



# Third Quarterly Report 2011



**Global Energy Resources International Group Limited**

(continued in Bermuda with limited liability)

Stock Code: 8192

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 on GEM of the Stock Exchange (the “GEM Listing Rules”) 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 Global Energy Resources International Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 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 September		Nine months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>5,507</b>	942	<b>22,340</b>	4,425
Cost of sales		<b>(3,820)</b>	(347)	<b>(15,231)</b>	(347)
<b>Gross profit</b>		<b>1,687</b>	595	<b>7,109</b>	4,078
Other revenue	3	<b>8</b>	21	<b>33</b>	101
Depreciation		<b>(16)</b>	(45)	<b>(162)</b>	(125)
Materials and consumables used		<b>-</b>	(214)	<b>(61)</b>	(2,799)
Staff costs		<b>(1,339)</b>	(2,116)	<b>(5,817)</b>	(6,486)
Other operating expenses		<b>(6,001)</b>	(2,234)	<b>(12,832)</b>	(6,716)
<b>Loss from operations</b>		<b>(5,661)</b>	(3,993)	<b>(11,730)</b>	(11,947)
Finance costs		<b>(123)</b>	(28)	<b>(225)</b>	(153)
<b>Loss before taxation</b>	5	<b>(5,784)</b>	(4,021)	<b>(11,955)</b>	(12,100)
Taxation	6	<b>(70)</b>	6	<b>(404)</b>	35
<b>Loss for the period</b>		<b>(5,854)</b>	(4,015)	<b>(12,359)</b>	(12,065)
<b>Other comprehensive income (loss) for the period</b>					
Translation difference		<b>(39)</b>	(65)	<b>72</b>	(65)
<b>Total comprehensive loss for the period</b>		<b>(5,893)</b>	(4,080)	<b>(12,287)</b>	(12,130)
<b>Income (loss) for the period attributable to:</b>					
Owners of the Company		<b>(6,081)</b>	(4,067)	<b>(13,371)</b>	(12,117)
Non-controlling interests		<b>227</b>	52	<b>1,012</b>	52
		<b>(5,854)</b>	(4,015)	<b>(12,359)</b>	(12,065)
<b>Total comprehensive income (loss) for the period attributable to:</b>					
Owners of the Company		<b>(6,016)</b>	(4,132)	<b>(13,891)</b>	(12,182)
Non-controlling interests		<b>123</b>	52	<b>1,604</b>	52
		<b>(5,893)</b>	(4,080)	<b>(12,287)</b>	(12,130)
<b>Loss per share in HK cents</b>	7				
– Basic and diluted		<b>(0.048)</b>	(0.066)	<b>(0.107)</b>	(0.208)

## 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, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

### 2. Basis of Preparation

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated results also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2011 and 2010 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. The condensed consolidated results are unaudited but have been reviewed by the audit committee of the Company.

**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 income recognized during the period are as follows:

	<b>Three months ended</b>		<b>Nine Months ended</b>	
	<b>30 September</b>	<b>2010</b>	<b>30 September</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>				
Sale of environmentally friendly air-conditioners	<b>5,507</b>	539	<b>22,252</b>	539
Service income	<b>-</b>	403	<b>88</b>	3,886
	<b>5,507</b>	942	<b>22,340</b>	4,425
<b>Other revenue</b>				
Interest income	<b>8</b>	2	<b>25</b>	9
Sundry income	<b>-</b>	19	<b>8</b>	92
	<b>8</b>	21	<b>33</b>	101

#### 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 nine months ended 30 September 2011 and 2010, the Group's operation are principally engaged in manufacturing and sales of environmentally friendly air-conditioners and related products, and the provision of information technology and engineering consultancy services. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

#### Segment revenues and results

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

#### For the period ended 30 September 2011:

	<b>Manufacturing and sales of air-conditioners and related products (Unaudited) HK\$'000</b>	<b>Provision of information technology and engineering consultancy services (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
Segment revenue	<u>22,252</u>	<u>88</u>	<u>22,340</u>
Segment results	<u>280</u>	<u>(830)</u>	<u>(550)</u>
Other gains			32
Central administrative costs			(11,212)
Finance costs			<u>(225)</u>
Loss before taxation			<u>(11,955)</u>

For the period ended 30 September 2010:

	Manufacturing and sales of air-conditioners and related products (Unaudited) <i>HK\$'000</i>	Provision of information technology and engineering consultancy services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	539	3,886	4,425
Segment results	(169)	(1,028)	(1,197)
Other gains			102
Central administrative costs			(10,877)
Finance costs			(128)
Loss before taxation			(12,100)

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 September		Nine Months ended 30 September	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Directors' remuneration	400	929	2,105	2,918
Other staff costs	939	1,187	3,712	3,568
Depreciation	16	45	162	125
Operating lease rental in respect of rental premises	783	763	2,469	1,887
Effective interest expense on convertible bonds	-	24	-	135
Legal and professional fees	3,824	395	5,031	1,934

**6. Taxation**

No provision for taxation has been made as the Group had no assessable profits for the three months and nine months ended 30 September 2011 (three months and nine months ended 30 September 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 September		Nine Months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax				
PRC enterprise income tax	(70)	(12)	(404)	(13)
Defered tax				
Reversal of deferred tax liabilities	–	18	–	48
<b>Total taxation (expense)/credit</b>	<b>(70)</b>	<b>6</b>	<b>(404)</b>	<b>35</b>

