



GLOBAL SOLUTION ENGINEERING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8192

Interim Report

**2006**

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 (“Directors”) of Global Solution Engineering 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 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## Results

The Board of Directors (the "Board") of Global Solution Engineering Limited (the "Company") herein presents the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30 June 2006, together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

### Unaudited Condensed Consolidated Income Statement

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue-Turnover</b>	2	<b>328</b>	305	<b>437</b>	609
Other income		<b>8</b>	597	<b>14</b>	1,362
Depreciation		<b>(17)</b>	(83)	<b>(33)</b>	(165)
Staff costs		<b>(420)</b>	(756)	<b>(1,066)</b>	(1,417)
Other operating expenses		<b>(473)</b>	(728)	<b>(1,040)</b>	(1,404)
<b>Loss from operations</b>		<b>(574)</b>	(665)	<b>(1,688)</b>	(1,015)
Finance cost		<b>(—)</b>	(3)	<b>(—)</b>	(5)
<b>Loss before income tax</b>	4	<b>(574)</b>	(668)	<b>(1,688)</b>	(1,020)
Income tax expense	5	<b>(—)</b>	—	<b>(—)</b>	—
<b>Net loss for the period</b>		<b>(574)</b>	(668)	<b>(1,688)</b>	(1,020)
<b>Loss per share</b> <b>(in HK cents)</b>	6				
— Basic		<b>(0.66)</b>	(0.93)	<b>(2.07)</b>	(1.42)
— Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

**Unaudited condensed balance sheet**

		<b>As at 30 June 2006 HK\$'000 (Unaudited)</b>	As at 31 December 2005 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<u>250</u>	<u>272</u>
<b>Current assets</b>			
Trade and other receivables	8	<b>314</b>	1,401
Cash and bank balances		<u>1,123</u>	<u>554</u>
		<u>1,437</u>	<u>1,955</u>
<b>Current liabilities</b>			
Accruals and other payables	9	<u>158</u>	<u>911</u>
<b>Net current assets</b>		<u>1,279</u>	<u>1,044</u>
<b>Total assets less current liabilities</b>		<b>1,529</b>	1,316
<b>Non-current liabilities</b>			
Amount due to a shareholder company		<u>1,012</u>	<u>1,012</u>
		<u>517</u>	<u>304</u>
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		<b>6,912</b>	5,760
Reserves		<u>(6,395)</u>	<u>(5,456)</u>
<b>Total Equity</b>		<u>517</u>	<u>304</u>

### Unaudited condensed consolidated statement of changes in equity

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	5,760	14,859	11	(16,560)	4,070
Loss for the period	—	—	—	(1,020)	(1,020)
At 30 June 2005	<u>5,760</u>	<u>14,859</u>	<u>11</u>	<u>(17,580)</u>	<u>3,050</u>
At 1 January 2006	5,760	14,859	11	(20,326)	304
Issue of shares	1,152	749	—	—	1,901
Loss for the period	—	—	—	(1,688)	(1,688)
At 30 June 2006	<u>6,912</u>	<u>15,608</u>	<u>11</u>	<u>(22,014)</u>	<u>517</u>

**Unaudited condensed cashflow statement**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Cash flows from operating activities	<b>(1,336)</b>	(2,581)
Cash flows from investing activities	<b>(11)</b>	55
Cash flows from financing activities	<b>1,916</b>	(5)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	<b>569</b>	(2,531)
Cash and cash equivalents at beginning of the period	<b>554</b>	5,809
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>1,123</b>	3,278
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>1,123</b>	3,278
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## Notes to the condensed consolidated interim financial statements

### 1. Basis of Preparation

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The unaudited condensed consolidated results have been prepared under the historical cost basis. The accounting policies adopted in preparing the unaudited condensed consolidated results for the six months ended 30 June 2006 and 2005 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005. The condensed consolidated results are unaudited but have been reviewed by the audit committee.

### 2. Revenue-Turnover

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties in connection with the provision of engineering and information technology consultancy services.

### 3. Segment Information

The Group's operation is regarded as a single business segment which is the provision of engineering and information technology consultancy services.

