



GLOBAL SOLUTION ENGINEERING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report

2006

Stock Code : 8192

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

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The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (“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 nine months ended 30 September 2006, together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Revenue-Turnover	2	387	386	824	995
Other income		4	8	18	1,370
Depreciation		(17)	(12)	(50)	(177)
Staff costs		(361)	(816)	(1,427)	(2,233)
Other operating expenses		(517)	(752)	(1,557)	(2,156)
Loss from operations		(504)	(1,186)	(2,192)	(2,201)
Finance cost		—	—	—	(5)
Loss before income tax	4	(504)	(1,186)	(2,192)	(2,206)
Income tax expense	5	—	—	—	—
Net loss for the period		(504)	(1,186)	(2,192)	(2,206)
Loss per share in HK cents	6				
— Basic		(0.58)	(1.65)	(2.63)	(3.06)
— Diluted		N/A	N/A	N/A	N/A

Notes:

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 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 nine months ended 30 September 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 30 September		Nine months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Directors' remuneration	188	345	546	1,298
Other staff costs	173	471	881	935
Depreciation				
— owned assets	17	12	50	128
— leased assets	—	—	—	49
Operating lease rental in respect of land and building	160	152	475	456
Interest income	(4)	(8)	(18)	(13)
Gain on disposal of subsidiaries	—	—	—	(1,357)

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 (nine months ended 30 September 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 nine months ended 30 September 2006 is based on the loss attributable to shareholders for the three months and nine months ended 30 September 2006 of approximately HK\$504,000 and HK\$2,192,000 respectively (three months and nine months ended 30 September 2005: loss of approximately HK\$1,186,000 and HK\$2,206,000 respectively) and the weighted average of 86,400,000 shares and 83,235,165 shares respectively (three months and nine months ended 30 September 2005: 72,000,000 shares) in issue during the three months and nine months ended 30 September 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 nine months ended 30 September 2005 had been adjusted accordingly.

No diluted loss per share has been presented for the three months and nine months ended 30 September 2006 because there is no dilutive potential share.

7. Dividend

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

8. Reserves

Movements in reserves during the periods are as follows:

	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	—	—	—	(2,206)	(2,206)
At 30 September 2005	5,760	14,859	11	(18,766)	1,864
At 1 January 2006	5,760	14,859	11	(20,325)	305
Issue of shares	1,152	749	—	—	1,901
Loss for the period	—	—	—	(2,192)	(2,192)
At 30 September 2006	6,912	15,608	11	(22,517)	14

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\$824,000, representing a decrease of approximately 17% as compared with that of the last corresponding period. However, as compared with the first and the second quarters, the Group's performance in the third quarter improved. Highest turnover of approximately HK\$387,000 recorded in the third quarter as compared with the previous two quarters. More turnover is expected in the fourth quarter and the Group continued to adopt strict cost control policies in managing its operation.

Financial Review

For the nine months ended 30 September 2006, the Group's unaudited consolidated turnover and loss attributable to shareholders were HK\$824,000 (2005: HK\$995,000) and HK\$2,192,000 (2005: HK\$2,206,000) respectively. There was 17% decrease in turnover with an approximately 1% decrease in loss attributable to shareholders over the corresponding period last year. The decrease in the loss attributable to shareholders was mainly attributable to the decrease in staff costs and administrative expenses. With the adoption of rigorous cost control policy, staff costs and administrative expenses decreased 36% and 28% respectively to approximately HK\$1,427,000 and HK\$1,557,000 from HK\$2,233,000 and HK\$2,156,000 recorded in the corresponding period last year.

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 September 2006.

Directors' and Chief Executives' Interests and Long Position in the Shares, Underlying Shares and Debenture

Save as disclosed below, as at 30 September 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").

Name	Personal Interests	Family Interests	Corporate Interests	% of issued Total share capital	
Chu Yen Ling	—	—	33,000,000 <i>(Note 1)</i>	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 September 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 September 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 September 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 nine months ended 30 September 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 November 2006