**7. Loss Per Share**

The calculation of basic loss per share for the three months and nine months ended 30 September 2011 is based on the unaudited net loss for the three months and nine months ended 30 September 2011 of approximately HK\$6,081,000 and HK\$13,371,000 (three months and nine months ended 30 September 2010: loss of approximately HK\$4,067,000 and HK\$12,117,000) and the weighted average of ordinary shares for the three months and nine months ended 30 September 2011 are 12,548,000,000 and 12,548,000,000 ordinary shares respectively (three and nine months ended 30 September 2010: 6,161,043,478 and 5,817,450,549 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 a dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

**9. Reserves**

Movements in reserves during the periods are as follows:

	Share capital	Capital reserve	Share premium	Special reserve	Convertible bonds equity reserve	Exchange reserve	Accumulated 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
Partial conversion of convertible bonds	400	-	42	-	(168)	-	-	274	-	274
Issue of new shares	90	-	49,410	-	-	-	-	49,500	-	49,500
Share issue expenses	-	-	(402)	-	-	-	-	(402)	-	(402)
Total comprehensive loss for the period	-	-	-	-	-	(65)	(12,065)	(12,130)	-	(12,130)
At 30 September 2010 (Unaudited)	3,274	1,030	69,323	11	1,022	(56)	(31,384)	43,220	-	43,220
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	-	-	-	-	-	(520)	(13,371)	(13,891)	1,604	(12,287)
At 30 September 2011 (Unaudited)	6,274	1,030	70,009	11	-	(99)	(50,686)	26,539	3,077	29,616

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## BUSINESS REVIEW AND PROSPECT

During the period under review, centering on the operating target made at the beginning of 2011 and under the leadership of the Board and the management, the Group had overcome various difficulties, including fierce competition, limitation of production capacity, increasing raw materials and other production costs etc., and continued to maintain a strong growth in its principal business.

For the nine months ended 30 September 2011, the Group recorded a considerable growth in consolidated revenue to HK\$22,340,000, representing an increase of approximately 405% compared with the last corresponding period of approximately HK\$4,425,000. It was mainly attributable to external factor of steady economic growth in Mainland China and internal factors such as our aggressive sales, effective sales network and development of new products.

In fact, due to uncertainties in the global economic outlook and worries about slowdown in China's economy, most enterprises adopted a cautious attitude in investment of capital equipment. In order to maintain a stable growth in overall revenue, the Group had put substantial amount of resources in its business development, in particular in development of new products, including the development and improvement of Telecommunication Joint Environmental Air-conditioner (電訊機房聯動環保空調) which was targeting at some potential sizable projects. Currently, the company is actively expanding its production capacity in order to increase inventory to meet the peak season of the sale of air-conditioners next year. Meanwhile, the company also continues to improve the quality of its existing products and develop new products in order to achieve its mission of "Energy Saving, Environmental Friendly and Low Cost" and further improve the company's brand recognition and also ultimately to increase its market shares.

Looking ahead, the global market will remain volatile under the influence of the America sovereign debt crisis and the European Union sovereign debt crisis. Furthermore, there are worries about slowdown in China's economy and future challenges therein. The Group will continue to focus on its business in China because we still believe Mainland China will benefit from its ongoing economic development.

Notwithstanding the challenges ahead, the Group will use its best endeavours to take all necessary effective actions and measures that the Board thinks fit with the aim to ensuring the sustainability of the Group's business development. Meanwhile, the Group is actively looking for investment opportunities in the energy and resources business including in particular the coalbed methane business with a view to bringing in improved returns and providing greater value to the shareholders.

## **FINANCIAL REVIEW**

For the nine months ended 30 September 2011, the Group's unaudited consolidated turnover and loss attributable to owners of the Company were approximately HK\$22,340,000 (2010: HK\$4,425,000) and HK\$13,371,000 (2010: HK\$12,117,000) respectively which were increased by approximately 405% and 10.3% respectively comparing with the corresponding period last year.

## **DIVIDEND**

The Company does not recommend the payment of any dividend for the nine months ended 30 September 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 nine months ended 30 September 2011.

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

As at 30 September 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 September 2011, save 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 shares interested	Capacity in which shares are held	Approximate percentage of issued share capital
Sound Treasure Holdings Limited	5,170,000,000 (Note)	Beneficial owner	41.20%
Ms. Li Xiao Mei	5,170,000,000 (Note)	Interest in controlled corporation	41.20%
Mr. Su Zhi	700,000,000	Beneficial owner	5.58%

Note: Sound Treasure Holdings Limited ("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 ("Ms. Li"). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Ms. Li is deemed to be interested in the shares held by Sound Treasure.

Save as disclosed above, as at 30 September 2011, the Directors were not aware of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares 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.

## **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 under 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 nine months ended or at any time during the nine months ended 30 September 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 nine months ended 30 September 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 23 June 2011, Ms. Li Xiao Mei resigned as an executive director and chairman of the Company.

On 21 September 2011, the Board further appointed Mr. Li Shan Jie as the Chairman. The chief executive officer of the Company remains 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 and nine months ended 30 September 2011 respectively.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the 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 September 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**

**Li Shan Jie**

*Chairman*

Hong Kong, 10 November 2011