



# Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

## Third 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.**

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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”) 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 nine months ended 30 September 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 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>2,618</b>	5,507	<b>7,282</b>	22,340
Cost of sales		<b>(2,185)</b>	(3,820)	<b>(5,353)</b>	(15,231)
Gross profit		<b>433</b>	1,687	<b>1,929</b>	7,109
Other revenue	3	<b>3</b>	8	<b>20</b>	33
Gain on disposal of subsidiaries		<b>-</b>	-	<b>2,866</b>	-
Selling and distribution expenses		<b>(456)</b>	(505)	<b>(1,061)</b>	(2,572)
Administrative expenses		<b>(3,255)</b>	(6,851)	<b>(11,220)</b>	(16,300)
<b>Loss from operations</b>		<b>(3,275)</b>	(5,661)	<b>(7,466)</b>	(11,730)
Finance costs		<b>-</b>	(123)	<b>(210)</b>	(225)
<b>Loss before taxation</b>	5	<b>(3,275)</b>	(5,784)	<b>(7,676)</b>	(11,955)
Taxation	6	<b>-</b>	(70)	<b>(72)</b>	(404)
<b>Loss for the period</b>		<b>(3,275)</b>	(5,854)	<b>(7,748)</b>	(12,359)
<b>Other comprehensive (loss)/income net of income tax</b>					
Exchange differences on translating foreign operations		<b>(90)</b>	(39)	<b>225</b>	72
<b>Total comprehensive loss for the period</b>		<b>(3,365)</b>	(5,893)	<b>(7,523)</b>	(12,287)

	Three months ended 30 September 2012 (Unaudited) <i>HK\$'000</i>		Nine months ended 30 September 2012 (Unaudited) <i>HK\$'000</i>	
	2011 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
<i>Note</i>				
<b>(Loss)/profit for the period attributable to:</b>				
Owners of the Company	(2,789)	(6,081)	(6,966)	(13,371)
Non-controlling interest	(486)	227	(782)	1,012
	<u>(3,275)</u>	<u>(5,854)</u>	<u>(7,748)</u>	<u>(12,359)</u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Owners of the Company	(3,028)	(6,016)	(6,890)	(13,891)
Non-controlling interest	(337)	123	(633)	1,604
	<u>(3,365)</u>	<u>(5,893)</u>	<u>(7,523)</u>	<u>(12,287)</u>
<b>Loss per share in HK cents</b>				
– Basic and diluted	(0.022)	(0.048)	(0.056)	(0.107)

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## 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.

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 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 GEM Listing Rules.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2012 and 2011 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 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, and the provision of information technology and engineering consultancy services. Revenue and other income recognized during the period are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>				
Sale of air-conditioners and related products	2,618	5,507	7,213	22,252
Service income	–	–	69	88
	<b>2,618</b>	<b>5,507</b>	<b>7,282</b>	<b>22,340</b>
<b>Other revenue</b>				
Interest income	2	8	10	25
Sundry income	1	–	10	8
	<b>3</b>	<b>8</b>	<b>20</b>	<b>33</b>

#### 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 September 2012:

	<b>Manufacturing and sales of environmentally friendly 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>7,213</u>	<u>69</u>	<u>7,282</u>
Segment results	<u>(3,349)</u>	<u>(681)</u>	<u>(4,030)</u>
Other gains			20
Central administrative costs			(3,456)
Finance costs			<u>(210)</u>
Loss before taxation			<u><u>(7,676)</u></u>

For the period ended 30 September 2011:

	Manufacturing and sales of environmentally friendly 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	22,252	88	22,340
Segment results	<u>280</u>	<u>(830)</u>	(550)
Other gains			32
Central administrative costs			(11,212)
Finance costs			<u>(225)</u>
Loss before taxation			<u>(11,955)</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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>	2011	<b>30 September</b>	2011
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Directors' remuneration	<b>264</b>	400	<b>1,170</b>	2,105
Other staff costs	<b>1,060</b>	939	<b>3,204</b>	3,712
Depreciation	<b>100</b>	16	<b>299</b>	162
Operating lease rental in respect of rental premises	<b>1,164</b>	783	<b>3,360</b>	2,469
Legal and professional fees	<b>105</b>	3,824	<b>944</b>	5,031
	<u><b>1,638</b></u>	<u>5,962</u>	<u><b>9,777</b></u>	<u>14,489</u>

