



Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

2016

THIRD QUARTERLY REPORT



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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 of the Company (the “Board”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2016 respectively together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

Unaudited Condensed Consolidated Income Statement

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	3	72,170	86,548	209,543	230,138
Cost of sales		(67,504)	(82,686)	(196,909)	(222,119)
Gross profit		4,666	3,862	12,634	8,019
Other revenue	3	112	23	129	43
Other gains and losses	4	(1,957)	(4,716)	(4,682)	(4,344)
Selling and distribution expenses		(856)	(2,011)	(1,833)	(2,650)
Administrative expenses		(12,845)	(12,876)	(50,811)	(55,386)
Loss from operations		(10,880)	(15,718)	(44,563)	(54,318)
Finance costs	6	(1,803)	–	(1,831)	(143)
Loss before taxation	7	(12,683)	(15,718)	(46,394)	(54,461)
Income tax expenses	8	18	–	(258)	–
Loss for the period		(12,665)	(15,718)	(46,652)	(54,461)
Loss for the period attributable to					
Owners of the Company		(10,468)	(13,871)	(41,807)	(50,045)
Non-controlling interests		(2,197)	(1,847)	(4,845)	(4,416)
		(12,665)	(15,718)	(46,652)	(54,461)
Loss per share	9				
– Basic and diluted (HK cents)		(0.23)	(0.36)	(0.91)	(1.45)

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(12,665)	(15,718)	(46,652)	(54,461)
Other comprehensive loss for the period, net of income tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(617)	(6,703)	(3,833)	(6,830)
Total comprehensive loss for the period	(13,282)	(22,421)	(50,485)	(61,291)
Total comprehensive loss for the period attributable to				
Owners of the Company	(11,098)	(20,298)	(45,639)	(56,631)
Non-controlling interests	(2,184)	(2,123)	(4,846)	(4,660)
	(13,282)	(22,421)	(50,485)	(61,291)

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 HM 11, Bermuda and its principal place of business is Room 3008-10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on GEM of the Stock Exchange with effect from 29 November 2002.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in (i) manufacturing and sales of environmental friendly air-conditioners and related products, (ii) rental of energy-saving air-conditioners, (iii) trading business, (iv) the operations of carbon emission trading platform and related services, (v) money lending business and (vi) securities trading business.

2. Basis of Preparation

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "New HKFRSs"). 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 2016 and 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 (the "2015 Financial Statements"), except for the amendments and interpretations of HKFRSs issued by HKICPA which have become effective in this period as detailed in the notes of the 2015 Financial Statements. The adoption of the New HKFRSs has no material impact on the accounting policies in the Group's condensed consolidated financial statements for the period.

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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 manufacturing and sales of environmental friendly air-conditioners and related products, rental of energy-saving air-conditioners, trading business, the operations of carbon emission trading platform ("CETP"), money lending business and securities trading business. Revenue and other revenue recognised during the period are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue				
Sales of air-conditioners	-	-	-	2,159
Rental of air-conditioners	1,591	655	2,960	700
Trading business	68,278	85,857	200,584	227,135
Operations of the CETP	-	36	-	144
Money lending business	1,764	-	5,462	-
Securities trading business	537	-	537	-
	72,170	86,548	209,543	230,138
Other revenue				
Interest income	17	22	32	42
Sundry income	95	1	97	1
	112	23	129	43

4. Other Gains and Losses

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Exchange gain, net	35	91	14	1,476
Fair value gain/(loss) on financial assets at fair value through profit or loss	722	(4,807)	(817)	(5,820)
Impairment loss of trade receivables	(2,714)	-	(2,714)	-
Provision of slow-moving inventories	-	-	(1,165)	-
	(1,957)	(4,716)	(4,682)	(4,344)

5. Segment Information

Information reported to executive director and chief executive officer 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 environmental friendly air-conditioners and related products ("Sales of air-conditioners")
- Rental of energy-saving air-conditioners ("Rental of air-conditioners")
- Trading business
- Operations of the CETP
- Money lending business
- Securities trading business

Segment revenues and results

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

For the period ended 30 September 2016:

