a) The Company, which is the holding company of the Group, has the following subsidiaries, each of which (save as disclosed) is directly or indirectly wholly-owned:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of shares held</i>
Greka Integrated Products Ltd	British Virgin Islands	Holding company	100%
Greka Information Technology Ltd.	British Virgin Islands	Holding company	100%

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of shares held</i>
Greka Manufacturing Ltd.	British Virgin Islands	Holding company	100%
Gongyi Greka Transportation Co., Ltd.	People's Republic of China	Hazardous products transportation	100% (held by Greka Integrated Products Ltd. (BVI))
Zhengzhou Greka Technology Co., Ltd.	People's Republic of China	Software development, technical consulting, machinery and electronic products sales	100% (held by Greka Information Technology Ltd. (BVI))
Zhengzhou Greka Petro-Equipment Co., Ltd.	People's Republic of China	CNG dispensers manufacturing and sales, CNG dispensers' spare parts manufacturing and sales, compressors manufacturing and sales, whole set of dispensers sales, computer software development, electronic projects and relevant technical service and consulting	100% (held by Greka Manufacturing Ltd. (BVI))

- (b) Save as referred to above the Company does not hold any shares or other securities in the capital of any company.

4. Share Capital

- (a) 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.

On 18 April 2013, the one subscriber share was transferred to, and an additional 409,622,132 ordinary shares were issued to Green Dragon, credited as fully paid. On 19 September 2013, one additional share in the capital of the Company was issued to Greka Gas China Ltd. This one share was transferred to Green Dragon, and was subsequently surrendered for no consideration on the same date.

- (b) The authorised and issued and fully paid share capital of the Company: (i) as at 23 September 2013 (being the latest practicable date prior to the publication of this document); and (ii) as it is expected to be immediately following Admission:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>US\$</i>	<i>Number</i>	<i>US\$</i>
Existing share capital	5,000,000,000	50,000	409,622,133	4,096
Share capital following Admission (note)	5,000,000,000	50,000	409,622,133	4,096

Note:

The number of Ordinary Shares in issue on Admission shown above is based on the number of Green Dragon Shares in issue at the close of business on 23 September 2013. The actual number of Ordinary Shares in issue at Admission will depend on the number of Green Dragon Shares in issue at the Record Time.

- (c) Save as set out below and save for the Directors' interests described in paragraph 6(a) below, as at 23 September 2013, being the latest practicable date prior to the publication of this document, the Directors are not aware of any person who, immediately following Admission, will be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company.

<i>Party</i>	<i>Number of Ordinary Shares</i>	<i>% of issued share capital (note)</i>
Mandolin Capital Pte. Ltd.	74,495,331	18.19%
Aberdeen Asset Managers Ltd	28,470,723	6.95%
Platinum Asset Management Limited	13,047,153	3.19%

Note:

The number of Ordinary Shares in issue on Admission used to calculate the percentage of issued share capital shown above is based on the number of Green Dragon Shares in issue at the close of business on 23 September 2013. The actual number of Ordinary Shares in issue at Admission will depend on the number of Green Dragon Shares in issue at the Record Time.

- (d) None of the major Shareholders, or the Directors in their capacity as Shareholders, have different voting rights to other Shareholders.
- (e) The Company is not aware of any persons, other than Randeep Grewal (see paragraph 6(a) below), who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- (f) Save for the share option scheme which the Company intends to introduce after Admission as described under Employee incentives in Part I of this document, no share of the Company or any of its subsidiaries is under option or has been agreed conditionally or unconditionally to be put under option and no person otherwise has any right to subscribe for shares in the capital of the Company or any of its subsidiaries.
- (g) The Company has not issued any warrants, convertible securities or exchangeable securities.
- (h) Save as disclosed in paragraph 2 above, since its incorporation no share in the capital of the Company has been allotted fully paid or partially paid either for cash or a consideration other than cash.
- (i) There are no shares in issue that do not represent share capital and there are no Ordinary Shares (nor will there be Ordinary Shares at Admission) held by or on behalf of the Company or by any member of the Group.
- (j) The Ordinary Shares will, on Admission, rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- (k) None of the Ordinary Shares is being marketed or made available in whole or in part to the public in conjunction with the application for Admission. The Ordinary Shares are only to be traded on AIM and no application has or is intended to be made for the Ordinary Shares to be admitted to trading on any other stock exchange or market.
- (l) Save as disclosed in this document, no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share capital of the Company.
- (m) A shareholder in a public company incorporated in the United Kingdom whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the company of the percentage of his voting rights if the percentage of voting rights which he holds as a

shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. Although the Company is not subject to the Disclosure and Transparency Rules, it must nonetheless comply with the AIM Rules for Companies requiring notification without delay of any relevant changes to any holdings of 3 per cent. or more of its AIM securities. Pursuant to the Articles, the Company may by notice in writing, require any person (other than Capita IRG Trustees Limited) whom the Company knows, or has reasonable cause to believe to be interested in the Company's shares or, to have been so interested at any time during the 3 years immediately preceding the date on which the notice is issued, to confirm that fact and where he holds or has held during that period an interest in shares, to give such further information within his knowledge, of any other person also having an interest in the same shares. Further details are set out in the summary of the Articles in paragraph 5 below.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's objects are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2012 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands. The objects of the Company are set out in Clause 3 of the Memorandum of Association. The Articles of Association (the "Articles") as adopted by the Company on 18 September 2013 pursuant to a written resolution of the sole shareholder contain provisions to the following effect:

(a) Voting

Subject to any rights or restrictions attaching to any shares at any general meeting:

- (i) on a show of hands every member who is entitled to vote on the relevant matter and who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote, shall have one vote; and
- (ii) on a poll every member who is entitled to vote on the relevant matter shall have one vote for every share of which he is the holder. A member is not entitled to vote if any calls due in respect of his shares remain unpaid and a shareholder may be disenfranchised where he, or a person appearing to be interested in shares or DIs fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(b) Dividends, distributions and return of capital

Dividends may be declared by the Board.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the nominal value of the shares in respect of which the dividend is paid.

If any member or any other person appearing to be interested in shares shall be in default in supplying to the Company any information required by any notice given pursuant to the Articles, the Directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares shall be retained by the Company and that any right to receive any additional shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

On a liquidation of the Company the holders of shares are entitled *pari passu* amongst themselves in proportion to their shareholdings and to the amounts paid up or credited as paid up on their shares to share in any assets of the Company available for distribution.

(c) Unclaimed dividends

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed three years after having become due for payment shall be forfeited and shall revert to the Company.

(d) ***Untraced shareholders***

The Company may sell any shares in the Company, for the benefit of the Company, of a member who is untraceable if:

- (i) during a period of six years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the earlier or earliest of them):
 - (a) no cheque, warrant or money order in respect of such share sent by or on behalf of the Company to the member or to the person entitled by transmission to the share, at his address in the Register of Members or other address last known to the Company has been cashed; and
 - (b) no cash dividend payable on the shares has been satisfied by the transfer of funds to a bank account of the member (or person entitled by transmission to the share) or by transfer of funds by means of the Uncertificated System, and no communication has been received from such member or any person entitled to the shares by transmission, provided that during such six year period the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed;
- (ii) on or after the expiry of such six year period the Company has given notice in both a national newspaper in which the Company's registered office is located and a newspaper circulating in the area where the member's last known address is located of its intention to sell in accordance with the Articles; and
- (iii) no communication has been received by the Company from such member or any person entitled to the share by transmission within the period of three months following the publication of the advertisements referred to in (ii) above.

(e) ***Variation of class rights***

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

(f) ***Alteration of capital***

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (iii) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (iv) subject to the law (as defined below), sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution (being a resolution passed by a majority of not less than 75 per cent. of members, being entitled to do so in person or by proxy) reduce its share capital or any capital redemption reserve or share premium account or other undistributable reserve in any way.

(g) ***Allotment of shares***

Subject to the Companies Law (2012 Revision) of the Cayman Islands (the "Law") and the Articles, any unissued shares shall be at the disposal of the Board, who may offer, allot, grant options over or

otherwise dispose of them to such persons and on such terms as it may decide (including, without limitation, terms relating to the renunciation of any allotment).

Subject to the Law and without prejudice to any rights attached to any shares, the Board, by way of a unanimous vote, is authorised to provide for the issuance of shares representing shares with preferred rights in classes or series, to establish or change the number of shares to be included in each class or series, and to fix the designation, relative rights and preferences and limitations of the shares of each class or series.

After Admission, unless otherwise approved by a special resolution, the Company shall not allot shares or any securities conferring the right to subscribe for, or to convert such securities into, shares (“relevant securities”) of the Company for cash (other than pursuant to an employee share scheme) on any terms unless the Directors have made an offer (“the pre-emption right”) to each person who holds shares (or shares of the same class as the relevant securities to be allotted) to allot to him on the same or more favourable terms such proportion of the relevant securities as aforesaid that is as nearly practicable (fractions being disregarded) equal to the proportion that such person’s existing holding of shares (or shares of the same class) represents of all the issued shares (or shares of that class). The Company will make such an offer on the basis that it is open for a period of not less than 21 clear days, during which time it may be accepted or refused by notice or, following the expiry of such period, the Company may allot such shares or securities as aforesaid free of the pre-emption rights. The pre-emption rights shall not apply, in any period between an AGM of the Company and the next following AGM, to an allotment or series of allotments of relevant securities for cash not exceeding 25 per cent. of the aggregate nominal amount of the Company’s issued share capital as at the date of the prior AGM.

