



# Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

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## 2013 Interim Report

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

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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 the Company announces the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2013 respectively, together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

### Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000
<b>Continuing operation</b>					
Revenue	3	736	2,636	1,027	4,595
Cost of sales		(528)	(1,786)	(742)	(3,168)
Gross profit		208	850	285	1,427
Other revenue	3	–	12	1	16
Other gains and losses	4	701	–	701	–
Selling and distribution expenses		(11)	(270)	(51)	(458)
Administrative expenses		(3,118)	(3,682)	(6,008)	(7,364)
<b>Loss from operations</b>		<b>(2,220)</b>	<b>(3,090)</b>	<b>(5,072)</b>	<b>(6,379)</b>
Finance costs		–	(83)	–	(209)
<b>Loss before taxation</b>	6	<b>(2,220)</b>	<b>(3,173)</b>	<b>(5,072)</b>	<b>(6,588)</b>
Taxation	7	(2)	(71)	(2)	(71)
<b>Loss for the period from continuing operation</b>		<b>(2,222)</b>	<b>(3,244)</b>	<b>(5,074)</b>	<b>(6,659)</b>
<b>Discontinued operation</b>					
Gain for the period from discontinued operation	8	–	2,197	–	2,186
<b>Loss for the period</b>		<b>(2,222)</b>	<b>(1,047)</b>	<b>(5,074)</b>	<b>(4,473)</b>

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited) (restated)	2013 (Unaudited)	2012 (Unaudited) (restated)
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income/(loss), net of income tax</b>				
Exchange differences on translation of foreign operations	<u>328</u>	<u>(134)</u>	<u>480</u>	<u>315</u>
<b>Total comprehensive loss for the period</b>	<u>(1,894)</u>	<u>(1,181)</u>	<u>(4,594)</u>	<u>(4,158)</u>
<b>Loss for the period attributable to</b>				
Owners of the Company	<u>(1,951)</u>	<u>(953)</u>	<u>(4,517)</u>	<u>(4,177)</u>
Non-controlling interests	<u>(271)</u>	<u>(94)</u>	<u>(557)</u>	<u>(296)</u>
	<u>(2,222)</u>	<u>(1,047)</u>	<u>(5,074)</u>	<u>(4,473)</u>
<b>Total comprehensive loss for the period attributable to</b>				
Owners of the Company	<u>(1,795)</u>	<u>(1,087)</u>	<u>(4,287)</u>	<u>(3,862)</u>
Non-controlling interests	<u>(99)</u>	<u>(94)</u>	<u>(307)</u>	<u>(296)</u>
	<u>(1,894)</u>	<u>(1,181)</u>	<u>(4,594)</u>	<u>(4,158)</u>
<b>Loss per share in HK cents</b>				
From continuing and discontinued operation				
– Basic and diluted	<u>(0.155)</u>	<u>(0.076)</u>	<u>(0.360)</u>	<u>(0.333)</u>
From continuing operation				
– Basic and diluted	<u>(0.155)</u>	<u>(0.251)</u>	<u>(0.360)</u>	<u>(0.507)</u>

## Unaudited Condensed Consolidated Statement of Financial Position

		<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,535</b>	1,723
Goodwill		<b>5,516</b>	5,404
Other assets		<b>626</b>	614
		<b>7,677</b>	7,741
<b>Current assets</b>			
Inventories		<b>11,465</b>	11,113
Trade receivables	11	<b>4,082</b>	3,802
Other receivables, deposits and prepayments	12	<b>13,181</b>	12,446
Cash and cash equivalents		<b>205</b>	1,292
		<b>28,933</b>	28,653
<b>Current liabilities</b>			
Trade payables	13	<b>1,179</b>	1,195
Accruals and other payables	14	<b>6,157</b>	5,868
Amounts due to related parties	15	<b>5,323</b>	3,709
Amount due to a shareholder	16	<b>8,790</b>	5,628
		<b>21,449</b>	16,400
<b>Net current assets</b>		<b>7,484</b>	12,253
<b>Total assets less current liabilities</b>		<b>15,161</b>	19,994
<b>Net assets</b>		<b>15,161</b>	19,994

		<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
<b>Equity</b>			
Share capital	17	<b>6,274</b>	6,274
Reserves		<b>(2,934)</b>	1,592
		<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>		<b>3,340</b>	7,866
Non-controlling interests		<b>11,821</b>	12,128
		<hr/>	<hr/>
<b>Total equity</b>		<b>15,161</b>	19,994
		<hr/>	<hr/>

## Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Capital reserve	Share premium	Special reserve	Warrants reserve	Statutory reserve	Exchange reserve	Accumulated losses	Subtotal		
	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 2012 (Audited)	6,274	1,030	70,009	11	-	320	1,410	(58,890)	20,164	14,131	34,295
Placing of non-listed warrants, net of transaction cost	-	-	-	-	4,752	-	-	-	4,752	-	4,752
Transaction with owners	-	-	-	-	4,752	-	-	-	4,752	-	4,752
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	-	-	-	-	-	4	311	(4,177)	(3,862)	(296)	(4,158)
At 30 June 2012 (Unaudited)	<u>6,274</u>	<u>1,030</u>	<u>70,009</u>	<u>11</u>	<u>4,752</u>	<u>324</u>	<u>1,721</u>	<u>(63,067)</u>	<u>21,054</u>	<u>13,835</u>	<u>34,889</u>
At 1 January 2013 (Audited)	<b>6,274</b>	<b>1,030</b>	<b>70,009</b>	<b>11</b>	<b>4,752</b>	<b>324</b>	<b>1,541</b>	<b>(76,075)</b>	<b>7,866</b>	<b>12,128</b>	<b>19,994</b>
Implement the share consolidation, net of transaction cost	-	-	(239)	-	-	-	-	-	(239)	-	(239)
Transaction with owners	-	-	(239)	-	-	-	-	-	(239)	-	(239)
Net loss for the period	-	-	-	-	-	-	-	(4,517)	(4,517)	(557)	(5,074)
Other comprehensive income, net of income tax:											
Exchange differences on translating foreign operations	-	-	-	-	-	7	223	-	230	250	480
Total comprehensive income/(loss) for the period	-	-	-	-	-	7	223	(4,517)	(4,287)	(307)	(4,594)
At 30 June 2013 (Unaudited)	<u><b>6,274</b></u>	<u><b>1,030</b></u>	<u><b>69,770</b></u>	<u><b>11</b></u>	<u><b>4,752</b></u>	<u><b>331</b></u>	<u><b>1,764</b></u>	<u><b>(80,592)</b></u>	<u><b>3,340</b></u>	<u><b>11,821</b></u>	<u><b>15,161</b></u>

**Unaudited Condensed Consolidated Statement of Cash Flows**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash outflow from operating activities	<b>(5,953)</b>	(6,119)
Net cash inflow/(outflow) from investing activities	<b>1</b>	(54)
Net cash inflow/(outflow) from financing activities	<b>4,511</b>	(245)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(1,441)</b>	(6,418)
Cash and cash equivalents at the beginning of the period	<b>1,292</b>	8,944
Effect of foreign exchange rate changes	<b>354</b>	75
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<b>205</b>	2,601
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>205</b>	2,601
	<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.

### 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 2012.

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 2013. 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

#### Continuing operation

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. Revenue and other revenue recognised during the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000
<b>Revenue</b>				
Sales of air-conditioner and related products	736	2,636	1,027	4,595
<b>Other revenue</b>				
Interest income	-	3	1	7
Sundry income	-	9	-	9
	<u>-</u>	<u>12</u>	<u>1</u>	<u>16</u>

### 4. Other Gains and Losses

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Impairment loss recognised on trade receivables reversed	924	-	924	-
Impairment loss recognised on trade receivables	(223)	-	(223)	-
	<u>701</u>	<u>-</u>	<u>701</u>	<u>-</u>

### 5. 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

The segment of provision of information technology and engineering consultancy services was disposed during the year ended 31 December 2012.

### 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 2013:

	Continuing operation	Discontinued operation	Total (Unaudited) HK\$'000
	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	
Segment revenue	1,027	–	1,027
Segment results	(1,372)	–	(1,372)
Other gains and losses and other revenue			702
Central administrative costs			(4,402)
Finance costs			–
Loss before taxation			<u>(5,072)</u>

#### For the period ended 30 June 2012:

	Continuing operation	Discontinued operation	Total (Unaudited) HK\$'000
	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	
Segment revenue	4,595	69	4,664
Segment results	(1,876)	(635)	(2,511)
Other gains and losses and other revenue			17
Central administrative costs			(1,699)
Finance costs			(209)
Loss before taxation			<u>(4,402)</u>

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

## 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000
Directors' remuneration	355	423	625	906
Other staff costs	934	963	1,776	2,099
Depreciation	108	126	215	197
Operating lease rental in respect of rental premises	976	1,108	1,931	2,141
Legal and professional fee	190	469	496	839
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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 2013 (six months ended 30 June 2012: 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% (2012: 25%).

