Interim Results for the Six Months Ended June 2016

Released : 29 Sep 2016 07:00

RNS Number : 1417L
Green Dragon Gas Ltd
29 September 2016

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GREEN DRAGON GAS LTD.

("Green Dragon" or the "Company")

Interim Results for the Six Months Ended June 2016

Green Dragon Gas (LSE: GDG), one of the leading independent gas development and production companies in China, today announces its results for the six months ended June 2016.

Financial highlights

- Revenue decreased to US$12.1 million (H1 2015: US$16.8 million) due to an approximate 20% decrease in gas prices in and a 7% decline in the RMB/USD exchange rate period on period
- Cash from operations increased to US$7.7 million (H1 2015: cash used in operations US$0.8 million)
- Cash from operations ahead of full year 2015 run rate of US$12.5 million
- Gross revenue per mcf including subsidy income of US$7.3/mcf (full year 2015: US$10.0/mcf)
- Net loss for the period of US$4.6 million (H1 2015: US$1.4 million)
- Investment in fixed assets of US$6.1 million (H1 2015: US$20.4 million)
- Net assets of US$677.2 million (December 2015: US$697.4 million)

Operations highlights

- Gross gas sales of 1.9 bcf consistent with prior year (H1 2015: 1.9 bcf)
- GSS H1 2016 sales volume of 0.89bcf up 34% and 19% versus H1 and H2 2015 respectively
- Reached a H1 2016 sales peak of 6.0mmcf/day (170,000m^3/day) at GSS, an increase of 18% compared to 31 December 2015
- Continued focus on infrastructure and compression across the GSS production circuits
- First well head compressor installed at GSS in April 2016, allowing wellhead pressure to be taken to vacuum for the first time, resulting in an increase in gas sales of 45% from the well
- 108 wells producing gas in GSS with 100 connected to sales infrastructure

Outlook

- Well head compression programme to increase the sales to production capacity ratio
- Increase gas sales and related cash flow
- Conclude the CNOOC operated legacy well audit

Randeep S. Grewal, Chairman and Founder of Green Dragon, commented:

"We are pleased to announce our interim results for 2016. We have continued to focus on infrastructure on our GSS operated block where we have seen a continued increase in gas sales volumes. We have benefitted from the clean energy policy set out by the Chinese Central Government that saw the cash subsidy paid for gas production increase in 2016 to US$1.31/mcf with additional local subsidies of US$0.44/mcf totalling $1.75/mcf, support that we expect to continue. This has partially compensated for the gas sales price reduction we have seen in China during the period. In accordance with our objectives, our focus has been on infrastructure rather than drilling in H1 2016. We have continued the diligent connection of wells to sales infrastructure and are pleased to now have 100 wells, including 56 LiFaBriC wells, connected and producing gas for sale. The system back pressure, which was at approximately 75kpa at year-end 2015, has been reduced to 25kpa at the half year 2016, resulting in increased gas sales volumes. The decrease in such back pressures will enable us to increase the sales to produced gas ratio within GSS block, a key Company objective for the year. Furthermore, the increase in wells connected and the progress made on infrastructure will form the basis for the continued growth in sales volumes and, importantly, will inform our approach to the completion and connection of future wells on GSS.

GCZ production remains on track with expectations and the Overall Development Plan is expected to be filed with the NDRC shortly. We expect such ODP to be approved prior to year-end and will form the basis to further development in this commercial block in 2017.

We are pleased to see GGZ exploration activities conclude and the block move into the development phase. The ODP for this block is expected to be concluded in 2017 following the reserve certification expected in Q1 2017.

In light of the progress made on all the key objectives discussed during the Capital Market Day in April, the Company is considering a range of farmout, debt and equity options to pursue its development, discretionary capex and financing plans for 2017."

For further information on the Company and its activities, please refer to the website at www.greendragongas.com or contact:

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About Green Dragon Gas

Green Dragon Gas is a leading independent gas producer with operations in China and is listed on the main market of the London Stock Exchange (LSE: GDG). The Company has 549Bcf of 2P reserves and 2,379Bcf of 3P reserves across eight production blocks covering over 7,566km² of licence area in the Shanxi, Jiangxi, Anhui and Guizhou provinces. It holds six Production Sharing Agreements with strong, highly capitalised Chinese partners including CUCBM (CNOOC), CNPC and PetroChina, and has infrastructure in place to support multiple routes to monetise gas production.

Chairman's Statement

In the first six months of 2016 we have continued our focus on infrastructure on the GSS block with the stated objective of increasing the volume of gas produced for sale from our largest commercial production area. Together with our partner, CNOOC, we have continued to connect wells to sales infrastructure and in the GDG operated area of GSS we now have 100 wells producing gas for sale including 56 LiFaBriC wells. In addition to our own efforts, CNOOC now has 521 wells producing gas for sale and has continued to deploy capital in gathering and transmission infrastructure in accordance with its previously announced commitments. That infrastructure will be used jointly by the partners to transport gas to market, the completion and commissioning of further infrastructure is expected to increase the number of CNOOC sales wells in GSS. Well head gas compression is the key objective within the infrastructure projects as approximately 70% of the gas-producing wells currently have back pressure restricting optimum gas sale volumes.

The average RMB to USD exchange rate has fallen by 7% compared to the first half of 2015. This has been somewhat relieved by the increase in subsidy for CBM production from both Central and Local Government that was put in place earlier this year and effective from 1 January. The gas subsidy was increased from US$0.87/mcf to US$1.31/mcf; a 51% increase with local subsidies increasing similarly from US$0.22/mcf to US$0.44/mcf, the total subsidy now being $1.75/mcf. The continued and stable support of the Central Government together with its commitment to a clear and responsible energy policy for China's future continues our confidence for the future that is not necessarily prevalent in our industry today. We have seen such responsible and stable consistent support from the Central Government over the past twenty years of operations in China.

Echoing the Central Government's commitment to China's energy future we have made significant progress toward the Chinese Reserve Report (CRR) on our operated GGZ block this year. The GGZ block is located in Guizhou Province in Southern China, an area that currently sources the majority of its gas needs by pipeline from other areas. We are proud to be a part of a project to produce gas directly in Guizhou for local consumption. The exploration programme included drilling of 33 wells, evaluating 582 core holes and reviewing 41.6 miles of seismic lines. Nine wells have successfully been placed on line, strategically covering five of the seven most prospective coal seams identified. Four wells have exceeded the commerciality threshold under the requirements of the Ministry of Land Resources. The block has been moved from exploration onto development making it our third block earmarked for commercial gas production.

