



Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

2011 Interim Report



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This report, for which the directors (the “Directors”) of Global Energy Resources International Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the “GEM Listing Rules”) on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of directors (the “Board” or the “Directors”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2011 respectively together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	3	13,047	716	16,833	3,483
Cost of sales		(8,356)	–	(11,411)	–
Gross profit		4,691	716	5,422	3,483
Other revenue	3	16	7	25	80
Depreciation		(79)	(79)	(146)	(80)
Materials and consumables used		(2)	(580)	(61)	(2,585)
Staff costs		(2,076)	(1,941)	(4,478)	(4,370)
Other operating expenses		(4,737)	(2,052)	(6,831)	(4,482)
Loss from operations		(2,187)	(3,929)	(6,069)	(7,954)
Finance costs		(102)	(51)	(102)	(125)
Loss before taxation	5	(2,289)	(3,980)	(6,171)	(8,079)
Taxation	6	(257)	29	(334)	29
Loss for the period		(2,546)	(3,951)	(6,505)	(8,050)
Other comprehensive income for the period					
Translation difference		338	2	111	–
Total comprehensive loss for the period		(2,208)	(3,949)	(6,394)	(8,050)

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
<i>Note</i>				
Profit/(loss) for the period attributable to				
Owners of the Company	(3,263)	(3,951)	(7,290)	(8,050)
Non-controlling interest	717	–	785	–
	<u>(2,546)</u>	<u>(3,951)</u>	<u>(6,505)</u>	<u>(8,050)</u>
Total comprehensive income/(loss) for the period attributable to				
Owners of the Company	(3,711)	(3,949)	(7,875)	(8,050)
Non-controlling interest	1,503	–	1,481	–
	<u>(2,208)</u>	<u>(3,949)</u>	<u>(6,394)</u>	<u>(8,050)</u>
Loss per share in HK cents				
– Basic and diluted	(0.026)	(0.069)	(0.058)	(0.143)

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Unaudited Condensed Consolidated Statement of Financial Position

		As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,113	997
Goodwill		10,521	10,386
Other assets		1,110	590
		12,744	11,973
Current assets			
Inventories		11,931	10,149
Trade receivables	9	14,101	8,823
Other receivables, deposits and prepayments	10	11,560	1,837
Tax refundable		267	–
Cash and cash equivalents		14,745	26,375
		52,604	47,184
Current liabilities			
Trade payables	11	5,634	6,809
Accruals and other payables	12	12,841	4,870
Bank loan	13	5,964	–
Amount due to a related party		5,400	5,509
Tax payable		–	66
		29,839	17,254
Net current assets		22,765	29,930
Total assets less current liabilities		35,509	41,903
Net assets		35,509	41,903

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
<i>Note</i>		
Equity		
Share capital	6,274	6,274
Reserves	26,281	34,156
	<hr/>	<hr/>
Total equity attributable to owners of the Company	32,555	40,430
Non-controlling interest	2,954	1,473
	<hr/>	<hr/>
Total equity	35,509	41,903
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Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital reserve	Share premium	Special reserve	Convertible bonds equity reserve	Exchange reserve	Accu- mulated losses	Subtotal	Non- controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (Audited)	2,784	1,030	20,273	11	1,190	9	(19,319)	5,978	-	5,978
Conversion of convertible bonds	200	-	42	-	(84)	-	-	158	-	158
Issue of new shares	90	-	49,410	-	-	-	-	49,500	-	49,500
Share issue expenses	-	-	(402)	-	-	-	-	(402)	-	(402)
Total comprehensive loss for the period	-	-	-	-	-	(1)	(8,050)	(8,051)	-	(8,051)
At 30 June 2010 (Unaudited)	<u>3,074</u>	<u>1,030</u>	<u>69,323</u>	<u>11</u>	<u>1,106</u>	<u>8</u>	<u>(27,369)</u>	<u>47,183</u>	<u>-</u>	<u>47,183</u>
At 1 January 2011 (Audited)	6,274	1,030	70,009	11	-	421	(37,315)	40,430	1,473	41,903
Total comprehensive income/ (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(585)</u>	<u>(7,290)</u>	<u>(7,875)</u>	<u>1,481</u>	<u>(6,394)</u>
At 30 June 2011 (Unaudited)	<u>6,274</u>	<u>1,030</u>	<u>70,009</u>	<u>11</u>	<u>-</u>	<u>(164)</u>	<u>(44,605)</u>	<u>32,555</u>	<u>2,954</u>	<u>35,509</u>

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(16,702)	(11,113)
Net cash (outflow)/inflow from investing activities	(678)	7
Net cash inflow from financing activities	5,863	49,098
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(11,517)	37,992
Cash and cash equivalents at the beginning of the period	26,375	8,097
Effect of foreign exchange rate changes	(113)	–
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	14,745	46,089
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	14,745	46,089
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

1. General Information

The Company is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Unit 2803, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in manufacturing and sales of environmentally friendly air-conditioners and related products and the provision of information technology, engineering consultancy services in the People's Republic of China (the "PRC").