(h) ***Transfer of shares***

All transfers of certificated shares shall be effected by instrument in writing, in any usual or common form or in any other form approved by the Board and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferee. Transfers of uncertificated shares shall be effected without a written instrument in accordance with the CREST Regulations. The Board may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:

- (i) in respect of a share which is fully paid;
- (ii) in respect of a share on which the Company has no lien;
- (iii) in respect of only one class of shares;
- (iv) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (v) duly stamped (if required); and
- (vi) delivered for registration to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a renunciation) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so, provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares traded on AIM on the grounds that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis. The Directors may refuse subject to any relevant requirement of (to the extent applicable) the AIM Rules and/or the London Stock Exchange to register any transfer of any uncertificated shares which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations. The Articles contain no further restrictions on the free transferability of fully paid shares provided that the

provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served by the Company under the Articles.

(i) ***General meetings***

Annual general meetings (“AGMs”) shall be convened by the Board in accordance with the Articles. Extraordinary general meetings (“EGMs”) may be convened by the Board or on the written requisition of any member or members entitled to attend and vote at general meetings holding not less than 25 per cent. of the paid up voting share capital of the Company.

The notice period for convening an AGM or an EGM is 14 days. Shorter notice may be used to convene a general meeting if it is so agreed in the case of all meetings, by not less than 90 per cent. of the members entitled to attend and vote at the meeting. Notice of a meeting shall specify whether it is an AGM or EGM; the place, date and time of the meeting; the general nature of business to be transacted; any intention to propose a resolution(s) and details of members’ entitlement to appoint a proxy. Notice shall be given to the members, Directors and auditors of the Company in accordance with the Articles.

Persons must be entered on the register of members in order for them to have a right to attend or vote at a meeting. The quorum needed for business to be transacted at a general meeting is two persons entitled to vote on the business being transacted whether in person, by proxy or by corporate representative. A Director (and any other person invited by the Chairman) shall be entitled to attend and speak at a general meeting, whether or not he is a member.

(j) ***Directors***

(i) Each of the Directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine. The Directors are also entitled to be repaid all travelling and hotel expenses incurred by them in or about the performance of their duties as Directors. The Board may also grant special remuneration to any Director who, being called upon, performs any special duties outside his ordinary duties as a Director.

(ii) A Director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be avoided, nor is any Director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board.

(iii) Save as provided in paragraph (v) below, a Director may not vote in respect of any contract or arrangement or any other proposal in which he has any material interest including by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.

(iv) ***Retirement, removal and vacation of office***

At the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number to but not less than one-third, shall retire from office and each Director shall retire from office at least once every three years. Subject to the Articles, the Directors to retire by rotation at each annual general meeting shall be, so far as necessary to obtain the number required, first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business seven days before the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time

but before the close of the meeting. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting. A retiring Director shall be eligible for re-election. If he is not re-elected or deemed to be re-elected, he shall hold office until the meeting elects someone in his place or, if it does not do so, until the end of the meeting. If the Company at the meeting at which a Director retires by rotation does not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

Any Director may be removed from office by ordinary resolution of the Company. Subject to the Articles, the Company may, by ordinary resolution, appoint another person who is willing to act as a Director, and is permitted by law to do so, to be a Director instead of him. No person other than a Director retiring by rotation or otherwise, may be appointed or re-appointed at a general meeting unless he is recommended by the Board or by Shareholders holding not less than 25 per cent. of the paid up voting share capital of the Company.

The office of a Director shall be vacated if the Director:

- (i) resigns by notice in writing delivered to the Board or to the registered office or tendered at a Board meeting;
 - (ii) only held office as a Director for a fixed term and such term expires;
 - (iii) is removed from office pursuant to the Articles or the Law or becomes prohibited by law from being a Director;
 - (iv) becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
 - (v) is subject to an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder or which is made for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;
 - (vi) is absent, without permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director attends in his place) and the Board resolves that his office be vacated;
 - (vii) is removed from office by notice in writing addressed to him at his address as shown in the Company's register of directors and signed by not less than three-quarters of all the Directors in number (without prejudice to any claim for damages which he may have for breach of contract against the Company); or
 - (viii) being a Director who holds executive office, has his appointment to such office terminated or it otherwise expires and the Board resolves that his office be vacated.
- (v) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:
- (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed

responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (cc) any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (dd) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1 per cent. or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;
 - (ee) any proposal relating to an arrangement for the benefit of employees which does not award him as a director any privilege or advantage not generally awarded; or
 - (ff) any proposal concerning the purchase and/or maintenance of an insurance policy under which a Director may benefit; or
 - (gg) any contract or arrangement with Green Dragon or its subsidiaries provided that the nature of the interest of any Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.
- (vi) a Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment.