We are pleased to see GGZ exploration activities conclude and the block move into the development phase. The ODP for this block is expected to be concluded in 2017 following the reserve certification expected in Q1 2017.

The resource opportunity in front of Green Dragon Gas is significant and one that we have worked hard to create, secure and develop for our shareholders. Underpinning everything we do is the hard work and dedication of our employees who have diligently continued to move our projects forward and I would like to take this opportunity to express my sincere thanks to them.

Mr. Randeep S. Grewal
Founder & Chairman
29 September, 2016

Operations overview

Upstream

- H1 2016 gross production capacity of 6.01 bcf, an increase of 23.4% and 10.4% compared to H1 2015 and 2H 2015 respectively

Area	H1 2015	H2 2015	**H1 2016**
GSS - GDG operated	1.63	1.79	2.05
GSS - CNOOC operated	1.13	1.67	2.07
GCZ	2.11	1.98	1.89
	4.87	5.44	6.01

Drilling & infrastructure

- Total of 3 wells drilled on GDG operated GSS in H1 2016 including one recompletion of an existing lateral as part of our optimisation programme
- Four LiFaBric wells connected to infrastructure in H1 2016
- Total of 80 LiFaBriC wells on the GDG-GSS production block of which 76 are online, 57 are connected to infrastructure and 56 are producing gas for sale at 30 June 2015
- 44 standalone vertical wells also producing gas for sale on GSS-GDG

Exploration

- Significant progress made on GGZ block ahead of Chinese Reserve Report (CRR) approval targeted for Q4 2016
- Total of 33 wells drilled across the area including 21 vertical, 9 directional and 3 LiFaBriC wells
- Nine wells on line in GGZ covering five coal seams, four wells have established commercial gas rates in accordance with guidelines issued by the Ministry of Land Resources

- Updated subsurface models complete for all exploration blocks

Well portfolio

- 708 wells producing gas for sale across all blocks (2015: 666)
- 108 GDG wells producing gas in GSS with 100 connected to sales infrastructure
- H1 2016 well count across all blocks is summarised as follows:

Well count	GSS	GCZ	GSN	GPX	GQY A	GQY B	GFC	GGZ	Total
Total	1,588*	114	201	12	7	52	30	33	2,037
Sale wells	621	87	-	-	-	-	-	-	708

*includes 1,388 legacy CNOOC wells at GSS (2015: 1,388)

Downstream

- GSS H1 2016 sales volume up 34% and 19% versus H1 and H2 2015 respectively
- Key senior management appointments made H1 2016
- Sales increases on GSS partially offset by reduction in volume of sales on GCZ due to natural reservoir decline. GCZ decline to be offset with further development in 2017, following ODP approval
- Total equity sales increase 6% to 1.72 bcf versus 2H 2016 (1.63 bcf)

	H1 2015	H2 2015	**H1 2016**
PNG			
GSS	0.55	0.52	0.67
GCZ	0.94	0.88	0.83
CNG industrial	0.01	0.11	0.08
CNG retail	0.02	0.02	0.02
Power	0.08	0.09	0.12
Total equity sales*	1.60	1.63	1.72

*excluding CNOOC sales currently subject to audit

- Own CNG sales negatively impacted by severe weather disruption
- Gross sales of 1.90 bcf consistent with 2015 (full year: 3.79 bcf)

	H1 2015	H2 2015	**H1 2016**
GSS	0.66	0.75	0.89
GCZ (all sales to PNG)	0.94	0.88	0.83
Total equity sales	**1.60**	**1.63**	**1.72**
CNG third party	0.30	0.25	0.18
Gross Sales*	**1.90**	**1.88**	**1.90**

*excluding CNOOC sales currently subject to audit

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 US$'000 unaudited**	Six months ended 30 June 2015 US$'000 unaudited	Year ended 31 December 2015 US$'000 audited
Revenue	3	**12,064**	16,783	32,715
Revenue - subsidy income		**2,622**	3,315	5,000
Total revenue		**14,686**	20,098	37,715
Cost of sales		**(9,110)**	(8,184)	(15,549)
Gross profit		**5,576**	11,914	22,166
Selling and distribution costs		**(630)**	(668)	(1,639)
Administrative expenses		**(3,154)**	(5,783)	(5,530)
Profit from operations		**1,792**	5,463	14,997
Other income and finance income		**1,726**	476	797
Finance costs		**(8,168)**	(7,495)	(15,924)
Loss before income tax		**(4,650)**	(1,556)	(130)
Income tax credit		**100**	110	212
(Loss)/profit for the period attributable to owners of the company		**(4,550)**	(1,446)	82
Other comprehensive expense, net of tax:				
Items that may be reclassified to profit or loss:				
Exchange differences arising on translating foreign operations		**(15,666)**	(397)	(41,937)
Total comprehensive expense for the period attributable to owners of the company		**(20,216)**	(1,843)	(41,855)

Basic and diluted (loss)/earnings per share (US$)		**(0.029)**	(0.009)	0.001

All results for the period relate to continuing operations.

Condensed Consolidated Statement of Financial Position
At 30 June 2016

	Notes	**As at 30 June 2016 US$'000 unaudited**	As at 31 December 2015 US$'000 audited
Assets			
Non-current assets			
Property, plant and equipment	6	**268,299**	271,996
Gas exploration and appraisal assets	7	**1,031,226**	1,043,859
Other intangible assets		**2,228**	2,957
Long term prepaid expenses		**248**	213
Deferred tax asset		**2,190**	2,169
		1,304,191	1,321,194
Current assets			
Inventories		**135**	109
Trade and other receivables	8	**21,039**	22,478
Restricted cash		**2,000**	2,000
Cash and cash equivalents		**17,142**	26,866
		40,316	51,453
Total assets		**1,344,507**	1,372,647
Liabilities			
Current liabilities			
Trade and other payables	9	**14,798**	15,413
Convertible notes	10	**49,012**	-
Bonds	11	**87,743**	-
Current tax liabilities		**-**	13
		151,553	15,426
Non-current liabilities			
Convertible notes	10	**-**	48,398
Bonds	11	**-**	86,807
CUCBM provision	16	**364,855**	370,217
Deferred tax liability	17	**150,868**	154,352
		515,723	659,774
Total liabilities		**667,276**	675,200
Total net assets		**677,231**	697,447

