



Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

Interim 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 (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”) 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 2012 respectively together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	2,637	13,047	4,664	16,833
Cost of sales		(1,786)	(8,356)	(3,168)	(11,411)
Gross profit		851	4,691	1,496	5,422
Other revenue	3	12	16	17	25
Gain on disposal of subsidiaries	5	2,866	–	2,866	–
Selling and distribution expenses		(354)	(1,574)	(606)	(2,067)
Administrative expenses		(4,268)	(5,320)	(7,966)	(9,449)
Loss from operations		(893)	(2,187)	(4,193)	(6,069)
Finance costs		(83)	(102)	(209)	(102)
Loss before taxation	6	(976)	(2,289)	(4,402)	(6,171)
Taxation	7	(71)	(257)	(71)	(334)
Loss for the period		(1,047)	(2,546)	(4,473)	(6,505)
Other comprehensive (loss)/income, net of income tax					
Exchange differences on translating foreign operations		(134)	338	315	111
Total comprehensive loss for the period		(1,181)	(2,208)	(4,158)	(6,394)

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to				
Owners of the Company	(953)	(3,263)	(4,177)	(7,290)
Non-controlling interest	(94)	717	(296)	785
	<u>(1,047)</u>	<u>(2,546)</u>	<u>(4,473)</u>	<u>(6,505)</u>
Total comprehensive (loss)/income for the period attributable to				
Owners of the Company	(1,087)	(3,711)	(3,862)	(7,875)
Non-controlling interest	(94)	1,503	(296)	1,481
	<u>(1,181)</u>	<u>(2,208)</u>	<u>(4,158)</u>	<u>(6,394)</u>
Loss per share in HK cents				
– Basic and diluted	(0.008)	(0.026)	(0.033)	(0.058)

8

Unaudited Condensed Consolidated Statement of Financial Position

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		2,023	2,151
Goodwill		10,796	10,661
Other assets		616	609
		13,435	13,421
Current assets			
Inventories		14,230	15,723
Trade receivables	<i>10</i>	3,024	6,452
Other receivables, deposits and prepayments	<i>11</i>	14,000	9,760
Cash and cash equivalents		2,601	8,944
		33,855	40,879
Current liabilities			
Trade payables	<i>12</i>	516	3,099
Accruals and other payables	<i>13</i>	7,397	7,650
Bank borrowing	<i>14</i>	–	6,044
Amount due to a related party		2,540	1,212
Amount due to a shareholder		1,700	2,000
		12,153	20,005
Net current assets		21,702	20,874
Total assets less current liabilities		35,137	34,295
Net assets		35,137	34,295

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
<i>Note</i>		
Equity		
Share capital	6,274	6,274
Reserves	15,028	13,890
	<hr/>	<hr/>
Total equity attributable to owners of the Company	21,302	20,164
Non-controlling interest	13,835	14,131
	<hr/>	<hr/>
Total equity	35,137	34,295
	<hr/>	<hr/>

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								Subtotal	Non-controlling interest	Total
	Share capital	Capital reserve	Share premium	Special reserve	Warrants reserve	Statutory reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	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
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(585)	(7,290)	(7,875)	1,481	(6,394)
At 30 June 2011 (Unaudited)	<u>6,274</u>	<u>1,030</u>	<u>70,009</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>(164)</u>	<u>(44,605)</u>	<u>32,555</u>	<u>2,954</u>	<u>35,509</u>
At 1 January 2012 (Audited)	6,274	1,030	70,009	11	-	320	1,410	(58,890)	20,164	14,131	34,295
Placing of the Warrants	-	-	-	-	5,000	-	-	-	5,000	-	5,000
Net loss for the period	-	-	-	-	-	-	-	(4,177)	(4,177)	(296)	(4,473)
Other comprehensive income, net of income tax:											
Exchange differences on translating foreign operations	-	-	-	-	-	4	311	-	315	-	315
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>311</u>	<u>(4,177)</u>	<u>(3,862)</u>	<u>(296)</u>	<u>(4,158)</u>
At 30 June 2012 (Unaudited)	<u>6,274</u>	<u>1,030</u>	<u>70,009</u>	<u>11</u>	<u>5,000</u>	<u>324</u>	<u>1,721</u>	<u>(63,067)</u>	<u>21,302</u>	<u>13,835</u>	<u>35,137</u>

Note: The warrants reserve of the Group represents 1,000,000,000 non-listed Warrants with a placing price of HK\$0.005 per warrant and with an exercise price of HK\$0.15 per warrant which had been placed during the six months ended 30 June 2012.