	Sales of air- conditioners HK\$'000	Rental of air- conditioners HK\$'000	Trading business HK\$'000	Operations of the CETP HK\$'000	Money lending business HK\$'000	Securities trading business HK\$'000	Total HK\$'000
Segment revenue	-	2,960	200,584	-	5,462	537	209,543
Segment results	(5,408)	(8,999)	2,566	(4,794)	3,489	(437)	(13,583)
Other revenue							129
Other gains and losses							6
Fair value loss on financial assets at fair value through profit or loss							(817)
Central administrative costs							(30,298)
Finance costs							(1,831)
Loss before taxation							(46,394)

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For the period ended 30 September 2015:

	Sales of air- conditioners <i>HK\$'000</i>	Rental of air- conditioners <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Operations of the CETP <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Securities trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>2,159</u>	<u>700</u>	<u>227,135</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>230,138</u>
Segment results	<u>(6,602)</u>	<u>(6,080)</u>	<u>611</u>	<u>(3,892)</u>	<u>-</u>	<u>-</u>	<u>(15,963)</u>
Other revenue							43
Other gains and losses							1,476
Fair value loss on financial assets at fair value through profit or loss							(5,820)
Central administrative costs							(34,054)
Finance costs							<u>(143)</u>
Loss before taxation							<u>(54,461)</u>

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

6. Finance Costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on other borrowings repayable within one year	1,636	–	1,654	143
Interest on a secured other borrowing repayable within one year	145	–	145	–
Interest on bank overdrafts	18	–	18	–
Interest element on finance lease payments	4	–	14	–
	1,803	–	1,831	143

7. Loss Before Taxation

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' remuneration	710	870	2,279	2,578
Staff costs	3,388	3,723	11,314	11,502
Equity-settled share-based payments	–	–	16,100	20,555
Depreciation				
– Owned property, plant and equipment	2,586	1,369	6,852	3,153
– Leased property, plant and equipment	34	–	103	–
Operating lease rentals in respect of rented premises	2,097	2,359	6,242	7,340
Legal and professional fees	2,224	1,762	4,838	4,056

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8. Income Tax Expenses

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax				
PRC enterprise income tax	–	–	–	–
Hong Kong profits tax	18	–	(258)	–
	18	–	(258)	–

Hong Kong profits tax was calculated at the rates of 16.5% (2015: 16.5%) on the estimated assessable profits in Hong Kong during the nine months ended 30 September 2016. No taxation on Hong Kong profits tax for the nine months ended 30 September 2015 was provided as there were no estimated assessable profits in Hong Kong.

No provision for the PRC enterprise income taxes was provided during the period as the subsidiaries operated in the PRC had no assessable profits for the nine months ended 30 September 2016 (2015: Nil).

9. Loss per Share

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Loss attributable to the owners of the Company (HK\$)	(10,468,000)	(13,871,000)	(41,807,000)	(50,045,000)
Weighted average number of ordinary shares in issue	4,606,129,000	3,838,449,000	4,606,129,000	3,460,312,563
Basic loss per share (HK cents)	(0.23)	(0.36)	(0.91)	(1.45)

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the period under review.

The basic and diluted loss per share for the nine months ended 30 September 2016 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the period under review was anti-dilutive (30 September 2015: same).

10. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2016 (2015: Nil).

11. Unaudited Condensed Consolidated Statement of Changes in Equity

Movements in reserves during the periods are as follows:

	Attributable to owners of the Company									Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000		
At 1 January 2015 (Audited)	12,795	1,030	361,795	11	324	-	1,882	(109,112)	268,705	10,600	279,305
Open offer of ordinary shares	6,397	-	121,551	-	-	-	-	-	127,948	-	127,948
Transaction costs attributable to open offer of ordinary shares	-	-	(4,151)	-	-	-	-	-	(4,151)	-	(4,151)
Issuance of share options	-	-	-	-	-	22,335	-	-	22,335	-	22,335
Lapse of share options	-	-	-	-	-	(1,780)	-	-	(1,780)	-	(1,780)
Transaction with owners	6,397	-	117,400	-	-	20,555	-	-	144,352	-	144,352
Net loss for the period	-	-	-	-	-	-	-	(50,045)	(50,045)	(4,416)	(54,461)
Other comprehensive loss, net of income tax: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(6,586)	-	(6,586)	(244)	(6,830)
Total comprehensive loss for the period	-	-	-	-	-	-	(6,586)	(50,045)	(56,631)	(4,660)	(61,291)
At 30 September 2015 (Unaudited)	19,192	1,030	479,195	11	324	20,555	(4,724)	(189,157)	356,426	5,940	362,366

