



Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)
Stock Code: 8192

First Quarterly Report

2012



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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2012, together with the comparative unaudited figures for the corresponding period in 2011 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

		Three months ended 31 March	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	<i>Note</i>		
Revenue	3	2,027	3,786
Cost of sale		(1,382)	(3,055)
		<hr/>	<hr/>
Gross profit		645	731
Other revenue		5	9
Selling and distribution expenses		(252)	(493)
Administrative expenses		(3,698)	(4,129)
		<hr/>	<hr/>
Loss from operations		(3,300)	(3,882)
Finance costs		(126)	–
		<hr/>	<hr/>
Loss before taxation	4	(3,426)	(3,882)
Taxation	5	–	(77)
		<hr/>	<hr/>
Loss for the period		(3,426)	(3,959)
		<hr/>	<hr/>
Other comprehensive income/(loss) for the period, net of income tax			
Exchange difference on translating foreign operations		449	(227)
		<hr/>	<hr/>
Total comprehensive loss for the period		(2,977)	(4,186)
		<hr/>	<hr/>
(Loss)/profit for the period attributable to			
Owners of the Company		(3,224)	(4,027)
Non-controlling interest		(202)	68
		<hr/>	<hr/>
		(3,426)	(3,959)
		<hr/>	<hr/>
Total comprehensive loss for the period attributable to			
Owners of the Company		(2,775)	(4,164)
Non-controlling interest		(202)	(22)
		<hr/>	<hr/>
		(2,977)	(4,186)
		<hr/>	<hr/>
Loss per share in HK cents	6		
– Basic and diluted		(0.026)	(0.063)
		<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, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange. In the opinion of the Directors, the ultimate holding company of the Company is Sound Treasure Holdings Limited, a company incorporated in British Virgin Islands.

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 and engineering consultancy services.

2. Basis of Preparation

The Group's unaudited condensed consolidated financial statements 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 GEM Listing Rules.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The condensed consolidated financial statements 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.

4. Loss before Taxation

The Group's loss before taxation is arrived at after charging/(crediting):

	3 months ended 31 March	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Directors' remuneration	483	1,006
Other staff costs	1,169	1,396
Depreciation of owned assets	72	67
Operating lease rental in respect of land and building	1,068	821
Interest income	(5)	(9)
	<hr/>	<hr/>

5. 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 three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

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

	3 months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
The PRC enterprise income tax	-	77
	<hr/>	<hr/>
Total income tax	-	77
	<hr/>	<hr/>

6. Loss Per Share

The calculation of basic loss per share for the three months ended 31 March 2012 is based on the unaudited net loss for the three months ended 31 March 2012 of approximately HK\$3,224,000 (three months ended 31 March 2011: loss of approximately HK\$4,027,000) and the weighted average of 12,548,000,000 shares (three months ended 31 March 2011: 6,443,000,000 shares) in issue during the period.

No diluted loss per share has been presented because the potential ordinary shares had anti-dilutive effect for each of the three months ended 31 March 2012 and 2011.

7. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

8. Reserves

Movements in reserves during the periods are as follows:

	Share capital	Capital reserve	Share premium	Special reserve	Statutory reserve	Exchange reserve	Accumulated losses	Subtotal	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (Audited)	6,274	1,030	70,009	11	-	421	(37,315)	40,430	1,473	41,903
Net (loss)/income for the period	-	-	-	-	-	-	(4,027)	(4,027)	68	(3,959)
Other comprehensive loss, net of income tax Exchange differences on translating foreign operations	-	-	-	-	-	(137)	-	(137)	(90)	(227)
Total comprehensive loss for the period	-	-	-	-	-	(137)	(4,027)	(4,164)	(22)	(4,186)
At 31 March 2011 (Unaudited)	6,274	1,030	70,009	11	-	284	(41,342)	36,266	1,451	37,717
At 1 January 2012 (Audited)	6,274	1,030	70,009	11	320	1,410	(58,890)	20,164	14,131	34,295
Net loss for the period	-	-	-	-	-	-	(3,224)	(3,224)	(202)	(3,426)
Other comprehensive income Exchange differences on translating foreign operations	-	-	-	-	4	445	-	449	-	449
Total comprehensive income/(loss) for the period	-	-	-	-	4	445	(3,224)	(2,775)	(202)	(2,977)
At 31 March 2012 (Unaudited)	6,274	1,030	70,009	11	324	1,855	(62,114)	17,389	13,929	31,318

9. Comparatives

Certain comparative amounts have been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the 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, the Group's revenue amounted to approximately HK\$2,027,000, representing a decrease of approximately 46.5% comparing with corresponding period last year (2011: HK\$3,786,000). The decrease is mainly attributable to the seasonal cold weather which seriously affected the sales of cooling fan and air-conditioner products. The average temperature during the first quarter was lower than last year's, as a result, many contracted dealers and customers postponed installing our products and payment. However, it is expected that second quarter sales of such products would increase significantly because the company has secured and accumulated certain amount of orders and the temperature increase would stimulate sales of our products.