	Notes	**As at 30 June 2016 US$'000 unaudited**	As at 31 December 2015 US$'000 audited
Capital and reserves			
Share capital	13	**16**	16
Share premium	13	**808,981**	808,981
Convertible note equity reserve	13	**3,756**	3,756
Share-based payment reserve	13	**-**	12,743
Foreign exchange reserve	13	**6,350**	22,016
Retained deficit	13	**(141,872)**	(150,065)
Total equity attributable to owners of the parent		**677,231**	697,447

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2016

	Share capital US$'000	Share premium US$'000	Convertible note equity reserve US$'000	Share based payment reserve US$'000	Foreign exchange reserve US$'000	Retained deficit US$'000	Total US$'000
At 1 January 2015	16	808,981	3,756	12,743	63,953	(150,147)	739,302
Loss for the period	-	-	-	-	-	(1,446)	(1,446)
Exchange differences on translating foreign operations	-	-	-	-	(397)	-	(397)
Total comprehensive expense for the period	-	-	-	-	(397)	(1,446)	(1,843)
At 30 June 2015 (unaudited)	16	808,981	3,756	12,743	63,556	(151,593)	737,459
At 1 January 2016	16	808,981	3,756	12,743	22,016	(150,065)	697,447
Loss for the period	-	-	-	-	-	(4,550)	(4,550)
Exchange differences on translating foreign operations	-	-	-	-	(15,666)	-	(15,666)
Total comprehensive expense for the period	-	-	-	-	(15,666)	(4,550)	(20,216)
Transfer to retained deficit	-	-	-	(12,743)	-	12,743	-
At 30 June 2016	16	808,981	3,756	-	6,350	(141,872)	677,231

Condensed Consolidated Statement of Cash Flows
Six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 US$'000 unaudited**	Six months ended 30 June 2015 US$'000 unaudited	Year ended 31 December 2015 US$'000 Audited
Operating activities				
(Loss)/profit after tax		**(4,550)**	(1,446)	82
Adjustments for:				
Depreciation		**3,038**	1,295	4,172
Amortisation of intangible assets		**356**	356	945
Loss on disposal of plant, properties and equipment		**8**	-	-
Other income and finance income		**(17)**	(64)	(797)
Finance costs		**8,168**	7,495	15,924
Taxation		**(100)**	(110)	(212)
Cash generated from operating activities before changes in working capital		**6,903**	7,526	20,114
Movement in inventory		**(26)**	(214)	3
Movement in trade and other receivables		**1,439**	(4,348)	1,600
Movement in trade and other payables		**(615)**	(4,144)	(9,265)
Net cash /generated from/(used in) operations		**7,701**	(1,180)	12,452
Income tax		**(23)**	348	(24)
Net cash generated from/(used in) operating activities		**7,678**	(832)	12,428

	Notes	**Six months ended 30 June 2016 US$'000 unaudited**	Six months ended 30 June 2015 US$'000 unaudited	Year ended 31 December 2015 US$'000 audited
Investing activities				
Payments for purchase of property, plant and equipment		**(238)**	(284)	(259)

Proceed from disposal of property, plant and equipment	**417**	-	-
Payments for intangible assets	**(368)**	-	(794)
Payments for long-term prepaid expenses	**(35)**	-	192
Share of GCZ property, plant and equipment purchases	**-**	(755)	(2,404)
Payments for exploration activities	**(5,579)**	(19,407)	(42,319)
Interest received	**17**	64	121
Deposit paid to PetroChina	**-**	-	(2,000)
Net cash used in investing activities	**(5,786)**	(20,382)	(47,463)
Financing activities			
GCZ block finance repaid to PetroChina	**-**	(2,645)	-
Other interest paid	**(6,150)**	(6,151)	(12,300)
Net cash used in financing activities	**(6,150)**	(8,796)	(12,300)
Net decrease in cash and cash equivalents	**(4,258)**	(30,010)	(47,335)
Cash and cash equivalents at beginning of period	**26,866**	80,037	80,037
	22,608	50,027	32,702
Effect of foreign exchange rate changes	**(5,466)**	(622)	(5,836)
Cash and cash equivalents at the end of period	**17,142**	49,405	26,866

Notes to Condensed Interim Financial Statements

1 GENERAL INFORMATION

The condensed financial information for the six months ended 30 June 2016 and 30 June 2015 is unaudited and does not constitutea set of statutory financial statements. The consolidated unaudited interim financial information set out in this report represents the consolidated financial statements of Green Dragon Gas Ltd. and its subsidiary companies (together referred to as the 'Group'). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The comparative financial information for the full year ended 31 December 2015 presented here is not the Group's full annual accounts for that period but has been derived from the annual financial statements for that period. The auditors' report on those accounts was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

2 ACCOUNTING POLICIES

The interim results, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34. This condensed interim report does not include all the notes of the type normally included in an annual financial report. This condensed report is to be read in conjunction with the Annual Report for the year ended 31 December 2015, and any public announcements made by the Group during the interim reporting period. The annual financial report for the year ended 31 December 2015 was prepared in accordance with IFRS and the accounting policies applied in this condensed interim report are consistent with the polices applied in the annual financial report for the year ended 31 December 2015 unless otherwise noted.

Basis of preparation and going concern

These interim unaudited consolidated financial statements have been prepared on the going concern basis.

On 19 November 2014 the Company issued senior secured bonds due 20 November 2017 in the amount of$88.0 million. The associated bond agreement contains a number of financial covenants that are to be measured by reference to EBITDA and calculated at each reporting date. The Company derives EBITDA from both its own operated activity and its proportionate share of partner operated activity.

On 2 September 2016 the Company announced that it is in discussions with the Bond Trustee and certain key bondholders regarding a request for waivers of certain financial covenants. Included within that announcement, we explained that the Company has not met two of its financial covenants due to revenues and profits relating to CNOOC operated areas not being included in the financial statements. This is due to an independent audit of these amounts having not yet been completed, but is on-going and the completion of the audit not being wholly within the control of the Company. In the meantime, the Company continues to interest payments on a timely basis.

Discussions are on-going and these remain positive, in particular with our key bondholders, and the Company considers that it is likely a resolution to the covenant breach situation will be achieved in due course through the completion of the audit above or a waiver from the bondholders. In order for the bond to become payable early a formal default notice must be issued by the Bond Trustee, no default notice has been issued. Given the above, the bond has been shown as due within one year as at 30 June 2016.

In addition, the Company is actively exploring a number of financing options to satisfy the discretionary capital expenditures, and payment of both the $88.0 million Bond and the $50.0million Convertible Notes, as they fall due.