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	Attributable to owners of the Company										
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	23,031	1,030	514,940	11	324	18,775	(7,380)	(211,526)	339,205	2,732	341,937
Issuance of share options	-	-	-	-	-	16,100	-	-	16,100	-	16,100
Transaction with owners	-	-	-	-	-	16,100	-	-	16,100	-	16,100
Net loss for the period	-	-	-	-	-	-	-	(41,807)	(41,807)	(4,845)	(46,652)
Other comprehensive loss, net of income tax: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,832)	-	(3,832)	(1)	(3,833)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,832)	(41,807)	(45,639)	(4,846)	(50,485)
At 30 September 2016 (Unaudited)	<u>23,031</u>	<u>1,030</u>	<u>514,940</u>	<u>11</u>	<u>324</u>	<u>34,875</u>	<u>(11,212)</u>	<u>(253,333)</u>	<u>309,666</u>	<u>(2,114)</u>	<u>307,552</u>

12. Comparative figures

Certain comparative figures have been re-classified in order to conform with the presentation of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) manufacturing and sales of environmental friendly air-conditioners and related products, (ii) rental of energy-saving air-conditioners, (iii) trading business, (iv) the operations of carbon emission trading platform and related services, (v) money lending business and (vi) securities trading business.

BUSINESS REVIEW AND PROSPECT

Sales of Air-conditioners

For the nine months ended 30 September 2016, the Group has no revenue from the sales of environmental friendly air-conditioners and related products (30 September 2015: approximately HK\$2,159,000). Loss of this segment decreased by approximately 18.1% from approximately HK\$6,602,000 for the nine months ended 30 September 2015 to approximately HK\$5,408,000 for the nine months ended 30 September 2016. The recognitions of impairment loss of trade receivables, approximately HK\$2,714,000 (30 September 2015: Nil) and provision of slow-moving inventories, approximately HK\$1,165,000 (30 September 2015: Nil) were included in the loss of this segment for the nine months ended 30 September 2016. The Group intends to discontinue the operations of manufacturing of air-conditioners within the year 2016 due to its substantial loss from operation every year since 2012.

Rental of Air-conditioners

The Group commenced the rental business of energy-saving air-conditioners in May 2015. For the nine months ended 30 September 2016, the Group recorded approximately HK\$2,960,000 of revenue from the rental business of energy-saving air-conditioners, representing an increase of approximately 322.9% compared with the last corresponding period of approximately HK\$700,000. Loss of this segment increased by approximately 48.0% from approximately HK\$6,080,000 for the nine months ended 30 September 2015 to approximately HK\$8,999,000 for the nine months ended 30 September 2016. The rental business is still at the preliminary stage of development and the Group expected that the revenue of this segment will grow at a reasonable rate.

Trading Business

For the nine months ended 30 September 2016, revenue from trading business was a major revenue of the Group amounted to approximately HK\$200,584,000, representing a decrease of approximately 11.7% compared with the last corresponding period of approximately HK\$227,135,000. The Group's trading business includes some computer related products. The Group will continue to source different products for its trading business for a better return. Profit of this segment increased by approximately 320.0% from approximately HK\$611,000 for the nine months ended 30 September 2015 to approximately HK\$2,566,000 for the nine months ended 30 September 2016. The impact of fluctuation of the Renminbi on this segment was limited during the nine months ended 30 September 2016. The Group will consider to do hedging in order to reduce the foreign exchange risk when necessary.

The Carbon Emission Trading Platform and Related Services

For the nine months ended 30 September 2016, the Group has no revenue from the operations of carbon emission trading platform (“CETP”) (30 September 2015: approximately HK\$144,000). Loss of this segment increased by approximately 23.2% from approximately HK\$3,892,000 for the nine months ended 30 September 2015 to approximately HK\$4,794,000 for the nine months ended 30 September 2016. The Group expected that results of this segment can be improved after the implementation of the nationwide carbon emission trading mechanism in the PRC.

Money Lending Business

The Group commenced its money lending business in November 2015. Revenue from new money lending business became a stable revenue of the Group. The Group recorded loans interest income of approximately HK\$5,462,000 from this business for the period ended 30 September 2016. The profit of this segment was approximately HK\$3,489,000 for the nine months ended 30 September 2016. Loan portfolio (excluding loan interest receivables) was approximately HK\$29,400,000 as at 30 September 2016. The Group intends to expand the money lending business when the Group has sufficient fund.