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (restated) HK\$'000
Current tax				
PRC enterprise income tax	(2)	(71)	(2)	(71)
Deferred tax				
Reversal of deferred tax liabilities	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total taxation expense</b>	<b>(2)</b>	<b>(71)</b>	<b>(2)</b>	<b>(71)</b>

**8. Discontinued Operation**

On 18 May 2012, the Company disposed its wholly-owned subsidiary, UURG (China) Limited and its wholly owned subsidiary UURG Controls (Shenzhen) Limited which provided provision of information technology and engineering consultancy services operation.

The results of the discontinued operation included in the loss for the three months and six months ended 30 June 2012 respectively:

	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Gain for the period from discontinued operation</b>		
Revenue	1	69
Cost of sales	(579)	(579)
	<hr/>	<hr/>
Gross profit	(578)	(510)
Other revenue	–	1
Selling and distribution expenses	(84)	(148)
Administrative expenses	(7)	(23)
	<hr/>	<hr/>
Loss for the period	(669)	(680)
Gain on disposal of subsidiaries	2,866	2,866
	<hr/>	<hr/>
Gain for the period from discontinued operation	<b>2,197</b>	<b>2,186</b>
	<hr/>	<hr/>
Gain for the period from discontinued operation including the following:		
Depreciation	1	2
	<hr/>	<hr/>
<b>Cash flows from discontinued operation</b>		
Net cash inflows from operating activities	609	552
Net cash inflows from financing activities	19	20
	<hr/>	<hr/>
Net cash inflows	<b>628</b>	<b>572</b>
	<hr/>	<hr/>

## 9. Loss Per Share

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme and outstanding warrants since their exercise would have an anti-dilutive effect.

### From continuing and discontinued operations

The calculation of basic loss per share for the three months and six months ended 30 June 2013 are based on the unaudited net loss for the three months and six months ended 30 June 2013 of approximately HK\$1,951,000 and HK\$4,517,000 (three months and six months ended 30 June 2012: loss of approximately HK\$953,000 and HK\$4,177,000) and the weighted average of ordinary shares for the three months and six months ended 30 June 2013 are 1,254,800,000 and 1,254,800,000 ordinary shares (three and six months ended 30 June 2012: 1,254,800,000 and 1,254,800,000 ordinary shares (restated to reflect the effects of the share consolidation effective 7 February 2013)) in issue during the period.

### From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to owners of the Company is based on the following:

Loss figures are calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(1,951)	(953)	(4,517)	(4,177)
Less: Gain for the period from discontinued operation	-	2,197	-	2,186
Loss for the purpose of basic and diluted loss per share from continuing operation	<u>(1,951)</u>	<u>(3,150)</u>	<u>(4,517)</u>	<u>(6,363)</u>

The weighted average of ordinary shares for the purpose of basic and diluted loss per share for the above periods are same, 1,254,800,000 ordinary shares in issue during the period.

## 10. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## 11. Trade Receivables

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Trade receivables	4,305	5,708
Less: Impairment losses recognised on trade receivables	<u>(223)</u>	<u>(1,906)</u>
	<b><u>4,082</u></b>	<b><u>3,802</u></b>

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 30–180 days to its trade customers. The following is an ageing analysis of trade receivables at the end of the reporting period:

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
0-90 days	442	2,870
91-180 days	2,760	932
181-365 days	<u>880</u>	<u>—</u>
	<b><u>4,082</u></b>	<b><u>3,802</u></b>

As at 30 June 2013, trade receivables of HK\$880,000 (31 December 2012: Nil) were neither past due nor impaired. These related to certain member of diversified customers for whom there was no recent history of default. The ageing of these trade receivables are as follows:

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
181–365 days	<b>880</b>	–

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.