Although the Company considers it highly unlikely it is possible that the $88.0 million senior secured bond and the $50.0 million convertible note become payable at short notice and prior to their maturities which could require the Company to accelerate other financing options.

The interim financial statements are presented in United States Dollars and all values are rounded to the nearest thousand dollars (US$'000) except when otherwise indicated.

The consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) together with joint operations over which the Group has joint control. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Critical accounting estimates and judgments

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 within the period after the year/period are as follows.

CUCBM Framework Agreement
Judgment has been exercised in the recognition of the Group's share of the historic expenditure incurred by China United Coalbed Methane Gas ("CUCBM") on the Group's blocks. Further to the identification of drilling activities by third parties across several of the Group's blocks, the Group entered into a Framework Agreement signed with CUCBM in 31 March 2014 and as at 31 December 2014 had reached agreement with CUCBM regarding the historical exploration and infrastructure expenditure. CUCBM undertook significant historical exploration and infrastructure preparation work within several licence areas and incurred gross expenditure of $611,300,000. Under the PSC, the Group had the right to enforce its PSC interests in the asset but agreed to reimburse CUCBM for the Group's share of the historic expenditure by allowing CUCBM to recover its costs from ring fenced cash flows associated with the relevant wells. A constructive obligation is considered to exist given the nature of the transaction and the negotiation between the parties. The amount to be reimbursed through future cash flows from the relevant wells is considered sufficiently certain given the extent of well development, the level and nature of infrastructure in place and reserve volumes associated with the wells, although settlement remains dependent upon sufficient future production arising. Accordingly, the Group has recorded its share of the assets and a provision reflecting the Group's share of revenue entitlement that, through the enhanced cost recovery mechanism established by the Framework Agreement (Note 16), will be used to settle the Group's proportionate share of the historic CUCBM expenditure from in-kind gas production from a defined population of ring-fenced wells. The Group has exercised judgment in considering the arrangement to create an obligation and its assessment that there is a reasonable expectation that the relevant wells will generate sufficient cash flows. Further details are provided in Note 16.

The Group's arrangement with CUCBM represents a joint arrangement as the Group shares joint control with CUCBM. The Group accounts for the arrangement as a joint operation and therefore has recognised its share of the relevant assets and liabilities, which reflects the structure of the arrangement and the joint control conferred by the PSC and the Joint Management Committee.

Depreciation of gas production assets
The Group has exercised judgment in depreciating its property, plant and equipment associated with its gas assets which have achieved commercial production. These assets have been depreciated on a units-of-production basis. Judgment was required in determining the reserves used in this calculation and the Group considers the economics and well performance of each of the individual fields to determine the suitable reserves basis. The Group considers 1P reserves for its operated legacy wells on the GSS block and 2P reserves for the GCZ block to be capable of extraction using the assets and therefore an appropriate estimate of the respective asset's life. It is noted that significant 3P reserves have been estimated to exist and such reserves, when developed, would significantly extend the estimate useful life. However, 3P reserves are not included until such time as they are transferred to 2P reserves as part of the Group's independent reserves audit.

Determination of commercial production
Judgment has been exercised in determining whether the Group's exploration assets have achieved technical feasibility and commercial viability. The Group's definition of technically feasible and commercially viable reserves ("commercial reserves") for such purpose are those which are classified as proven and probable reserves on an entitlement basis for which approval has been obtained from the PRC Government in respect of the "overall development programme" related to the relevant license and thus commercial production has commenced as defined in the production sharing agreements. In certain circumstances, delays obtaining the overall development programme approval can be encountered. As a result, the Group also considers factors such as the extent to which infrastructure is in place to process the gas and the levels of actual production. As such, in addition to the PetroChina operated GCZ block which has been in production since 2013, the Group considers the operated legacy wells on the GSS block to have been in commercial production since 2015 as technical feasibility and commercial viability has been established despite the pending approval of the overall development programme. The Group's remaining areas within the GSS block will be assessed for commercial production once the Group has reviewed production volumes being generated from the recently completed processing facilities by China National Offshore Oil Corporation ("CNOOC"). Therefore, commercial production period has not yet commenced for the remaining blocks and licence areas under the Group's accounting policy.

Transfer of exploration and appraisal assets and depreciation of the gas production assets
The Group has exercised judgment in determining the relevant assets transferred from exploration and evaluation intangible assets to property, plant and equipment in respect of the producing operated legacy wells on the GSS block. The costs transferred included a portion of the fair value uplift on acquisition of the Group's licence interests as a whole considered attributable to the operated legacy wells on the GSS block, based on the relative Original Gas In Place ("OGIP") of the operated legacy wells on the GSS block and the total licence areas. The property, plant and equipment attributable to the operated legacy wells on the GSS block has been depreciated on units-of-production basis. Judgment was required in determining the reserves used in this calculation and the Group considers 1P reserves to be capable of extraction using the assets and therefore an appropriate estimate of the asset's life.

Impairment reviews
Exploration and appraisal costs are assessed for indicators of impairment using the criteria detailed in the notes to the financial statements for the year ended 31 December 2015. The assessment by the Board requires judgment and is dependent upon an assessment of the rights to the Group's assets and renewal of such rights, expected levels of expenditure, interpretation of exploration and appraisal activity in the year and future intentions. No impairment indicators were noted. These assessments are inherently judgmental and require estimation and therefore may change over time resulting in significant charges to the statement of comprehensive income.

The Group tests its property, plant and equipment assets, which include oil and gas development and production assets for impairment when circumstances suggest that the carrying amount may exceed its recoverable value and in accordance with the policy detailed in the notes to the financial statements for the year ended 31 December 2015. This assessment involves judgment as to the level of reserves that are capable of being extracted commercially and which are technically viable with reference to the Group's independent competent person's report, estimates of future gas prices, operating costs, capital expenditure necessary to extract those reserves and the discount rate to be

applied to such revenues and costs for the purpose of deriving a recoverable value. The Group uses proven (1P) and probable (2P) reserves in such impairment tests.

3 REVENUE AND SEGMENTAL INFORMATION

The Group's reportable segments are as set out below. The operating results of each of these segments are regularly reviewed by the Group's chief operating decision-makers in order to make decisions about the allocation of resources and assess their performance.

During the period revenue of US$9,031,000 (30 June 2015: US$7,527,000; 31 December 2015: US$15,127,000) was recognised by the Sale of CBM gas segment in respect of 1(30 June 2015: 1; 31 December 2015: 1)customer representing 10% or more of the Group's total revenue for the period. The average RMB/USD exchange rate for the period is 7% lower compared to the equivalent period in the prior year. The average RMB/USD exchange rate for the period ended 30 June 2016, and used for translating income statement RMB transactions for the purposes of this financial information was 6.5557 as compared to 6.1289 in the equivalent period of the prior year.