Securities Trading Business

The Group commenced its securities trading business to provide brokerage services and securities margin financing to clients in July 2016 by acquiring the entire issued share capital in Hing Lee Securities Limited which is a licensed corporation under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the “SFO”) with the Type 1 regulated activity (dealing in securities). The Group recorded approximately HK\$537,000 of revenue from securities trading business for the nine months ended 30 September 2016. The loss of this segment was approximately HK\$437,000 for the nine months ended 30 September 2016. The Group intends to expand its securities margin financing to clients in order to improve the performance of its securities trading business.

Notwithstanding the difficult 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. The Group will actively identify potential investment opportunities for the further development of the Group and for the benefit of our shareholders as a whole.

FINANCIAL REVIEW

Results

For the nine months ended 30 September 2016, the Group's unaudited consolidated revenue was approximately HK\$209,543,000 (30 September 2015: approximately HK\$230,138,000) which was decreased approximately by 8.9% comparing with the corresponding period last year. The administrative expenses of the Group for the nine months ended 30 September 2016 amounted to approximately HK\$50,811,000 (30 September 2015: approximately HK\$55,386,000) representing a decrease of approximately 8.3% comparing with the corresponding period last year. The decrease in administrative expenses was mainly attributable to the recognition of equity-settled share-based payment (due to grant of share options) of approximately HK\$16,100,000 (30 September 2015: approximately HK\$20,555,000) which decreased by approximately HK\$4,455,000 comparing with the corresponding period of last year.

Loss attributable to owners of the Company for the nine months ended 30 September 2016 amounted to approximately HK\$41,807,000 (30 September 2015: approximately HK\$50,045,000), representing a decrease in loss of approximately 16.5% comparing with the corresponding period last year. The decrease in the loss attributable to owners of the Company was mainly due to the decrease in administrative expenses as mentioned above and the improved performance of trading business and money lending business.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2016 (2015: Nil).

MAJOR EVENTS DURING THE REPORTING PERIOD

Grant of share options

On 18 January 2016, 365,901,260 of share options were granted to certain eligible participants under the share option scheme adopted by the Company on 9 May 2012.

Open Offer and Capital Reorganisation

On 3 June 2016, the Company and the underwriter entered an underwriting agreement (the "Underwriting Agreement") pursuant to which the Company offered a total of 230,306,450 consolidated shares of the Company at a subscription price of HK\$0.30 per offer share to the shareholders of the Company (the "Shareholders") on the basis of one offer share for every two shares held on the record date (the "Open Offer"). The Open Offer is conditional upon, among others, the approval by the Shareholders of the capital reorganisation (the "Capital Reorganisation") by way of poll at the special general meeting.

On 15 June 2016, the Board proposed the Capital Reorganisation comprising (a) share consolidation of every ten (10) issued and unissued shares of par value of HK\$0.005 each in the share capital of the Company into one (1) consolidated share of par value of HK\$0.05 each (the "Share Consolidation"), and (b) increase in authorised share capital of the Company from HK\$35,000,000 divided into 700,000,000 consolidated shares to HK\$250,000,000 divided into 5,000,000,000 consolidated shares (subject to the Share Consolidation having become effective).

On 15 July 2016, the resolution for the Capital Reorganisation was not approved by the Shareholders at the special general meeting, as a result the Underwriting Agreement did not become unconditional and the Open Offer lapsed on the same date. Details please refer to the circular of the Company dated 28 June 2016 and the announcements of the Company dated 3 June 2016, 15 June 2016 and 15 July 2016.

Completion of the Acquisition of a Securities Trading Company

On 29 July 2016, Sea Horizon Global Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital in Hing Lee Securities Limited (the "Acquisition") which is a licensed corporation under the SFO with the Type 1 regulated activity (dealing in securities). The principal activities are provision of brokerage services and securities margin financing to clients. Following the completion of the Acquisition, Hing Lee Securities Limited became an indirect wholly-owned subsidiary of the Company and its financial results were consolidated into the accounts of the Group.