(k) ***Disclosure of interests in shares***

The Company may by notice in writing (a “Disclosure Notice”) require a person (other than Capita IRG Trustees Limited) whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the notice is issued, to have been interested (whether legally or beneficially) in any shares comprised in the capital of the Company:

- (i) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
- (ii) where his interest is a present interest and any other interest subsists, or where any other interest in the shares subsisted at any time in that period when his own interest subsisted, to give such further information as may be required, which can include particulars of the identity of any persons having an interest (whether legal or beneficial) in the shares in question and of whether persons interested in the same shares are or were parties to any agreement relating to the acquisition of shares in the Company or to any agreement or arrangement relating to the exercise of any rights conferred by the holding of the shares.

Where a Disclosure Notice is served by the Company on a person who is or was interested in shares of the Company and that person fails to give the Company any information required by the notice within the time specified in it, the Company may apply to the court for an order directing that the shares in question be subject to such restrictions as the court believes appropriate in the circumstances.

If a member or any person appearing to be interested in any shares held by a member has been duly served with a Disclosure Notice and fails fully to comply with it within 14 days from the date of service of the Disclosure Notice:

- (i) the member will not be entitled in respect of the shares held by him, whether or not referred to in the Disclosure Notice, to attend and vote at a general meeting either personally or by proxy unless the Directors otherwise determine; and
- (ii) the member will not be entitled in respect of the shares held by him, whether or not referred to in the Disclosure Notice, to receive any dividend payable in respect of such shares or to transfer or agree to transfer any of such shares, or any rights in them unless the Directors otherwise determine.

These restrictions will continue until a relevant event occurs in relation to those shares e.g. the default is remedied to the satisfaction of the Company or the shares are registered in the name of the purchaser or offeror, or that of his nominee, pursuant to an arm's length transfer and will cease immediately it does so. These restrictions are without prejudice to the right of either the member holding the shares concerned or, if different, the beneficial owner of those shares, to sell or agree to sell them pursuant to an arm's length transfer.

Any dividends withheld will be paid to the member as soon as practicable after these restrictions lapse. The Company will be entitled to treat any persons as appearing to be interested in any shares if the member holding such shares or any person who is or may be interested in such shares either fails to respond to a Disclosure Notice or has given to the Company a notification pursuant to a Disclosure Notice which in the opinion of the Directors fails to establish the identities of those interested in the shares and if, after taking into account such notification and any other relevant notification pursuant to a Disclosure Notice, the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares, or that person, not being the member, is interested in those shares.

(l) ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities.

6. Directors' and Other Interests

- (a) The interests of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) those of any persons connected with them within the meaning of sections 252–254 of the Act, all of which are beneficial, in the issued share capital of the Company, as at the date of this document are nil, and immediately following Admission, will be, as follows:

	<i>No. of Ordinary Shares</i>	<i>% age of Ordinary Shares</i>
Randeep Grewal (note)	264,935,883	64.68%
Sanjay Saxena	0	0%
Bryan Smart	0	0%

Note:

Including the shareholdings of Green Dragon Gas (Holdings) Limited in whose shares Mr. Grewal is beneficially interested via a family trust.

- (b) As at 23 September 2013 (being the most recent practicable date before the publication of this document), no options over Ordinary Shares had been granted to any of the Directors.
- (c) For each of the Directors set out below is their length of service with the Company with the expiration of their current term:

<i>Name</i>	<i>Length of service</i>	<i>Date of expiry</i>	<i>Expiry under Articles</i>
Randeep Grewal	Appointed on 18 March 2013	See 7(a) below	Contract
Sanjay Saxena	Appointed on 23 September 2013	See 7(b) below	Contract
Bryan Smart	Appointed on 23 September 2013	See 7(b) below	Contract

- (d) Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company or its subsidiaries, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

<i>Director</i>	<i>Current</i>	<i>Former</i>
Randeep Grewal	Alexi Holdings Limited All Round Management Limited GDGH Ltd. GDGH II Ltd. Great Buy Investments Limited Green Dragon Gas Limited Green Dragon Gas (Holdings) Limited Greka Drilling Limited Greka Power Limited Greka Technical Services Limited Greka Manufacturing Ltd. Greka Transport and Infrastructure Ltd. Greka QYU Ltd. Greka (Zhengzhou) Technical Service Co., Ltd. Greran Ltd. Grewal (Holdings) LLC Grewal (Homes) LLC Grewal Investments Inc Grewal Investments Limited Grewal (Investment) LLC Grewal Investments (Holdings) Limited Grewal Investments Limited Grewal (ROYALTY) LLC Pace Drilling Ltd. Pace Mitchell Drilling Corp Resolvco LLC Rincon Ltd. Santa Maria Refinery Company	
Sanjay Saxena	–	–
Bryan Smart	Greka Drilling Limited AB Dynamics plc Rangers International Football Club plc Tradelinens Ltd Daimler UK Trustees Ltd Brooklands Museum Trust	CarboTech AG SCOTTY Group SE Scotty Group Europe Ltd