Analysis of the Group's turnover and results as well as analysis of carrying amount of segment assets and capital additions by geographical market has not been presented as they are substantially generated from or situated in the People's Republic of China.

#### 4. Loss before Income Tax

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

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' remuneration	185	464	358	953
Other staff costs	235	292	708	464
Depreciation				
— owned assets	17	58	33	116
— leased assets	—	25	—	49
Operating lease rental in respect of land and building	160	152	315	304
Interest income	(8)	(4)	(14)	(5)
Gain on disposal of subsidiaries	—	(597)	—	(1,362)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 5. Income Tax Expenses

No provision for taxation has been made in the financial statements as the Group had no assessable profit for the period (six months ended 30 June 2005: Nil).

The Group have no significant potential deferred tax liabilities for which provision has not been made.

#### 6. Loss Per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2006 is based on the loss attributable to shareholders for the three months and six months ended 30 June 2006 of approximately HK\$574,000 and HK\$1,688,000 respectively (three months and six months ended 30 June 2005: loss of approximately HK\$668,000 and HK\$1,020,000 respectively) and the weighted average of 86,400,000 shares and 81,626,519 shares respectively (three months and six months ended 30 June 2005: 72,000,000 shares) in issue during the three months and six months ended 30 June 2006 after adjusting for the effects of the issuance of new shares on 2 March 2006 and the share consolidation on 28 April 2006. The basic loss per share for the three months and six months ended 30 June 2005 had been adjusted accordingly.

No diluted loss per share has been presented because there is no dilutive potential share during these periods.



**7. Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

**8. Trade and Other Receivables**

The Group generally allows an average credit period of 30 days to its trade customers. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An analysis of the Group's trade receivables and other receivables at the balance sheet date is as follows:

	<b>As at 30 June 2006 HK\$'000 (Unaudited)</b>	As at 31 December 2005 HK\$'000 (Audited)
Trade receivables	—	1,158
Other receivables	<u>315</u>	<u>243</u>
	<u><b>315</b></u>	<u>1,401</u>

**9. Accounts Payable**

At 30 June 2006, the accounts payable were aged within 90 days, which was based on the credit period granted by its suppliers and creditors.

## **Management discussion and analysis**

The Group is principally engaged in the provision of information technology and engineering consultancy services.

## **Business review and prospect**

During the period under review, the Group recorded lower revenue of approximately HK\$437,000, representing a decrease of approximately 28.2% as compared with that of the last corresponding period. However, as compared with the first quarter, the Group's performance in the second quarter improved. Turnover in the second quarter increased to HK\$328,000 from the first quarter's HK\$109,000. More turnover is expected in the coming quarters and the Group continued to adopt strict cost control policies in managing its operation.

## **Financial review**

For the six months ended 30 June 2006, the Group's unaudited consolidated turnover and loss attributable to shareholders were HK\$437,000 (2005: HK\$609,000) and HK\$1,688,000 (2005: HK\$1,020,000) respectively. There was 28.2% decrease in turnover with an approximately 65.5% increase in loss attributable to shareholders over the corresponding period last year. The increase in the loss attributable to shareholders was mainly attributable to the decrease in turnover and other income. Other income amounted to HK\$1,362,000 recorded in the last corresponding period was related to the gain on disposal of the interest of indirectly wholly-owned subsidiaries.

With the adoption of rigorous cost control policy, staff costs and administrative expenses decreased 24.8% and 25.9% respectively to approximately HK\$1,066,000 and HK\$1,040,000 from HK\$1,417,000 and HK\$1,404,000 recorded in the corresponding period last year.

## **Liquidity, financial resources and capital structure**

As at 30 June 2006, the Group had assets of approximately HK\$1,688,000 (31 December 2005: HK\$2,227,000), including net cash and bank balances of approximately HK\$1,123,000 (31 December 2005: HK\$ 554,000).

During the six months ended 30 June 2006, the Group financed its operations and investing activities with internally generated cash flow and the balance of the proceeds from the subscription of new shares. There was no charge on the Group's assets as at 30 June 2006 (31 December 2005: nil).