Same as previous quarters, one of the Group's core business, manufacturing and sales of environmentally friendly air-conditioners and related products, contributed a major part of the revenue for the three months ended 31 March 2012. Revenue from another core business, the provision of information technology and engineering consultancy services, had dropped significantly since last year and dragged down the business performance of the Group as a whole. In this regard, we are planning to reallocate our resources in our core businesses, and if necessary, have our businesses restructured to reduce operating cost and loss attributable to the owners of the Company.

In order to broaden our capital base and attract potential investors, on 27 April 2012 the Company entered into a placing agreement with a placing agent in connection with the private placing of 1,000,000,000 non-listed warrants conferring rights to subscribe for HK\$150,000,000 in aggregate in cash, for 1,000,000,000 new shares at the exercise price of HK\$0.15 per share (subject to adjustment). Two places have been procured by the placing agent who agreed to subscribe, in aggregate, all the warrants to be placed by the Company pursuant to the placing agreement. The potential warrant holders' investment in the Company's non-listed warrants fully demonstrated their confidence in the future prospects of the Group.

On 2 April 2012, the Company announced that it was in preliminary discussion with an independent third party and conducting a preliminary review on a potential acquisition relating to the extraction of coal-bed methane ("CBM") in the ShanXi Province, China.

The Group will not only continue to improve its existing business but also keep seeking opportunities to invest in the energy and resources businesses including in particular the CBM business with a view to bringing in improved returns and providing greater value to our shareholders.

FINANCIAL REVIEW

For the three months ended 31 March 2012, the Group's unaudited consolidated revenue and loss attributable to the owners of the Company were approximately HK\$2,027,000 (2011: HK\$3,786,000) and HK\$3,224,000 (2011: HK\$4,027,000) respectively which decreased by approximately 46.5% and 19.9% respectively comparing with the corresponding period last year.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: 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 three months ended 31 March 2012.

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

As at 31 March 2012, 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.

PRIVATE PLACING OF NON-LISTED WARRANTS

On 27 April 2012, the Company and a placing agent entered into a placing agreement pursuant to which the Company agreed to place, through the placing agent, on a best efforts basis, a maximum of 1,000,000,000 non-listed warrants of the Company (the "Warrants") conferring rights to subscribe for HK\$150,000,000 in aggregate in cash, for 1,000,000,000 new shares of the Company at the exercise price of HK\$0.15 per Share (subject to adjustment) (the "Placing").

On 10 May 2012, the Placing was completed. The Warrants were placed to two places procured by the placing agent at the placing price of HK\$0.005 per Warrant. The net proceeds from the Placing was approximately HK\$4.7 million, of which approximately HK\$4 million will be used to settle a loan from a Shareholder and the remaining amount will be utilised by the Group as its general working capital.

Details of the Placing were set out in the announcements of the Company dated 29 April 2012 and 10 May 2012.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme on 9 May 2012 (the “2012 Share Option Scheme”) and terminated the share option scheme adopted on 26 October 2002 on the condition that listing approval and permission to deal in the shares to be issued when exercising the 2012 Share Option Scheme be granted by the Stock Exchange. The total number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme, must not exceed 1,254,800,000 shares, representing 10% of the issued share capital of the Company as at 9 May 2012. As at the date of this report, no option has been granted or remains outstanding.

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

As at 31 March 2012, the interests and 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: The shares are held by Sound Treasure Holdings Limited (“Sound Treasure”) a company incorporated in British Virgin Islands with limited liability, and wholly owned by Ms. Li Xiao Mei. 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 31 March 2012, 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 the controlling shareholders of the Company 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 which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the three months ended 31 March 2012.

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. 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 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as 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 31 March 2012.

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 and Executive Director

Hong Kong, 10 May 2012