- (e) Randeep Grewal was Chairman and Chief Executive Officer of Saba Enterprises, Inc. (formerly Greka Energy Corporation). On 30 November 2005, Saba Enterprises, Inc. filed a bankruptcy petition under Chapter 7 of the US Bankruptcy Code in the Southern District of New York. A complaint filed by the Chapter 7 trustee of Saba Enterprises, Inc. was dismissed on 24 July 2013.
- (f) Randeep Grewal was a director of Sabacol, Inc. a wholly owned subsidiary of Saba Petroleum Company. On 11 December 1998, Sabacol, Inc. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the Central District of California, Northern Division. The bankruptcy case was dismissed on 4 August 1999 following the sale of assets of the company. The dissolution of Sabacol, Inc was authorised by its sole shareholder on 1 March 2002 and the certificate of dissolution was issued by the Secretary of State of the State of Delaware on 26 March 2002.
- (g) Save as disclosed in this document, none of the Directors:

- (i) has any unspent convictions in relation to indictable offences;
 - (ii) has been adjudged bankrupt or been the subject of an individual voluntary arrangement or has had a receiver appointed to any asset of such Director; or
 - (iii) has been a director of any company (wherever incorporated), which while he was a director or within twelve months after he ceased to be director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with creditors generally or with any class of creditors; or
 - (iv) has been a partner of any partnership which, while he was a partner or within twelve months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement or has had a receiver appointed to any partnership asset; or
 - (v) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
 - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (h) Save as disclosed in this document, none of the Directors has any interest in the share capital or loan capital of the Company, nor does any person connected with a Director (within the meaning of sections 252–254 of the Act) have any such interest, whether beneficial or non-beneficial.
- (i) Save as disclosed in this document, there are no loans made or guarantees provided by any Director to or for the benefit of the Company or its subsidiaries and there are no outstanding loans or guarantees made by the Company or any of its subsidiaries to or for the benefit of any Director or any person connected with a Director (within the meaning of sections 252–254 of the Act).
- (j) Save as disclosed in this document no Director any interest, direct or indirect in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group.
- (k) Save as disclosed in this document no Director nor any person connected with him (within the meaning of sections 252–254 of the Act) has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.

7. Service and Employment Contracts and Emoluments

The Group has entered into the following service agreements with the Directors:

(a) ***Executive Director***

Randeep Grewal

Randeep Grewal entered into an executive employment contract with the Company on 23 September 2013 which is conditional on Admission. Under the terms of the contract Mr. Grewal will draw a salary, as of 30 September 2013, of US\$250,000 per annum, which will be increased by 5 per cent. per calendar year, and will be eligible to receive a discretionary annual bonus which will be determined by the Remuneration Committee. With effect from Admission, Mr. Grewal may receive benefits (including housing and travel allowances), the value of which will not exceed US\$20,000 per annum. The contract may be terminated on 12 months' notice by either party.

(b) ***Non-executive Directors***

The Company has entered into a letter of appointment with each of the non-executive Directors. A summary of the main terms of each appointment is as follows:

The initial term of appointment will continue until the next annual general meeting of the Company. Subject to being re-elected at the annual general meeting, the appointment will continue for a further

24 months for Bryan Smart and 36 months for Sanjay Saxena although each non-executive Director's appointment is terminable at any time upon 3 months' notice by either party.

Each non-executive Director will be entitled to a fee at a rate of US\$32,000 per annum payable in quarterly instalments in arrears. In addition, each non-executive Director will be entitled to a fee at the rate of US\$4,000 per annum payable in quarterly instalments in arrears for each committee on which he/she serves as a member. The fees will be reviewed annually by the Board. The Company will reimburse each non-executive Director for all reasonable and proper travelling expenses for attendance at board meetings and other meetings which the Company requires him/her to attend, and reasonable and proper accommodation expenses if any meeting necessitates an overnight stay. Each non-executive Director is subject to a contractual duty of confidentiality to the Company. He is also subject to a post-termination restriction of 6 months duration on taking up any role in any organisation which then competes with the Company or assisting, encouraging or procuring any third party to offer any then member of the Company's Board any appointment outside the Company.