MAJOR EVENT AFTER THE REPORTING PERIOD

Proposed Share Consolidation and Increase in Authorised Share Capital

On 7 November 2016, the Board proposed a share consolidation of every eight (8) issued and unissued existing shares of par value of HK\$0.005 each in the share capital of the Company into one (1) consolidated share of par value of HK\$0.04 each. Subject to the share consolidation having become effective, the Board also proposed to increase the authorised share capital of the Company from HK\$35,000,000 divided into 875,000,000 consolidated shares to HK\$200,000,000 divided into 5,000,000,000 consolidated shares by the creation of an additional 4,125,000,000 consolidated shares. The share consolidation and increase in authorised share capital of the Company are conditional upon the passing of an ordinary resolution by the Shareholders at the special general meeting of the Company. Details please refer to the Company's announcement dated 7 November 2016.

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 2016.

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

As at 30 September 2016, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Number of underlying shares held under share options	Percentage of the issued share capital of the Company
Chan Kwok Wing	74,575,000	1.62%
Zhao Liang	59,716,000	1.30%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 September 2016 as defined in Section 352 of the SFO. In addition, 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).

Save as disclosed 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.

SHARE OPTION SCHEME

A 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 "Share Option Scheme"). As at 30 September 2016, the Company has 486,464,900 options outstanding which represented approximately 10.56% of the total number of issued shares of the Company as at that date.

The following table discloses movements in the Company's share options during the nine months ended 30 September 2016:

Category of participants	Date of share options granted	Outstanding at beginning of the period	Granted during the period	Exercise during the period	Outstanding at end of the period	Exercise price HK\$	Exercise period
Directors	8 January 2015	42,291,000	-	-	42,291,000	0.219	8 January 2015-9 May 2022
	18 January 2016	-	92,000,000	-	92,000,000	0.065	18 January 2016-9 May 2022
Employees and adviser	8 January 2015	78,272,640	-	-	78,272,640	0.219	8 January 2015-9 May 2022
	18 January 2016	-	273,901,260	-	273,901,260	0.065	18 January 2016-9 May 2022
		<u>120,563,640</u>	<u>365,901,260</u>	<u>-</u>	<u>486,464,900</u>		

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

As at 30 September 2016, 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 shareholders	Number of shares interested (Note)	Capacity in which shares are held	Approximate percentage of issued share capital
Yuxing InfoTech Investment Holdings Limited	431,360,000	Interest in controlled corporation	9.36%
Yuxing Group (International) Limited	431,360,000	Interest in controlled corporation	9.36%
Yuxing Technology Company Limited	431,360,000	Beneficial owner	9.36%
Ms. Sun Fengna	320,016,000	Beneficial owner	6.95%

Note: 431,360,000 shares of the Company are held by Yuxing Technology Company Limited which is a wholly-owned subsidiary of Yuxing Group (International) Limited, which in turn is wholly owned by Yuxing InfoTech Investment Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Yuxing Group (International) Limited and Yuxing InfoTech Investment Holdings Limited was deemed to be interested in the shares of the Company in which Yuxing Technology Company Limited was interested.

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any other person 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.

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 TRANSACTIONS

No contract 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 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2016 except the code provision A.2.1 and A.6.7 of the CG Code as disclosed below.

- 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. Chan Kwok Wing is the chief executive officer of the Group and the position of the chairman of the Board is vacant. The Board will appoint a chairman to fill the vacancy when the appropriate candidate has been identified.
- Certain Directors were not able to attend the general meetings of the Company held in May 2016 and July 2016 due to their respective commitments elsewhere. The Directors were reminded to attend general meetings of the Company in future for compliance of code provisions A.6.7 as set out in the CG Code.

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. As at the date of this report, the Audit Committee comprises three members, Mr. Leung Wah (Chairman), Mr. Lu Lin Yu and Mr. Chen Fu Rong, all of them are independent non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal controls system and risk management 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. The Audit Committee has reviewed the Group’s unaudited third quarterly results for the nine months ended 30 September 2016 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

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 2016.

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

Executive Directors:

Mr. Chan Kwok Wing

Mr. Wang An Zhong

Mr. Zhao Liang

Independent non-executive Directors:

Mr. Leung Wah

Mr. Lu Lin Yu

Mr. Chen Fu Rong

By order of the Board

Global Energy Resources International Group Limited

Chan Kwok Wing

Chief Executive Officer and Executive Director

Hong Kong, 10 November 2016