## 12. Other Receivables, Deposits and Prepayments

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Deposits paid and prepayments to suppliers	<b>12,924</b>	11,227
Other deposits and receivables	<b>18</b>	948
Value added tax receivables	<b>239</b>	271
	<b>13,181</b>	12,446

## 13. Trade Payables

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

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
0-90 days	<b>442</b>	273
91-180 days	<b>–</b>	818
181-365 days	<b>630</b>	98
Over 365 days	<b>107</b>	6
	<b>1,179</b>	1,195



#### 14. Accruals and other Payables

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Accruals	137	668
Receipt in advances	205	288
Other payables	5,815	4,912
	<u>6,157</u>	<u>5,868</u>

#### 15. Amounts Due to Related Parties

As at 30 June 2013, included in amounts due to related parties, there was an amount due to a director of the Company, Mr. Zhang Shi Min, of approximately HK\$1,253,300 (RMB1,000,000) (31 December 2012: approximately HK\$1,228,000 (RMB1,000,000)).

The amounts due to related parties are unsecured, interest-free and repayable on demand.

#### 16. Amount Due to A Shareholder

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

#### 17. Share Capital

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
<i>Authorised:</i>		
Ordinary shares of HK\$0.0005 each at 31 December 2012	40,000,000	20,000
Ordinary shares of HK\$0.005 each at 30 June 2013	40,000,000	20,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.0005 each at 1 January 2013	12,548,000	6,274
Share consolidation	(11,293,200)	–
Ordinary shares of HK\$0.005 each at 30 June 2013	<u>1,254,800</u>	<u>6,274</u>

Pursuant to an ordinary resolution passed on 6 February 2013, a share consolidation was approved with effect from 7 February 2013 in which every 10 of the existing issued and unissued ordinary shares of HK\$0.0005 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.005 per share (the "Share Consolidation"). Details could be referred to the Company's announcements on 21 January 2013 and 6 February 2013.

#### 18. 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.

### BUSINESS REVIEW AND PROSPECT

During the period under review, the revenue of the Group was solely attributed to the sales of environmentally friendly air-conditioners and related products. The Group's turnover amounted to approximately HK\$1,027,000, representing a decrease of approximately 77.6% compared with the last corresponding period of approximately HK\$4,595,000. Due to the continued downturn of the PRC manufacturing industries and the continuing uncertainties of the PRC economic environment, many enterprises suspended their plan to expand or replace their cooling facilities, significantly reducing the number of orders from customers. As a result turnover of the Group decreased significantly. In light of the above, we will continue to control costs to reduce operating expenses.

As for product development, we will focus instead on products such as Water Curtain Fan (風機水簾牆), which is currently more acceptable by the market because of its relatively lower price, less installation time needed and can easily operated by the distributors. Meanwhile, we will continue to develop energy-saving technology in central air conditioning. Nevertheless, energy saving, environmental friendly and low-cost is the mission of product development of the Company. We believe this product development trend coincide with the rise of consciousness in environmental protection in China. For the second half of the year, our promotion strategy will mainly focus on marketing in exhibitions, including Guangzhou Refrigeration Exhibition, the Festival Fair in Shenzhen, Nanning ASEAN Expo, Hi-Tec Fair etc., to further explore new distributors and business opportunities for our products. It is anticipated that sales would improve in the second half of the year.

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 related businesses in particular the energy saving and environmentally friendly business with a view to bringing improved returns and providing greater value to the shareholders.

### FINANCIAL REVIEW

#### Results

For the six months ended 30 June 2013, the Group's unaudited consolidated turnover and loss attributable to owners of the Company were approximately HK\$1,027,000 (30 June 2012: HK\$4,595,000) and HK\$4,517,000 (30 June 2012: HK\$4,177,000) respectively which were decreased approximately by 77.6% and increased approximately by 8.1% respectively comparing with the corresponding period last year. The slightly increase in the loss was mainly attributable to continuous costs control measures when there was a significant decrease in sales of environmentally friendly air-conditioners and related products during the period.

## **Liquidity and financial resources**

As at 30 June 2013, the Group had assets of approximately HK\$36,610,000 (31 December 2012: approximately HK\$36,394,000), including net cash and bank balances of approximately HK\$205,000 (31 December 2012: approximately HK\$1,292,000). There was no charge on the Group's assets as at 30 June 2013 (31 December 2012: Nil).