8. Material Contracts

The following contracts, not being entered into in the ordinary course of business have been entered into by the Group in the two years preceding publication of this document and are or may be material:

- (a) On 24 September 2013, a conditional agreement was entered into between the Company (1), Green Dragon (2), the Directors (3) and Smith & Williamson (4) pursuant to which Green Dragon agreed to pay the Demerger Dividend, (conditional upon Admission and the Introduction Agreement not having lapsed or been terminated prior to Admission) and Smith & Williamson agreed to provide the Company with its assistance in making the application for Admission. Smith & Williamson is entitled to payment of a fee and to reimbursement of its expenses as consideration for its services in connection with the Admission. The Introduction Agreement includes certain warranties by the Company and the Directors and an indemnity by the Company in favour of Smith & Williamson.
- (b) GTIG and Zhengzhou Greka Gas Co. Ltd entered into an asset sale agreement, effective 1 March 2013, for the transfer from Zhengzhou Greka Gas Co. Ltd to GTIG of certain physical assets located in Shanxi Shizhuang South Zaoyuan Village, including 19km pipeline, materials and supervision and wellhead compressor for consideration of RMB 21,321,260.
- (c) GTIG and GBV entered into an asset sale agreement, effective 1 March 2013, for the transfer from GBV to GTIG of certain physical assets located in Shanxi Shizhuang South Zaoyuan Village, including primary filling station (power station and gas station), gas transportation pipelines, video monitoring system, supercharger, SCADA system and electricity supply facilities for consideration of RMB 20,236,883.4.
- (d) On 1 July 2013, Greka Integrated Products and Greka Gas Distribution Ltd. entered into an equity transfer agreement, pursuant to which Greka Integrated Products agreed to sell, and Greka Gas Distribution Ltd. agreed to purchase 100 per cent. of the issued shares in GTIG for a consideration of US\$1,753,357.76, conditional on the incorporation of a new subsidiary by Greka Integrated Products with the necessary operating licences required for the operation of the non-transportation assets of GTIG, and the transfer of those non-transportation assets to the new subsidiary.
- (e) 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 Chinese Yuan Renminbi equivalent of US\$4,000,000.

9. Significant Trading Agreements

- (a) On 8 March 2012, Greka (Zhengzhou) Drilling Technical Services Ltd. and GMCZ entered into a Drill Rig RMS Technical Service Contract. Under this agreement GMCZ shall provide the design, installation and debugging service of the SCADA system for 25 Drill Rigs (GTS DRILLMEC GD75), and shall provide maintenance service of the system under the framework established by the

agreement. Greka (Zhengzhou) Drilling Technical Services Ltd. is required by the agreement to provide certain equipment, materials, supplies and services to GMCZ. A fee schedule is set out in the agreement. The total contract value is RMB 4,944,275. The agreement is effective for an indefinite term subject to the time of the first payment by Greka (Zhengzhou) Drilling Technical Services Ltd.

- (b) On 28 February 2013, GBV and GMCZ entered into a Greka GSS CBM Gathering System, Electric Generator Sets and Compressors Sets Leasing Contract. Under this agreement GMCZ shall supply a CBM gathering system, the generator sets and the compressors for the leasing service under the framework established by the agreement. GBV is required by the agreement to provide data of gas well and relevant materials to GMCZ and be responsible for supply of CBM gas consumed by GMCZ's generator sets. A fee schedule is set out in the agreement. The term of the contract is from 1 January 2013 to 31 December 2013. The fees paid by GBV to GMCZ are RMB 0.08 per cubic metre for PNG, RMB 0.18 per cubic metre for CNG and RMB 0.64 per Kwh for electricity. The term of the contract is from 1 January 2013 to 31 December 2013.
- (c) On 1 January 2013, Greka (Zhengzhou) CBM Technologies Service Co. Ltd. and GMCZ entered into a Greka GSS IPF Power Supply System Rental Contract. Under this agreement GMCZ shall provide rental services of power supply system to Greka (Zhengzhou) CBM Technologies Service Co. Ltd. under the framework established by the agreement. A fee schedule is set out in the agreement. The fees paid by Greka (Zhengzhou) CBM Technologies Service Co., Ltd to GMCZ are RMB 0.64 per Kwh for electricity. The term of the contract is from 1 January 2013 to 31 December 2013.
- (d) On 30 May 2012, Zhengzhou Greka Gas Co., Ltd and GMCZ entered into a Product Sales Contract. Under this agreement GMCZ shall sell seven Production Wellhead Compressors (GRK-WHB-30), eight Production Wellhead Compressors (GRK-WHB-75) and related accessories to Zhengzhou Greka Gas Co., Ltd for RMB 5,263,300 and ensure that the products are all qualified. A fee schedule is set out in the agreement. The quality guarantee period is twelve (12) months after the acceptance of the goods.
- (e) On 4 March 2011, GTIG and Greka (Zhengzhou) Technical Service Co., Ltd. ("GTS") entered into a Coal Bed Methane Civil Work Contract. Under this Contract, GTIG shall undertake the civil work of the Qinshui Project as specified in the contract, including the measurement and design of the well site, the permission proceeding, the well site and access road construction, and the maintenance and recovery of the well site and the access roads. GTS, as required under the Contract, shall pay the total project value to GTIG as stipulated in the Contract. A fee schedule is set out in the Contract. The Contract is effective for an indefinite term, subject to an early termination if (1) it is agreed through negotiation by both parties; (2) due to force majeure, the Contract could not be fulfilled; or (3) one party does not fulfill the Contract, and the Contract is suspended unilaterally for 7 days.
- (f) On 6 December 2012, GTIG and Xinxing Energy Equipment Co., Ltd. ("Xinxing") entered into a Car Purchase and Sales Contract. Under this Contract, GTIG shall pay the contract value of RMB 8,680,000 (including 17 per cent. tax) as stipulated in the Contract. Xinxing, as required under the Contract, deliver the subject products to GTIG within 30 days after the advanced payment is made by GTIG, and deliver the subject products to the place confirmed by GTIG. Xinxing should ensure the quality of the subject products. A fee schedule is set out in the Contract. The Contract comes into effect on the date that approval from Everbright Bank is granted in respect of a loan to GTIG.