For the period ended 30 June 2016 - unaudited

	Sale of CBM gas	Retail gas station sales	Corporate	Sub-total	Eliminations	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue:						
Sales to external customers	9,031	3,033	-	12,064	-	12,064
Inter-segment sales	926	-	-	926	(926)	-
Government subsidies	2,622	-	-	2,622	-	2,622
	12,579	3,033	-	15,612	(926)	14,686
Depreciation	(2,709)	(318)	(11)	(3,038)	-	(3,038)
Amortisation	-	(356)	-	(356)	-	(356)
Profit/(loss) from operations	6,779	(3,146)	(1,841)	1,792	-	1,792
Other income and finance income	1,699	2	25	1,726	-	1,726
Finance costs	3	115	(8,286)	(8,168)	-	(8,168)
Income tax credit	21	79	-	100	-	100
Profit/(loss) for the period	8,502	(2,950)	(10,102)	(4,550)	-	(4,550)
Assets	1,417,483	30,697	753,839	2,202,019	(857,512)	1,344,507
Liabilities	727,099	30,491	526,448	1,284,038	(616,762)	667,276

For the period ended 30 June 2015 - unaudited

	Sale of CBM gas	Retail gas station sales	Corporate	Sub-total	Eliminations	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue:						
Sales to						

External customers	11,912	4,871	-	16,783	-	16,783
Inter-segment sales	5,111	-	-	5,111	(5,111)	-
Government subsidies	3,315	-	-	3,315	-	3,315
	20,338	4,871	-	25,209	(5,111)	20,098
Depreciation	(1,149)	(138)	(8)	(1,295)	-	(1,295)
Amortisation	-	(356)	-	(356)	-	(356)
Profit/(loss) from operations	10,056	(1,276)	(3,317)	5,463	-	5,463
Other income and						
finance income	3	2	471	476	-	476
Finance costs	-	-	(7,495)	(7,495)	-	(7,495)
Income tax credit	21	89	-	110	-	110
Profit/(loss) for the period	10,080	(1,185)	(10,341)	(1,446)	-	(1,446)

For the year ended 31 December 2015 - audited

	Sale of CBM gas US$'000	Retail gas station sales US$'000	Corporate US$'000	Sub-total US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue:						
Sales to external Customers	15,127	17,588	-	32,715	-	32,715
Inter-segment sales	10,874	-	25	10,899	(10,899)	-
Government subsidies	5,000	-	-	5,000	-	5,000
	31,001	17,588	25	48,614	(10,899)	37,715
Depreciation	(3,495)	(608)	(69)	(4,172)	-	(4,172)
Amortisation	-	(945)	-	(945)	-	(945)
Profit/(loss) from Operations	18,473	(2,656)	(820)	14,997	-	14,997
Other income and finance income	-	113	684	797	-	797
Finance costs	-	(469)	(15,455)	(15,924)	-	(15,924)
Income tax credit	123	89	-	212	-	212
Profit/(loss) for the year	18,596	(2,923)	(15,591)	82	-	82

	Sale of CBM gas US$'000	Retail gas station sales US$'000	Corporate US$'000	Sub-total US$'000	Eliminations US$'000	Consolidated US$'000
Assets	1,338,275	23,844	857,023	2,199,142	(846,495)	1,372,647
Liabilities	533,374	4,958	626,548	1,164,880	(509,680)	655,200

These financial statements do not include the Group's share of CNOOC GSN transactions or operated GSS 1,388 wells' revenue, associated costs and resulting margins. During 2015 CNOOC commissioned two additional gas gathering and sales stations in GSS. The sales revenues and volumes associated with the CNOOC operated areas of GSS and GSN will be reported in due course as they are currently being audited by independent auditors. The audit will complete the sales revenue since inception of the sales from all wells operated by CNOOC in GSS under the Framework Agreement. Under the Framework Agreement, while the Company will record its share of revenue, costs and resulting margins, the resulting cash flow will be offset with the cost recovery account. The Group has not recorded any estimated sales revenue from its interest in the CNOOC legacy wells until such time as the independent audit of sales revenues and associated volumes is concluded.

4 EARNINGS AND (LOSS) PER SHARE

The calculation of basic and diluted (loss)/profit per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June 2016 US$'000 unaudited	Six months ended 30 June 2015 US$'000 unaudited	Year ended 31 December 2015 US$'000 audited
(Loss)/profitfor the period attributable to the owners of the Company used in basic and diluted (loss)/earnings per share	**(4,550)**	**(1,446)**	82
Weighted average number of ordinary shares for the basic and diluted (loss)/earnings per share	**156,072,289**	**156,072,289**	156,072,289

Loss per share is based on the loss attributable to ordinary equity holders of the Company of divided by the weighted average of ordinary shares in issue during the corresponding period.

No separate calculation of diluted profit/(loss) per share has been presented as, at the date of this financial information, no options, warrants or other instruments that could have a dilutive effect on the share capital of the Company were outstanding.

5 DIVIDENDS

The directors do not recommend the payment of an interim dividend during the period ended 30 June 2016 and year ended 31 December 2015.

6 PROPERTY, PLANT AND EQUIPMENT

	Gas assets	**Building and structures**	**Construction in progress**	**Motor vehicles**	**Fixtures, fittings and equipment**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cost						
At 1 January 2015	165,794	1,041	1,978	899	4,566	174,278
Additions	3,055	-	132	1,185	160	4,532
Transfer from gas exploration & appraisal assets	121,010	-	-	-	-	121,010
Exchange differences	(7,001)	-	-	-	-	(7,001)
At 31 December 2015	282,858	1,041	2,110	2,084	4,726	292,819
Additions	-	-	216	-	22	238
Share of CUCBM additions	2,304	-	-	-	-	2,304
Disposal	-	-	(421)	(71)	-	(492)
Exchange differences	(2,887)	(11)	(22)	(21)	(48)	(2,989)
At 30 June 2016	282,275	1,030	1,883	1,992	4,700	291,880
Depreciation						
At 1 January 2015	14,114	406	-	717	1,227	16,651
Provided for the year	3,495	41	-	151	485	4,172
At 31 December 2015	17,609	447	-	868	1,899	20,823