During the period under review, the Group financed its operations with internally generated cash flow and the Shareholder Loan (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 continuous financial assistance received from the controlling and substantial shareholder of the Company, Sound Treasure Holdings Limited ("Sound Treasure").

## **Capital structure**

Save as disclosed below, there was no change in the capital structure of the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

The Company implemented the share consolidation (the "Share Consolidation") on the basis that every ten (10) issued and unissued Shares of HK\$0.0005 each in the share capital of the Company be consolidated into one (1) consolidated share of HK\$0.005 each and the effective date of the Share Consolidation was 7 February 2013.

## **Gearing**

As at 30 June 2013, the Group had an outstanding loan of HK\$8,790,000 due to Sound Treasure which is unsecured, interest-free and repayable on demand (the "Shareholder Loan") (31 December 2012: HK\$5,628,000). The gearing ratio of the Group, defined as the ratio between net debt and total equity attributable to owners of the Company, was approximately 416.4% for the six months ended 30 June 2013 (31 December 2012: approximately 102.3%).

Details of the Shareholder Loan are set out in note 16 to the Unaudited Condensed Consolidated Financial Statements.

## **Significant investments**

As at 30 June 2013, there was no significant investments held by the Group.

### **Material acquisitions and disposals of subsidiaries and affiliated companies**

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

### **Contingent liabilities**

As at 30 June 2013, the Group had no material contingent liabilities.

### **Foreign exchange exposure**

The Group's income and expenditure during the six months ended 30 June 2013 were principally denominated either in Hong Kong dollars ("HK\$") or Renminbi ("RMB"), and most of the assets and liabilities as at 30 June 2013 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 5 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 related businesses in particular the energy saving and environmentally friendly business with a view to bringing improved financial performance and shareholders' returns.

## **Employees and remuneration policies**

As at 30 June 2013, the Group had 84 (31 December 2012: 82) full-time employees, in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) were approximately HK\$2,401,000 for the six months ended 30 June 2013 (30 June 2012: approximately HK\$3,005,000). 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 2013 (six months ended 30 June 2012: 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 2013.

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

As at 30 June 2013, 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 (the "Share Option Scheme") has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012. No options have been granted under the Share Option Scheme since its adoption.

## NON-LISTED WARRANTS

The Company placed 1,000,000,000 Non-listed warrants (“Warrants”) on 10 May 2012 which was subsequently adjusted to 100,000,000 Warrants due to the Share Consolidation. As at the date of this report, no Warrants have been exercised by any registered warrant holders of the Company.

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

As at 30 June 2013, 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	517,000,000 (Note)	Beneficial owner	41.20%
Ms. Li Xiao Mei	517,000,000 (Note)	Interest in controlled corporation	41.20%

Note: The shares are held by Sound Treasure incorporated in the British Virgin Islands with limited liability, a company 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 2013, 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**

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.

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**

Details of amount due to a shareholder are set out in note 16 to the Unaudited Condensed Consolidated Financial Statements. As at 30 June 2013, the Group had an outstanding loan of HK\$8,790,000 (31 December 2012: HK\$5,628,000) due to Sound Treasure (the "Connected Transaction"). The Connected Transaction is exempt from the reporting, announcement and independent shareholders' approval requirements of the rule 20.65(4) of the GEM Listing Rules.

The related party transactions are set out in note 15 to the Unaudited Condensed Consolidated Financial Statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed above, there were 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 2013.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all 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 for the six months ended 30 June 2013 except the code provision A.2.1 of the CG Code as disclosed below.

### **DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

As at the date of this report, Mr. Zhang Shi Min is the chief executive officer of the Group. The position of the chairman of the Board has become vacant since the resignation of Mr. Li Shan Jie on 22 November 2012. The Board will appoint a chairman to fill the vacancy when the appropriate candidate has been identified.

### **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. Gao Jin Lu, 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 and interim financial statements for the three months ended 31 March 2013 and for the six months ended 30 June 2013 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 2013.

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

*Executive Directors:*

Mr. Zhang Shi Min  
Mr. Zhao Yan Jie  
Mr. Qie Bing Bing

*Independent non-executive Directors:*

Mr. Leung Wah  
Mr. Fung Hoi Wing, Henry  
Mr. Gao Jin Lu

By order of the Board  
**Global Energy Resources International Group Limited**  
**Zhang Shi Min**  
*Chief Executive Officer and Executive Director*

Hong Kong, 8 August 2013