10. Related Party Transactions

- (a) On 1 March 2013, Greka Energy (International) B.V. ("GBV") and GTIG entered into a Production Facility Operating Agreement. According to this agreement, GBV shall operate the assets transferred pursuant to the Assets Sales Agreements in paragraphs 8(b) and 8(c) above and additional assets owned by GTIG under the Contract Change Agreements below. GTIG will pay GBV management fees on actual cost basis. The agreement can be terminated at any time by GTIG.
- (b) GMCZ, GBV and GTIG entered into a Contract Change Agreement dated 1 July 2013. According to this agreement, an agreement between GMCZ and Greka (Zhengzhou) CBM Technologies Service Co. Ltd for GMCZ to lease to GBV facilities in the Green Dragon group's Shizhuang South CBM

block in Shanxi Province of the PRC was amended such that GTIG takes over the rights and obligations of GMCZ, because the facilities under such agreement are owned by GTIG. Such amendment was effective as of 1 July 2013.

- (c) GMCZ, Greka (Zhengzhou) CBM Technologies Service Co. Ltd and GTIG entered into a Contract Change Agreement dated 1 July 2013. According to this agreement, an agreement between GMCZ and Greka (Zhengzhou) CBM Technologies Service Co. Ltd for GMCZ to lease to Greka (Zhengzhou) CBM Technologies Service Co. Ltd the facilities in the Green Dragon group's Shizhuang South CBM block in Shanxi Province of the PRC was amended such that GTIG takes over the rights and obligations of GMCZ, because the facilities under such agreement are owned by GTIG. Such amendment was effective as of 1 July 2013.
- (d) Save as disclosed in this paragraph 10 and in paragraphs 2(d), (e), 8(a), (b) and (c), 9(a), (b), (c), (d) and (e) and in note 20 in the combined financial information in Section B of Part III of this document, neither the Company nor its subsidiaries has entered into any other related party transaction during the financial years ended 31 December 2010, 31 December 2011, 31 December 2012 and the period between 1 January 2013 and the date of this document.

11. Litigation

No member of the Group is engaged in, has in the previous 12 months been engaged in, or has pending or threatened either by it or against it, any governmental, legal or arbitration proceedings which have had or may have a significant effect on the financial position of the Group.

12. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group from the time of Admission will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. Employees

The average number of the Group's permanent employees for each of the last three financial years, the last of which ended 31 December 2012, are as follows:

<i>Financial year end</i>	<i>Average number of employees</i>
31 December 2010	45
31 December 2011	53
31 December 2012	60

14. Taxation

The following statements are intended as a general guide only to the ownership or disposal of the Ordinary Shares and do not concern the consequences of the Demerger. No statements are made with respect to the tax treatment of the ownership or disposal of the Ordinary Shares in any jurisdiction other than the Cayman Islands and the UK. They are not intended to be exhaustive and investors who are subject to tax in any jurisdiction other than the United Kingdom or the Cayman Islands or who are in any doubt as to their tax position are strongly advised to seek independent professional advice without delay in connection with the tax consequences of investing in, trading in and disposing of the Ordinary Shares.