Provided for the period	2,673	25	-	143	197	3,038
Disposal	-	-	-	(67)	-	(67)
Exchange differences	(180)	(5)	-	(9)	(19)	(213)
At 30 June 2016	20,102	467	-	935	2,077	23,581
Net book value						
At 30 June 2016	262,173	563	1,883	1,057	2,623	268,299
At 31 December 2015	265,249	594	2,110	1,216	2,827	271,996

7 GAS EXPLORATION AND APPRAISAL ASSETS

Cost	**US$'000**
At 1 January 2015	1,157,915
Additions	31,949
Capitalisation of internal costs	10,370
Share of gas exploration and appraisal assets from CUCBM	23,012
Transfer to property, plant and equipment	(121,010)
Exchange differences	(58,377)
At 31 December 2015 - audited	1,043,859
Additions	2,744
Capitalisation of internal costs	2,835
Share of gas exploration and appraisal assets from CUCBM	594
Exchange differences	(18,806)
At 30 June 2016	1,031,226

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 US$'000 unaudited	As at 31 December 2015 US$'000 audited
Trade receivables	1,364	1,933
Prepayments	3,045	3,367
Other receivables	5,087	5,817
Amount due from related parties	11,543	11,361
	21,039	22,478

9 TRADE AND OTHER PAYABLES

	As at 30 June 2016 US$'000 unaudited	As at 31 December 2015 US$'000 audited
Trade payables	10,448	10,654
Other payables	2,842	3,319
Amounts due to related parties	1,508	1,440
	14,798	15,413

10 CONVERTIBLE NOTES

	As at 30 June 2016 US$'000	As at 31 December 2015 US$'000

	unaudited	audited
Brought forward from prior year	48,398	47,243
Accrued interest	2,364	4,655
Interest payment	(1,750)	(3,500)
	49,012	48,398

As at 30 June 2016, the Company had one (31 December 2015: one) convertible note in issue.

Convertible loan note issued 2014

(a) US$50 million 7% coupon convertible note due 2017

On 2 June 2014 ("Issue Date"), the Company issued a three-year convertible note having a face value ofUS$50,000,000 with a maturity date of 1 June 2017 ("Maturity Date"). The note bears interest at 7% per annum, payable on a semi-annual basis. At the Maturity Date, the total sum of 100% of the outstanding principal amount of the convertible note and the accrued interest shall become payable, unless previously converted or redeemed.

The convertible note can be converted into ordinary shares of the Company at the note holder's option at any time prior to the Maturity Date at US$9.34 per share.

(b) Accounting for convertible notes

On initial recognition, the fair value of the liability component of the convertible loan note was determined using the prevailing market interest rate of similar debts without conversion option. For notes issued during 2014, the rate considered to be comparable was 10%. The loans are subsequently carried at amortised cost.

The equity element arising from the conversion options of their convertible notes, being the residual value at initial recognition, is presented in the equity heading "convertible note equity reserve".

11 BONDS AND DERIVATIVE FINANCIAL INSTRUMENT

On 19 November 2014, Green Dragon Gas issued a public corporate bond (the "Bond") in the amount ofUS$88,000,000. The bond was issued at a discount of 2.5% and is senior secured three-year paper due on 20 November 2017. The Bond carries a 10% coupon payable semi-annually and also carries a redemption premium of 2% at maturity. The Company has a right to redeem the Bond early at 103% of par at the 24th month anniversary. The Bond is secured by a pledge over the shares of Greka Gas China, a wholly-owned subsidiary of Green Dragon Gas. The bond was initially recorded at fair value and is subsequently carried at amortised cost. Issue fees ofUS$1,893,000 were offset against the principal amount of the bond and will be amortised as part of the effective interest rate charge to the maturity date. The redemption premium is amortised as part of the effective interest rate charge to the maturity date. The following table summarises the movements in the bond:

	As at 30 June 2016 US$'000 unaudited	As at 31 December 2015 US$'000 audited
Brought forward from prior year	86,807	85,072
Accrued interest	5,336	10,535
Interest payment	(4,400)	(8,800)
	87,743	86,807

12 PROVISIONS

Details regarding the provision, along with movements in the year have been disclosed in Note 16. At 30 June 2016, US$364,855,000 (31 December 2015: US$370,217,000) represents the value of future production related to the enhanced cost recovery from the ring-fenced CUCBM legacy wells that the Group has agreed in the Framework Agreement with CUCBM will be used to satisfy the Group's proportionate share of investment made by CUCBM in GSS. The balance will be paid in kind from future production. There is no constructive or substantive obligation on the Group to repay these amounts in cash should future production from the ring-fenced legacy wells be insufficient to recover the balance.

No discounting has been applied to the provision as it bears interest at 9.0%.
The CUCBM provision also includesUS$13,000,000 (2014: US$13,000,000) in respect of exploration costs incurred by CUCBM prior to the PSC period. This balance is to be settled from the Group's share of future production from Shizhuang South or could be paid in cash at any time. The amount is unsecured and does not bear interest. Discounting is considered to be immaterial. On satisfaction of the payable the Group's interest in the GSS PSC will be revised to 70% (currently 60%).

13 SHARE CAPITAL AND RESERVES

	Authorised		Issued and fully paid	
	Number of shares	US$	Number of shares	US$
At 1 January 2015, 31 December 2015 and 30 June 2016 ordinary shares of US$0.0001 each	500,000,000	50,000	156,072,289	15,607

Nature and purpose of reserves

(i) Share premium

The amount relates to subscription for or issue of shares in excess of nominal value. The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Convertible note equity reserve

The amount represents the value of the unexercised equity component of the convertible note issued by the Company recognised in accordance with the Group's accounting policy.

(iii) Share based payment reserve

The amount relates to the fair value of the share options that have been expensed through the income statement less amounts, if any, that have been transferred to the retained earnings/deficit upon exercise.

(iv) Foreign exchange reserve

The amount represents gains/losses arising from the translation of the financial statements of foreign operation the functional currency of which is different from the presentation currency of the Group.

(v) Retained deficit

The amount represents cumulative net gains and losses recognised in consolidated profit or loss less any amounts reflected directly in other reserves.