## 6. Taxation

No provision for Hong Kong profits tax has been provided as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong for the three months and nine months ended 30 September 2012 (three months and nine months ended 30 September 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 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax				
PRC enterprise income tax	-	(70)	(72)	(404)
Deferred tax				
Reversal of deferred tax liabilities	-	-	-	-
<b>Total taxation expense</b>	<b>-</b>	<b>(70)</b>	<b>(72)</b>	<b>(404)</b>

## 7. Loss per Share

The calculation of basic loss per share for the three months and nine months ended 30 September 2012 is based on the unaudited loss for the three months and nine months ended 30 September 2012 of approximately HK\$2,789,000 and HK\$6,966,000 (three months and nine months ended 30 September 2011: loss of approximately HK\$6,081,000 and HK\$13,371,000) and the weighted average of ordinary shares for the three months and nine months ended 30 September 2012 are 12,548,000,000 and 12,548,000,000 ordinary shares respectively (three and nine months ended 30 September 2011: 12,548,000,000 and 12,548,000,000 shares) in issue during the period.

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

## 8. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2012 (nine months ended 30 September 2011: Nil).



## 9. Reserves

Movements in reserves during the periods are as follows:

	Share capital	Capital reserve	Share premium	Special reserve	Warrant reserve	Statutory 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	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	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	-	(6,966)	(6,966)	(782)	(7,748)
Other comprehensive (loss)/income, net of income tax:											
Exchange differences on translating foreign operations	-	-	-	-	-	4	72	-	76	149	225
Total comprehensive (loss)/income for the period	-	-	-	-	-	4	72	(6,966)	(6,890)	(633)	(7,523)
At 30 September 2012 (Unaudited)	6,274	1,030	70,009	11	5,000	324	1,482	(65,856)	18,274	13,498	31,772

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 period ended 30 September 2012.

## 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

The operating environment for China's manufacturing industry remained tough so far this year. As global economic growth stayed weak and the growth of China's economy has started slowing down, during the period under review, the Group's revenue amounted to approximately HK\$7,282,000, representing a decrease of approximately 67.40% compared with the last corresponding period of approximately HK\$22,340,000. The decrease is mainly attributable to reduction in demand for environmental friendly air-conditioners and drop in the sales volume and average unit sales price as a result of adverse market conditions.

Due to increase in worries about slowdown in China's economy intensify, medium and large enterprises directly chose traditional central air-conditioners instead of Evaporative Air-conditioner when they consider the cost and actual cooling effect. Small enterprises also chose products with lower cost and shorter installation period, such as a fan drencher system, when compared with new products. Due to the changes in the demand of customer, competition in the Evaporative Air-conditioner market became fierce. As mentioned in the Interim Report 2012 of the Company, the focus of future product development will gradually shift from focusing on the Evaporative Air-conditioner market to the improvement of energy-saving technology in central air conditioning.

Under these circumstances, the Group will continue to improve the quality of its environmental friendly products and to review its sales strategies and method in order to increase sales, meanwhile further tighten cost control. In addition, the Group is actively looking for investment opportunities in the energy and resources 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 2012, the Group's unaudited consolidated turnover and loss attributable to owners of the Company were approximately HK\$7,282,000 (2011: HK\$22,340,000) and HK\$6,966,000 (2011: HK\$13,371,000) respectively which were decreased by approximately 67.40% and 47.90% respectively comparing with the corresponding period last year.

## **DIVIDEND**

The Directors does not recommend the payment of any dividend for the nine months ended 30 September 2012 (nine months ended 30 September 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 nine months ended 30 September 2012.

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

As at 30 September 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 September 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 <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:* 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 September 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 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 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 September 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 results for the three months ended and nine months ended 30 September 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 September 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 November 2012