2. Basis of Preparation

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual accounts for the year ended 31 December 2010.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); HKASs and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior year.

The Group has not yet applied new/revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new/revised HKFRSs would have a material impact on its results of operations.

3. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties in connection with the sales of environmentally friendly air-conditioners and related products provision of information technology and engineering consultancy services. Revenue and other revenue recognised during the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue				
Sales of air-conditioner and related products	13,047	–	16,745	–
Service income	–	716	88	3,483
	<u>13,047</u>	<u>716</u>	<u>16,833</u>	<u>3,483</u>
Other revenue				
Interest income	8	7	17	7
Sundry income	8	–	8	73
	<u>16</u>	<u>7</u>	<u>25</u>	<u>80</u>

4. Segment Information

Information reported to executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the period ended 30 June 2010, the executive directors have identified that the Group's operation is regarded as a single business segment, which is the provision of information technology and engineering consultancy services. During the period ended 30 June 2011, the Group has entered a new operating segment "Manufacturing and sales of environmentally friendly air-conditioners and related products". Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- Provision of information technology and engineering consultancy services
- Manufacturing and sales of environmentally friendly air-conditioners and related products

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the period ended 30 June 2011:

	Provision of information technology and engineering consultancy services (Unaudited) <i>HK\$'000</i>	Manufacturing and sales of air- conditioners and related products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>88</u>	<u>16,745</u>	<u>16,833</u>
Segment results	<u>(705)</u>	<u>623</u>	<u>(82)</u>
Other gains			25
Central administrative costs			(6,012)
Finance costs			<u>(102)</u>
Loss before taxation			<u>(6,171)</u>

For the period ended 30 June 2010:

	Provision of information technology and engineering consultancy services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>3,483</u>	<u>3,483</u>
Segment results	<u>(607)</u>	<u>(607)</u>
Other gains		80
Central administrative costs		(7,427)
Finance costs		<u>(125)</u>
Loss before taxation		<u>(8,079)</u>

All of the segment revenue reported above is generated from external customers.

5. Loss before Taxation

The Group's loss before taxation is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Directors' remuneration	699	926	1,705	1,989
Other staff costs	1,377	1,015	2,773	2,381
Depreciation	79	79	146	80
Operating lease rental in respect of rental premises	865	444	1,686	1,124
Legal and professional fee	939	1,052	1,207	1,539

6. Taxation

No provision for taxation has been made in the financial statements of subsidiaries in Hong Kong, as these companies had no assessable profit for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

The income tax provision in respect of operations in PRC is calculated at the applicable rates on the estimated assessable profit for the period based on the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25% (2010: 25%).

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax				
PRC enterprise income tax	(257)	–	(334)	–
Deferred tax				
Reversal of deferred tax liabilities	–	29	–	29
Total taxation (expense)/credit	(257)	29	(334)	29

7. Loss Per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2011 is based on the unaudited net loss for the three months and six months ended 30 June 2011 of approximately HK\$3,263,000 and HK\$7,290,000 (three months and six months ended 30 June 2010: loss of approximately HK\$3,951,000 and HK\$8,050,000) and the weighted average of ordinary shares for the three months and six months ended 30 June 2011 are 12,548,000,000 and 12,548,000,000 ordinary shares (three and six months ended 30 June 2010: 5,716,791,209 and 5,642,806,630 ordinary shares) in issue during the period.

No diluted loss per share has been presented because the potential ordinary shares had anti-dilutive effect during these periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. Trade Receivables

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Trade receivables	14,101	8,823

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The average credit periods on sales of goods are 30 days and on construction contracts are 30 days after progress billing. The following is an ageing analysis of trade receivables at the end of the reporting period:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
0-30 days	1,705	494
31-60 days	6,789	79
Over 60 days	5,607	8,250
	14,101	8,823

The ageing analysis of the Group's trade receivables that were past due as at the end of the reporting period but not impaired is as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
1-90 days past due	6,777	149
91-180 days past due	62	2,093
181-360 days past due	5,557	6,087
	12,396	8,329

As at 30 June 2011, trade receivables of HK\$1,705,000 (31 December 2010: HK\$494,000) were neither past due nor impaired. These related to certain member of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collaterals in respect of trade receivables past due but not impaired.