14 RELATED PARTY TRANSACTIONS

Save as disclosed in notes 8, 9, 11 and 16, there were no other related party transactions that are required to be disclosed. Transactions between the company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The related party transactions of the Group during the period include the following:

- Amounts due from related parties of US$9,512,000 (31 December 2015: US$9,587,000) and amounts due to related parties of US$1,508,000 (31 December 2015: US$1,440,000) are companies that are subsidiaries of Greka Drilling Ltd. and Greka Engineering & Technology Ltd. which are companies under common control. The Group has contracts with both companies regarding drilling services and gas processing respectively. All amounts due from related parties are unsecured, interest free and repayable on demand.
- Amounts due from CNPC ofUS$2,031,000 (31 December 2015: Amounts due from CNPC of U$1,774,000), which is a party to the production sharing contracts on the activities of exploration, development and production of coal bed methane, in respect of exploration costs incurred. The balance is unsecured and interest-free.
- Amounts due to CUCBM under the Framework Agreement. These are detailed in Note 16.

15 EVENTS AFTER REPORTING DATE

Other than the matters noted in the basis of preparation and going concern paragraph in note 2 to the financial information there were no significant events occurring after 30 June 2016 up to the date of the Group's interim report for the period ended 30 June 2016 that require to be disclosed..

16 JOINT ARRANGEMENTS

The Group currently operates under six (2015: six) production sharing contracts ("PSCs") for the exploration and development of CBM gas in the PRC.

Background

On 8 January 2003, the Group entered into four PSCs with CUCBM to explore, develop and produce coal bed methane in five blocks comprising Shizhuang South ("GSS"), Chengzhuang ("GCZ"), Shizhuang North ("GSN"), Qinyuan ("GQY") and Panxie East ("GPX"). GSS, GCZ, GSN and GQY are located in Shanxi Province with PanxieEast located in Anhui Province.

In 2003 the Group also obtained the rights as foreign contractor related to the Fengcheng ("GFC") PSC. This PSC, dated 13 August 1999, was originally entered between Saba Petroleum Inc. as foreign contractor and CUCBM. Saba Petroleum Inc. was a related company of the Group by way of the common controlling shareholder, Mr. Randeep S. Grewal. The GFC block is located in Jiangxi Province.

Under the terms of these five PSCs the Group, as operator, agreed to provide funds and apply its technology and managerial experience and to cooperate with CUCBM to explore, develop and produce coal bed methane from the licence areas. CUCBM as a state-owned enterprise is eligible to apply for the exclusive rights for the exploitation of coal bed methane in the areas as defined in the contracts.

The PSCs provide that all costs incurred in the exploration stage shall be borne by the Group. The terms of the PSCs require the Group to cooperate with the state partner to submit the Overall Development Plan to the relevant authorities. Upon approval of the ODP by the Chinese authorities, the PSC operations are determined to have entered the commercial production stage. However, as detailed in Note 2 in circumstances when the approval of ODP is delayed other factors, including the substantive nature of operations and cash generation, may be considered to determine whether the commercial production stage has been reached regardless of formal ODP approval.

Where it is determined that an asset is in the development stage based on facts and circumstances then the associated investment balance is reclassified from the exploration and appraisal category to the property, plant and equipment category of fixed assets. The responsibility for procuring approval of the ODP lies with the State partner. Once formally in the development stage the cost sharing mechanisms within the PSCs become effective and development and operating costs are borne by the partners in accordance with their respective equity interests in the relevant PSCs. Once production commences the cost recovery mechanism within the PSCs provides that the proceeds of production output (after deduction of value-added tax and any royalty payable to the Chinese tax authority) are allocated as follows:

- firstly towards operating costs recovery in the proportion above mentioned (the "Sharing Proportion");

- secondly to exploration cost recovery; and
- thirdly to development cost recovery (including deemed interest as appropriate).

Any unallocated revenue after cost recovery is allocated to the partners in accordance with their equity participation in the PSC after calculating a final royalty payable to the Chinese Authorities. The final royalty is based on a sliding scale from 0% to the maximum payable of 15% and calculated over total block production.

The five PSCs each have a term of 30 years, with a production period of not more than 20 consecutive years commencing on a date determined by the Joint Management Committee but aligned with the approval date of ODP. The JMC is established in accordance with the PSC between the Group and CUCBM to oversee the operations in the contracted area. Currently all the six blocks covered by these five production sharing contracts are formally in the exploration stage based on the Chinese requirement for ODP approval before transition to development. In 2015 the assets associated with area 4 within the GSS block were reclassified as property, plant and equipment due to the substantive nature of the production operations and associated cash generation from this area.

PSCs held with PetroChina (CNPC)

Chengzhuang block ("GCZ")
In August 2014, the Group finalised and signed the Cooperation Agreement with PetroChina in respect of the GCZ block in accordance with a memorandum of understanding previously entered in December 2013. GCZ lies within the GSS licence area and prior to the Cooperation Agreement was governed by the GSS PSC. The Cooperation Agreement reaffirms the rights of the Group contained in the PSC over the GCZ block. The Cooperation Agreement confirms the Group's 47% participating interest in the block and defines the term of the agreement as running from March 2010 to March 2033.

The Cooperation Agreement confirmed the Group's contribution to cumulative capital expenditure and its share of net revenue. The Cooperation Agreement also confirmed the Group's entitlement to its share of the downstream infrastructure assets in place, including the gas gathering station, together with the Group's funding obligation for those assets. The Group recordedUS$10,900,000 within property, plant and equipment in respect of its 47% share in these assets in 2014 based on the final agreement of the costs associated with the downstream infrastructure. The Group also elected to settle its obligation for all historic amounts due to PetroChina through its share of future production.

In 2015 PetroChina achieved cost recovery in respect of its historic investment in the GCZ block. Following cost recovery by PetroChina the Group is receiving its proportion of revenue in cash each month. As a result, the billing arrangements for GCZ have moved to a full joint operations basis where the Group receives its share of revenue on the conclusion of each month and is separately cash-called for its share of opex and capex on a month-ahead basis. Cash calls are reconciled to actual expenditure quarterly.

The following table summarises the Group's share of the capital expenditure and net revenues arising from the GCZ block for the current and prior year. Depreciation figures have been excluded.

	30 June 2016 US$'000	31 December 2015 US$'000
Capital expenditure	55	2,404
Revenue and other income	6,523	15,126
Total operational costs and expenses	(1,740)	(3,248)
Net Profit	4,783	11,878
Amount due from/(to) PetroChina		
Opening balance	1,774	(4,407)
Capital expenditure for GCZ block	(55)	(2,404)
Share of profit for GCZ block	4,783	11,878
Cash received	(4,471)	(3,293)
Closing balance	2,031	1,774

The balance due from PetroChina is included within trade and other receivables, is unsecured and interest free.