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(6,119)	(16,702)
Net cash outflow from investing activities	(54)	(678)
Net cash (outflow)/inflow from financing activities	(245)	5,863
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6,418)	(11,517)
Cash and cash equivalents at the beginning of the period	8,944	26,375
Effect of foreign exchange rate changes	75	(113)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	2,601	14,745
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,601	14,745
	<hr/>	<hr/>

Notes to the Unaudited 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 the manufacturing and sales of environmentally friendly air-conditioners and related products, and the provision of information technology and 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 2011.

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 2012. 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 or 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 or 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 manufacturing and sales of environmentally friendly air-conditioners and related products, the 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue				
Sales of air-conditioner and related products	2,636	13,047	4,595	16,745
Services income	1	–	69	88
	<u>2,637</u>	<u>13,047</u>	<u>4,664</u>	<u>16,833</u>
Other revenue				
Interest income	3	8	8	17
Sundry income	9	8	9	8
	<u>12</u>	<u>16</u>	<u>17</u>	<u>25</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. 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 June 2012:

	Manufacturing and sales of environmentally friendly air-conditioners and related products (Unaudited) HK\$'000	Provision of information technology and engineering consultancy services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	4,595	69	4,664
Segment results	(1,876)	(635)	(2,511)
Other gains			17
Central administrative costs			(1,699)
Finance costs			(209)
Loss before taxation			(4,402)

For the period ended 30 June 2011:

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

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

5. Disposal of Subsidiaries

On 18 May 2012, the Group disposed of UURG (China) Limited and its subsidiary UURG Controls (Shenzhen) Limited which are investment holding in Hong Kong and provided information technology and engineering consultancy services in the PRC respectively at a consideration of HK\$2. The disposal was completed on 18 May 2012.

The net liabilities disposed in the transaction were as follows:

	As at 18 May 2012 HK\$'000
Non-current assets	
Property, plant and equipment	9
Current assets	
Inventories	78
Deposits & other receivables	197
Cash & cash equivalents	19
Current liabilities	
Trade payables	(2,435)
Accruals & other payables	(616)
Amount due to a shareholder	(20)
Equity attributable to Shareholders	
Share capital	-
Exchange reserves	(98)
Net liabilities disposed	(2,866)
Gain on disposal	2,866
Satisfied by:	
Cash	-
Net cash outflow on disposal of subsidiaries:	
Cash and cash equivalents disposed	(19)
Cash consideration	-
	(19)

6. Loss before Taxation

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

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Directors' remuneration	423	699	906	1,705
Other staff costs	975	1,377	2,144	2,773
Depreciation	127	79	199	146
Operating lease rental in respect of rental premises	1,128	865	2,196	1,686
Legal and professional fee	469	939	839	1,207
	<u>469</u>	<u>939</u>	<u>839</u>	<u>1,207</u>

7. 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 2012 (six months ended 30 June 2011: Nil).

The income tax provision in respect of operations in the 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% (2011: 25%).

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax				
PRC enterprise income tax	(71)	(257)	(71)	(334)
Deferred tax				
Reversal of deferred tax liabilities	-	-	-	-
	<u>(71)</u>	<u>(257)</u>	<u>(71)</u>	<u>(334)</u>
Total taxation expense	(71)	(257)	(71)	(334)

8. Loss Per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2012 are based on the unaudited net loss for the three months and six months ended 30 June 2012 of approximately HK\$953,000 and HK\$4,177,000 (three months and six months ended 30 June 2011: loss of approximately HK\$3,263,000 and HK\$7,290,000) and the weighted average of ordinary shares for the three months and six months ended 30 June 2012 are 12,548,000,000 and 12,548,000,000 ordinary shares (three and six months ended 30 June 2011: 12,548,000,000 and 12,548,000,000 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.

9. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. Trade Receivables

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Trade receivables	3,024	6,452

The Directors 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 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
0-30 days	721	2,243
31-60 days	1,147	242
Over 60 days	1,156	3,967
	3,024	6,452

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 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
1-90 days past due	846	–
91-180 days past due	–	3,967
	846	3,967

As at 30 June 2012, trade receivables of HK\$2,303,000 (31 December 2011: HK\$4,209,000) 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.