10. Other Receivables, Deposits and Prepayments

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Other receivables	683	335
Deposits	737	737
Prepayments	<u>10,140</u>	<u>765</u>
	<u>11,560</u>	<u>1,837</u>

11. Trade Payables

Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
0-30 days	698	169
31-60 days	295	-
61-90 days	100	1
Over 90 days	<u>4,541</u>	<u>6,639</u>
	<u>5,634</u>	<u>6,809</u>

12. Accruals and other Payables

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Accruals	1,045	767
Receipt in advances	8,409	2,507
Other payables	3,387	1,596
	12,841	4,870

13. Bank Loan

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Bank loan	5,964	—
	5,964	—

The Interest rate of the short-term loan is floated monthly at 1.25 times of the base lending rate specified by The People's Bank of China. During the interim period the effective interest rates of the short-term loan range from 7.89% to 9.86% (2010: Nil). Its carrying amounts approximate to its fair values.

The carrying amounts of short-term loan is denominated in the following currency:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Renminbi	4,987	—
	4,987	—

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in manufacturing and sales of environmentally friendly air-conditioners and related products, the provision of information technology and engineering consultancy services.

BUSINESS REVIEW AND PROSPECT

Benefiting from the global economic recovery and China's steady economic growth, during the period under review, the Group's turnover amounted to approximately HK\$16,833,000, representing an increase of approximately 383% compared with the last corresponding period of approximately HK\$3,483,000.

As expected by the Group, its core business, manufacturing and sales of environmentally friendly air-conditioners and related products, contributed a major part of the revenue of the Group for the six months ended 30 June 2011. Despite of the absence of improvement in another core business, the provision of information technology and engineering consultancy services, the Group's turnover recorded a record high in the recent years.

During the period under review, the significant increase in the Group's turnover was attributable to three reasons. Firstly, the sale of air-conditioners in second quarter was significantly increased due to the fact that summer is the traditional peak season for purchase of air-conditioners. Secondly, a series of new environmental products was introduced to the market. Thirdly, export orders and special model orders were significant increased.

In fact, the Group had injected substantial amount of resources in this business segment for business development including expanding customer base, exploring new markets and broadening the new environmental product lines. The company's product mix was improved following more new products developed and introduced, for example, Mobile Air-Conditioner Mate (移動式空調伴侶), Telecommunication Joint Environmental Air-conditioner (電訊機房聯動環保空調), Wet Curtain Wall (濕簾牆), Environmental Heater (冷暖型環保空調), Small Industrial Environmental Air-conditioner (小型工業環保空調), etc. Therefore, customers have more choice and the company's brand recognition has gradually improved. Meanwhile, the company has also successfully explored overseas market, the company's products were exported to many countries including Pakistan, Taiwan, Germany, Malaysia, etc. As at the ended of the first half year, export sales was approximately 3% of the company's sales. It is expected that the export sales will be further significant increased in the second half year. Energy saving, environmental friendly and low-cost is the mission of product research and development of the company for which all such efforts not only emerged in short term but also expect to bring us a better prospect in the near future.

However, the forthcoming business environment is still difficult and challenging. The uncertainty in global economic outlook and public financing crises in European Union countries continue to have a dampening impact on the economy. Possible increase in raw material costs, labor costs and rental costs and possible increase in interest rates are the potential burdens to the Group. Under the aforesaid operating environment, in order to further improve its existing business, the Group will continue to adopt strict cost control policies in managing its operations and reinforce our competitive advantages to meet the challenges ahead.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2011, the Group's unaudited consolidated turnover and loss attributable to equity holders of the Company were approximately HK\$16,833,000 (2010: HK\$3,483,000) and HK\$7,290,000 (2010: HK\$8,050,000) respectively which were increased by approximately 383% and decreased by approximately 9.4% respectively comparing with the corresponding period last year. The decrease in the loss was mainly attributable to the increase in sales of environmentally friendly air-conditioners and related new products, meanwhile the Group adopted cost control policies in effectively reducing staff costs and operating expenses.

Liquidity and financial resources

As at 30 June 2011, the Group had assets of approximately HK\$65,348,000 (31 December 2010: approximately HK\$59,157,000), including net cash and bank balances of approximately HK\$14,745,000 (31 December 2010: approximately HK\$26,375,000). There was no charge on the Group's assets as at 30 June 2011 (31 December 2010: Nil).

During the period under review, the Group financed its operations with internally generated cash flow, the balance of the net proceeds from the Placing which was completed on 19 April 2010 and a short-term bank loan (as referred below). It is anticipated that the Group should have adequate resource to meet the requirement of its business activities and development with existing financial resources.

Capital structure

There was no change in the capital structure of the Company for the six months ended 30 June 2011.