Cayman Islands tax

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from the 14th day of May 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

Tax treatment of UK resident holders

UK resident companies that are small, as defined in Part 9A Corporation Tax Act 2009, will be liable to UK tax on the gross dividend paid by the Company at the prevailing corporation tax rate. However a UK resident company that is small for these purposes may seek relief for the underlying tax, if any, associated with the dividend where the UK company owns 10 per cent. or more of the voting rights in the Company. However, the credit given in the UK for overseas tax suffered on the dividend cannot exceed the UK corporation tax liability on the dividend.

A UK resident company that is not small for the purposes of Part 9A Corporation Tax Act 2009 will generally be exempt from UK corporation tax on dividends received from the Company, subject to certain specific anti-avoidance rules.

An individual who is resident, ordinarily resident and domiciled in the UK will be chargeable to income tax on dividends received from the Company. The rate of tax due on the dividends received from the Company will depend upon the level of income of the individual in the relevant tax year and the percentage interest that the individual holds in the Company.

Where a UK individual owns an interest of less than 10 per cent. in the Company that individual will be entitled to a notional 10 per cent. tax credit in respect of the dividend received. Consequently, that individual will have no additional tax to pay if they have no higher rate income in the year. However, where the UK individual who holds less than 10 per cent. of the Company has higher rate income in the year there will be a tax liability of 25 per cent. of the dividend received where their total income is below £150,000, and 31.66 per cent. of the dividend received to the extent that it exceeds £150,000. Where a UK individual holds an interest of in excess of 10 per cent. of the Company the applicable rates of tax will be higher as that individual is not entitled to the notional 10 per cent. tax credit unless a comprehensive Double Taxation Convention is concluded between the UK and Cayman Islands.

A disposal of Ordinary Shares by a holder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains, depending on the holder's circumstances and subject to any available exemption or relief.

The above comments in relation to UK taxation apply to Shareholders who hold their shares as investments only and do not apply to certain types of shareholders such as dealers in securities or insurance companies.

UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following comments are intended as a guide to the general UK Stamp Duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK Stamp Duty or SDRT will be payable on the issue of Ordinary Shares.

No charge to Stamp Duty will arise in relation to the transfer of Ordinary Shares held in certificated form provided that all instruments relating to the transfer are executed outside the UK and do not relate to matters or actions performed in the UK.

However, any instrument effecting or evidencing a transfer of Ordinary Shares held in certificated form and which relate to matters or actions performed in the UK, whether executed in the UK or offshore may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the UK unless duly stamped. The rate of Stamp Duty is 0.5 per cent. on the value of the consideration for the relevant transfer, rounded up to the next multiple of £5.

No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

However, due to the restrictions of the CREST system, shares of companies incorporated outside the UK, such as the Company, may not be settled directly on the CREST system. Accordingly, should Ordinary Shares be held in uncertificated form, they will be held in the form of Depositary Interests issued by the Depositary.

Agreements to transfer depositary interests in shares of companies listed on AIM are liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer.

15. General

- (a) Save as disclosed in this document, no person (other than professional advisers referred to in this document or trade suppliers and counterparties of contracts with members of the Group made in the ordinary course of business) has:
 - (i) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
 - (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (aa) fees totalling £10,000 or more; or
 - (bb) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price of the Ordinary Shares on Admission; or
 - (cc) any other benefit with a value of £10,000 or more at the date of Admission.
- (b) BDO LLP has given and not withdrawn its written consent to the inclusion of its reports in Parts III and IV of this document in the form and context in which they are included.
- (c) Smith & Williamson has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they are included.
- (d) Save as set out in this document, there has been no significant change in the trading or financial position of the Group or any significant trends concerning the development of the Group's business since 30 June 2013, the date of the latest published interim accounts of the Group.
- (e) Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the business of the Group.
- (f) There are no arrangements in place under which dividends on the Ordinary Shares are to be waived or are agreed to be waived.
- (g) The Company and the Directors are not aware of any takeover bid for the Company in the current or preceding financial year of the Company.
- (h) Save as disclosed in this document, so far as the Company and Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

- (i) Where any information contained in this document has been sourced from a third party, this information has been accurately reproduced and, so far as the Directors and Company are aware and are able to ascertain from information published by such third party, the Company confirms that there are no facts that have been omitted that would render such information inaccurate or misleading.
- (j) The total costs and expenses payable in connection with or incidental to Admission including London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting and corporate finance fees are estimated to amount to approximately £0.5 million (excluding any VAT payable thereon) and will be payable by Green Dragon.
- (k) Save as disclosed in this document, as far as the Directors are aware, there are no trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Company's prospects for at least the current financial year.
- (l) Copies of this document will be available free of charge for one month from the date of Admission at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY. This document will also be available on the Company's website www.grekaengineering.com.

Dated 24 September 2013