Pursuant to an ordinary resolution passed on 27 April 2006, the shares of the Company were consolidated on the basis that every eight issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one share of HK\$0.08. Accordingly, the issued share capital of the Company were consolidated from 691,200,000 shares of HK\$0.01 each into 86,400,000 shares of HK\$0.08 each.

As at 30 June 2006, the Group did not have any bank borrowings nor any banking facilities. The gearing ratio, defined as the ratio between total bank borrowings and shareholders's equity, was nil (31 December 2005: nil).

Most of the transactions of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. The Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

### **Significant investment**

As at 30 June 2006, there was no significant investment held by the Group (31 December 2005: nil).

### **Material acquisition or disposal of subsidiaries and affiliated companies**

There were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 30 June 2006.

### **Contingent liabilities**

The Group had no material contingent liabilities as at 30 June 2006.

### **Employees and remuneration policies**

As at 30 June 2006, the Group employed 9 full-time employees. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Other benefits include contributions to statutory mandatory provident fund scheme and medical insurance.

### **Purchase, sale or redemption of listed securities of the company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

### **Directors' and chief executives' interests and long position in the shares, underlying shares and debenture**

Save as disclosed below, as at 30 June 2006, the interests or long position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or long 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 the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code").

<b>Name</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Total</b>	<b>% of issued share capital</b>
Chu Yen Ling	—	—	33,000,000 (Note 1)	33,000,000	38.19%

*Note:*

1. These shares are registered in the name of Elite Side Profits Limited, which is wholly and beneficially owned by Mr. Chu Yen Ling.

### **Share option schemes**

As at 30 June 2006, a share option scheme was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). No share option have been granted under the Share Option Scheme since its adoption.

### Substantial shareholders

As at 30 June 2006, the following persons or corporations who had interests or long positions 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Number of shares	% of issued share capital
Elite Side Profits Limited ( <i>Note 1</i> )	33,000,000	38.19%
Chu Yen Ling ( <i>Note 1</i> )	33,000,000	38.19%
Kuo Li Hwa ( <i>Note 2</i> )	33,000,000	38.19%
Data Expert Limited ( <i>Note 3</i> )	12,960,000	15.00%
Liu Peng ( <i>Note 3</i> )	12,960,000	15.00%
Peak Achieve Limited ( <i>Note 4</i> )	8,640,000	10.00%
Siu Yuk Chu ( <i>Note 4</i> )	8,640,000	10.00%
Grand Ever Limited ( <i>Note 5</i> )	6,000,000	6.94%
Niu Tiehang ( <i>Note 5</i> )	6,000,000	6.94%

*Notes:*

- (1) These shares are beneficially owned by Elite Side Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chu Yen Ling.
- (2) Ms. Kuo Li Hwa is the spouse of Mr. Chu Yen Ling, accordingly, she is deemed to be interested in the 33,000,000 shares held by Elite Side Profits Limited under the SFO.
- (3) These shares are beneficially owned by Data Expert Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Liu Peng.
- (4) These shares are beneficially owned by Peak Achieve Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Siu Yuk Chu.
- (5) These shares are beneficially owned by Grand Ever Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Niu Tiehang.

### **Competing interests**

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

### **Corporate governance and code for securities transactions by directors**

For the period ended 30 June 2006, the Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). All Directors have complied with the required standard as set out in the Code.

### **Audit committee**

The Company has established an audit committee with written terms of reference based upon the "A Guide for the Formation of An Audit Committee" published by the HKICPA and, in the opinion of the directors, complied with Rules 5.28 to 5.30 as set out in Chapter 5 of the GEM Listing Rules since the listing of the Company' shares on the GEM on 29 November 2002. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consists of the three independent non-executive directors, namely Dr. Lu Da, Mr. Lau Man Yiu, and Ms. Xue Xiaoyi. The Group's unaudited consolidated financial statements for the six months ended 30 June 2006 have been reviewed by the audit committee, who was of the opinion that the preparation of such financial statements complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

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

*Executive Directors:*

Chu Yen Ling

Lee Chan Wah

*Independent non-executive Directors:*

Lu Da

Lau Man Yiu

Xue Xiaoyi

By Order of the Board  
**Global Solution Engineering Limited**  
**Chu Yen Ling**  
*Chairman*

Hong Kong, 10 August 2006