11. Other Receivables, Deposits and Prepayments

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Deposits paid and prepayments to suppliers	8,678	7,228
Other deposits and receivables	4,716	1,366
Value added tax receivables	606	1,166
	14,000	9,760

12. Trade Payables

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

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
0-30 days	–	541
31-60 days	6	182
61-90 days	327	–
Over 90 days	183	2,376
	516	3,099

13. Accruals and Other Payables

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Accruals	678	1,080
Receipt in advances	576	1,493
Other payables	6,143	5,077
	<u>7,397</u>	<u>7,650</u>

14. Bank Borrowing

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Bank borrowing	—	6,044
	<u>—</u>	<u>6,044</u>

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 8.20% to 10.25% (2011: 7.84% to 8.31%). 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 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Renminbi	—	4,862
	<u>—</u>	<u>4,862</u>

15. Comparatives

Certain comparative amounts have been reclassified to confirm 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

Due to growing global economic uncertainties, in particular public financing crises in European Union countries and the expected slowdown in China's economic growth, the operating environment was generally difficult in first half of the financial year. During the period under review, the Group's turnover amounted to approximately HK\$4,664,000, representing a decrease of approximately 72% compared with the last corresponding period of approximately HK\$16,833,000. Besides the concern for growing economic uncertainties, the decrease is mainly attributable to further postponement requested by contracted dealers and customers in installing our products and payment as a result of the difference in weather conditions as compared with the same period last year.

In order to reallocate our resources to focus on our core business and in response to the unceasing cost inflation in first half of the financial year, the Company through the Disposal (as defined below), has disposed of its business in the provision of information technology and engineering consultancy services on 18 May 2012 and there was an unaudited gain on net book value of approximately HK\$2,866,000.

The Group continues to invest in new products development and product improvement. New products have been developed including Plastic Centrifugal Evaporative Air-conditioners, Stainless Steel Pulley Centrifugal Evaporative Air-conditioners, Evaporative Condenser designed to match the improvement of energy-saving on central air conditioning and also developed seven models of environmentally friendly air-cooler fans. All these new products are developed to meet the requirements of the market and those dealers. The future development of the company will shift from focusing on the Evaporative Air-conditioner market to the improvement of energy-saving technology in central air conditioning gradually. Following the increasing awareness of the Company's brand, seeking sizable projects in this market continues to be the development trajectory of the company in future.

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

Results

For the six months ended 30 June 2012, the Group's unaudited consolidated turnover and loss attributable to owners of the Company were approximately HK\$4,664,000 (2011: HK\$16,833,000) and HK\$4,177,000 (2011: HK\$7,290,000) respectively which were decreased approximately by 72% and by 43% respectively comparing with the corresponding period last year. The decrease in the loss was mainly attributable to the gain on net book value from the Disposal (as defined below), meanwhile the Group adopted cost control policies to effectively reduce staff costs and operating expenses.

Liquidity and financial resources

As at 30 June 2012, the Group had assets of approximately HK\$47,290,000 (31 December 2011: approximately HK\$54,300,000), including net cash and bank balances of approximately HK\$2,601,000 (31 December 2011: approximately HK\$8,944,000). There was no charge on the Group's assets as at 30 June 2012 (31 December 2011: approximately HK\$4,862,000).

During the period under review, the Group financed its operations with internally generated cash flow, the Shareholder Loan (as defined below) and the balance of the net proceeds from the Placing (as defined 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 and with the continuous cost control policies adopted by the Company to effectively reduce staff costs and operating expenses.

Placing of 1,000,000,000 non-listed warrants

On 10 May 2012, the Company successfully placed 1,000,000,000 non-listed warrants at the placing price of HK\$0.005 per warrant (the "Warrants") and of which conferring rights to subscribe for 1,000,000,000 new shares of the Company at the exercise price of HK\$0.15 per Share (subject to the adjustment) (the "Placing"). The new shares of the Company will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 May 2011. As at the date of this report, no Warrants have been exercised by any warrant holders of the Company.

As at 30 June 2012, the entire amount of net proceeds from the Placing has been utilized as to HK\$3,500,000 for repayment of part of the loan from the controlling and substantial shareholder of the Company, approximately HK\$700,000 for general working capital and the balance was held as bank deposit.