Changes in shareholding

On 30 May 2011, the Company was informed by Ms. Li Xiao Mei, who resigned as the Chairman and executive Director on 23 June 2011, that a total of 1,300,000,000 shares having a par value of HK\$0.0005 each in the Company were sold by Sound Treasure Holdings Limited (“Sound Treasure”) to two individual purchasers, both of them were not connected persons (within the meaning of Rule 20.11 of the GEM Listing Rules). Completion of such sale took place on 30 May 2011. Sound Treasure is a company wholly owned by Ms. Li Xiao Mei.

Gearing

As at 30 June 2011, the Group had outstanding bank borrowing of approximately RMB4,987,000 (approximately HK\$5,964,000) which was a short term revolving loan at floating rates (31 December 2010: Nil). The unutilised bank loan facilities amount to approximately RMB13,000 (approximately HK\$16,000) (30 June 2010: Nil). The gearing ratio of the Group, defined as the ratio between total borrowings and total equity, was approximately 16.8% for the six months ended 30 June 2011 (31 December 2010: Nil).

Significant investments

As at 30 June 2011, there was no significant investments held by the Group.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the period under review.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Foreign exchange exposure

The Group’s income and expenditure during the six months ended 30 June 2011 were principally denominated either in Hong Kong dollars (“HK\$”) or Renminbi (“RMB”), and most of the assets and liabilities as at 30 June 2011 were denominated either in HK\$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the period under review.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Segment information

Details of the Group's segment information are set out in note 4 to the Condensed Consolidated Financial Statements.

Future plans for material investments

The Group will further improve its existing business and strengthen its foundation by achieving steady expansion on existing core business, developing and introducing high-tech products with high value-added, broadening new product lines and expanding the sales network internationally. To match the foregoing future plans, the Group will continue to utilize most of its resources for the development of its principal activities of manufacturing and sales of environmentally friendly air-conditioners and related products to increase its market share in the PRC and further expansion and development of overseas market. In addition, the Group continues searching for business opportunities elsewhere including investment opportunities in the energy and resources businesses such as the coalbed methane business to improve the financial performance and increase the value of the Group in order to reward the shareholders for their long term and strong support.

Employees and remuneration policies

As at 30 June 2011, the Group had 96 (31 December 2010: 87) full-time employees, including Directors. Total staff costs (including Directors' emoluments) were approximately HK\$4,478,000 for the six months ended 30 June 2011 (30 June 2010: approximately HK\$4,370,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and social insurance to its employees in the PRC, and are paid at appropriate levels.

DIVIDEND

The Company does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2011, none of the Directors had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then sole member of the Company on 26 October 2002 (the "Share Option Scheme"). No share options have been granted under the Share Option Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, other than the interests of certain Directors as disclosed under the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to

the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Number of issued shares	Capacity in which shares are held	Approximate percentage of issued share capital
Sound Treasure Holdings Limited	5,170,000,000 <i>(Note)</i>	Beneficial owner	41.20%
Ms. Li Xiao Mei	5,170,000,000 <i>(Note)</i>	Interest in controlled corporation	41.20%
Mr. Su Zhi	700,000,000	Beneficial owner	5.58%

Note: Sound Treasure is a limited liability company incorporated in the British Virgin Islands. The shares are held by Sound Treasure, a company wholly owned by Ms. Li Xiao Mei (a former director of the Company). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Ms. Li Xiao Mei is deemed to be interested in the shares held by Sound Treasure.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the reporting period had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the GEM Listing Rules) have any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the Group which any such person has or may have with the Group.

CONNECTED TRANSACTION

No contracts of significance to which the Company or its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the six months ended or at any time during the six months ended 30 June 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. Except as noted below, the Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the six months ended 30 June 2011.

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

On 4 July 2011, the Board has appointed Mr. Li Shan Jie as vice chairman of the Board after Ms. Li Xiao Mei resigned as the Chairman and executive Director on 23 June 2011. The Board will consider appointing an individual as the Chairman when it thinks appropriate. The chief executive officer of the Company is Mr. Zhang Shi Min.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the provisions set out in the CG Code particularly C.3.3 of the CG Code and Rules 5.28 and 5.33 of the GEM Listing Rules and which had been revised on 1

March 2008. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to the Directors. As at the date of this Report, the Audit Committee comprises three members, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Leung Wah. The Audit Committee has reviewed the Group's unaudited quarterly results for the three months ended 31 March 2011 and the unaudited interim results for the six months ended 30 June 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the period ended 30 June 2011.

As at the date of this Report, the Board comprises the following Directors:

Executive Directors:

Mr. Li Shan Jie

Mr. Zhang Shi Min

Mr. Qie Bing Bing

Independent non-executive Directors:

Mr. Leung Wah

Mr. Fung Hoi Wing, Henry

Mr. Cheung Chung Leung, Richard

By Order of the Board

Global Energy Resources International Group Limited

Zhang Shi Min

Chief Executive Officer and Executive Director

Hong Kong, 11 August 2011