Baotian-Qingshan block ('GGZ')
In addition, GrekaGuizhou E&P Ltd, a subsidiary of the Company, is party to a PSC with PetroChina to explore for and develop coal bed methane resources in Guizhou Province. The Group has a 60% participating interest in GGZ and has provided a performance bond against its pilot exploration programme commitment in the amount of US$2,000,000. At 30 June 2016, the cumulative net investment made by the Group in GGZ wasUS$28,847,000 (31 December 2015: US$30,287,000), of which US$55,000 was invested in the six months ended 30 June2016.

PetroChina is a subsidiary of state-owned China National Petroleum Corporation (CNPC), headquartered in Dongcheng District, Beijing.

PSCs held with CUCBM (CNOOC)

Framework Agreement with CUCBM
On 31 March 2014, and following the identification of unauthorised drilling activities across several of the Group's blocks by CUCBM, the Group entered a Framework Agreement CUCBM the purpose of which was to amend and clarify the rights of both the Group and CUCBM in relation to the PSCs jointly held between the parties. Under the terms of the Framework agreement, the Group's percentage shares in the relevant blocks were updated and confirmed as follows:

PSC	GDG share	CUCBM share	
Shizhuang South	60%	40%	GDG share increasing to 70% on payment of US$13,000,000 to CUCBM
Shizhuang North	50%	50%	
Quinyan Area A	10%	90%	

Quinyan Area B	60%	40%
Fengcheng	49%*	51%
Panxie East	60%*	40%

* unchanged

The Framework Agreement reaffirmed the status of the PSC's. Under the PSCs, the exploration costs were due to be incurred by the Group, with the Group carrying the exploration risk and the associated costs being recovered from future production. Notwithstanding the terms of the PSC, CUCBM undertook significant unauthorised exploration work within the licence area incurring gross expenditure of US$611,300,000 related to the drilling of wells and the establishment of certain infrastructure across the PSC blocks.

Under the PSC, the Group had the legal right to enforce its interest in the asset as if it had been incurred 100% by the Group in the exploration phase and benefit accordingly from the costs incurred by CUCBM. However, as part of the negotiation of the Framework Agreement the Group agreed to reimburse CUCBM for what otherwise would have represented the Group's share of the historic expenditure by allowing CUCBM to recover its historic costs in kind from an enhanced participation share (over and above CUCBMs equity interest in the PSC) in ring-fenced gas production from the relevant wells. A constructive obligation related to the agreement to reimburse CUCBM in kind is considered to exist given the nature of the transaction and the substance of the negotiation between the parties.

The amount to be reimbursed through future production from the ring-fenced wells is considered sufficiently certain given the status of well development, the extent of in-place infrastructure and estimated reserves associated with the wells. Accordingly, the Group has recorded its proportionate share of the assets in accordance with its equity interest in the PSC. A provision representing the estimated value of production from the ring-fenced wells that the Group will forgo in order to settle its share of the costs incurred has also been recorded.

Settlement remains dependent upon sufficient future production arising from the ring-fenced wells.

The following table summarises the CUCBM provision which also represents the Group's cumulative share of capital expenditure:

	Six months ended 30 June 2016 US$'000	Year ended 31 December 2015 US$'000
Opening balance	370,217	367,027
Capital additions in the period	2,898	23,012
FX (gain)/loss	(8,260)	(19,822)
Closing provision for amounts due to CUCBM	364,855	370,217

The cumulative expenditure by CUCBM across the PSCs, which the Group is reimbursing through future production, bears interest at 9%. No discounting of the provision applies given the interest bearing nature. No entries have been made in relation to the interest as the Group remains in discussions with CUCBM over accounting for the interest.

Under the original Shizhuang South PSC and as reaffirmed by the Framework AgreementUS$13,000,000 included within provisions (2015: US$13,000,000) represent amounts payable to CUCBM in respect of exploration costs incurred by CUCBM on GSS prior to the original PSC between the parties. This amount is to be settled out of the Group's share of future revenue from the Shizhuang South Block. The balance is unsecured, interest-free and is not expected to be repayable within the next 12 months. Discounting is considered immaterial. On satisfaction of the payable to CUCBM, the Group's interest in the GSS PSC will be revised to 70%. The obligation is classified as a provision given the uncertain nature of its timing.

Shizhuang North PSC

Under the terms of the Framework Agreement, the Group agreed to reduce its interest in the GSN Block by 10% in return for CUCBM providing the Group with a carried interest of US$100,000,000 related to exploration and development expenditure across the block. The Group has incurred US$7,700,000 on the block which is currently held as exploration asset. No gain in respect of the committed future expenditure as compared to the 10% interest in the Group's existing assets has been recognised under the Group's accounting policy.

CUCBM is majority owned by China National Offshore Oil Corp and is headquartered in Dongcheng District, Beijing.

17 DEFERRED TAXATION

(a) Deferred tax assets

	US$'000
At 1 January 2015	2,241
Reversal of temporary difference	178
Exchange differences	(250)
At 31 December 2015	2,169
Reversal of temporary difference	64
Exchange differences	(43)
At 30 June 2016	2,190

(b) Deferred tax liabilities

	US$'000
At 1 January 2015	163,478
Reversal of temporary difference	(9)
Exchange differences	(9,117)
At 31 December 2015	154,352
Reversal of temporary difference	(46)
Exchange differences	(3,438)

At 30 June 2016		150,868

	30 June 2016 US$'000	31 December 2015 US$'000
Recognised deferred tax (liabilities) and assets at PRC rate of 25%		
Deferred tax assets and liabilities are attributable to the following:		
Fair value adjustments in exploration and evaluation assets	150,868	154,352
Tax losses - overseas	2,190	2,169
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Tax losses - overseas	2,863	888
Potential unrecognised tax benefit at PRC rate of 25%	716	222

The deductible temporary timing differences do not expire under current tax legislation. PRC tax losses expire after five years. The Group has not offset deferred tax assets and liabilities across different jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the Condensed Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

(b) the Interim Management Report includes a fair review of the information required by FCA's Disclosure and Transparency Rules (DTR 4.2.7 R and 4.2.8 R).

On behalf of the Board

Randeep S. Grewal
Founder & Chairman

29 September 2016

Interim Review Report for Green Dragon Gas Ltd.

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, the condensed consolidated statement of cash-flows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
Location
United Kingdom
29 September 2015

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

DIRECTORS, COMPANY SECRETARY AND ADVISORS

DIRECTORS

Randeep S. Grewal
Executive Director, Chairman and CEO

David Turnbull
Non-Executive Director

Wayne Roberts
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