Capital structure

There was no change in the capital structure of the Company for the six months ended 30 June 2012.

Gearing

During the period under review, the outstanding bank borrowing brought forward from last year which was a short term revolving loan at floating rates has been settled (31 December 2011: RMB4,987,000 (approximately HK\$6,044,000)) and as at 30 June 2012, there was no bank loan facilities (unutilized bank loan facilities as at 30 June 2011: RMB13,000 (approximately HK\$16,000)). As at 30 June 2012, the Group had an outstanding loan of HK\$1,700,000 due to the controlling and substantial shareholder of the Company, Sound Treasure Holdings Limited, which is unsecured, interest-free and repayable on demand (the "Shareholder Loan") (31 December 2011: HK\$2,000,000). The gearing ratio of the Group, defined as the ratio between net debt and total equity attributable to owners of the Company, was approximately 7.69% for the six months ended 30 June 2012 (31 December 2011: approximately 1.55%).

Significant investments

As at 30 June 2012, 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.

However, on 18 May 2012, the Company issued a voluntary announcement concerning its disposal of a wholly owned subsidiary (and its subsidiary) of the Company (the "Disposal") with effect from that date (for details of the Disposal, please refer to the Company's announcement dated 18 May 2012).

Details of the Disposal are set out in note 5 to the Unaudited Condensed Consolidated Financial Statements.

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Foreign exchange exposure

The Group's income and expenditure during the six months ended 30 June 2012 were principally denominated either in Hong Kong dollars ("HK\$") or Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2012 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 unaudited Condensed Consolidated Financial Statements.

Future plans for material investments

The Group is looking for ways to further improve its existing business, and is also 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 the shareholders' returns.

To match the foregoing future plans, the Company successfully completed the Placing on 10 May 2012. Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$150 million will be raised, and of which, among others, (i) approximately HK\$20 million will be used towards the business expansion of manufacturing and sales of environmentally friendly air-conditioners; and (ii) approximately HK\$50 million will be used as the deposit payment for an acquisition relating to the extraction of coal-bed methane in the ShanXi Province, the PRC, if materialized (the "Project"). Details of the Project and the Placing were set out in the announcements of the Company dated 2 April 2012, and 29 April 2012 and 10 May 2012 respectively.

Employees and remuneration policies

As at 30 June 2012, the Group had 80 (31 December 2011: 80) full-time employees, in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) were approximately HK\$3,050,000 for the six months ended 30 June 2012 (30 June 2011: approximately HK\$4,478,000). Remuneration is determined with reference to market terms, employment conditions, responsibilities and the performance, qualification and experience of the individual employee. Other benefits include corporate liabilities insurance for the Directors and Officers, 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 Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 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 six months ended 30 June 2012.

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

As at 30 June 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.

SHARE OPTION SCHEME

A new share option scheme has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012 (the "2012 Share Option Scheme"). No share options have been granted under the 2012 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 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 the 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 30 June 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 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 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the former Appendix 15 of the GEM Listing Rules (the “Old CG Code”) for the period from 1 January 2012 to 31 March 2012 and complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 15 of the GEM Listing Rules (the “New CG Code”) for the period from 1 April 2012 to 30 June 2012 except the code provision E.1.2 of the New CG Code as disclosed below:

- Code provision E.1.2 of the New CG Code specifies that the chairman of the board should attend the annual general meeting. Mr. Li Shan Jie (“Mr. Li”), the chairman of the Board has been heavily involved in the business operations of the Group. Despite his utmost intention to be present at the annual general meeting of the Company held on 9 May 2012 (the “AGM”), Mr. Li was unable to attend the AGM due to other urgent business commitments of the Group. Mr. Zhang Shi Min, the Chief Executive Officer and executive Director, has taken the chair of the AGM thereat to be available to answer question to ensure effective communication with the shareholders of the Company.

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 Old CG Code particularly C.3.3 of the Old CG Code and Rules 5.28 and 5.33 of the GEM Listing Rules. A new terms of reference of the Audit Committee has been adopted by the Board on 1 March 2012 in compliance with the New CG Code. 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 and interim results for the three months ended 31 March 2012 and for the six months ended 30 June 2012 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 June 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
Zhang Shi Min
Chief Executive Officer and Executive Director

Hong Kong, 9 August 2012