



GLOBAL SOLUTION ENGINEERING LIMITED
環球工程有限公司

(continued in Bermuda with limited liability)
(Stock Code: 8192)

A large, stylized 'CSE' logo in blue, centered on the page. The background is a light blue gradient with several overlapping, semi-transparent rectangular shapes in various shades of blue, green, and yellow. Some of these shapes have thin white or yellow outlines, creating a layered, architectural effect.

CSE

First Quarterly Report
2008

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.

The principal means of information dissemination on GEM is publication on the Inter net website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 ended 31 March 2008, together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

Unaudited Condensed Consolidated Income Statement

	Notes	Three months ended 31 March	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue – Turnover	3	400	120
Other income		25	7
Depreciation		(11)	(9)
Staff costs		(320)	(359)
Other operating expenses		(625)	(467)
		<hr/>	<hr/>
Loss from operations		(531)	(708)
Finance costs		(59)	–
		<hr/>	<hr/>
Loss before income tax	5	(590)	(708)
Income tax expense	6	–	–
		<hr/>	<hr/>
Net loss for the period		(590)	(708)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share in HK cents	7		
– Basic		(0.0118)	(0.0169)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

1. General Information

The Company is a limited liability Company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Room 1301, 13/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the provision of information technology and engineering consultancy services.

2. 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 and Interpretation issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated results comply with the applicable disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 31 March 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. The condensed consolidated results are unaudited but have been reviewed by the audit committee.

3. 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 information technology and engineering consultancy services.

4. Segment Information

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

Analysis of the Group's turnover as well as analysis of the carrying amount of segment assets and capital expenditures by geographical market has not been presented as the Group's turnover and results are substantially generated from Hong Kong, and the Group's assets and capital expenditures are situated in Hong Kong.



5. Loss Before Income Tax

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

	Three months ended	
	31 March	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' remuneration	173	177
Other staff costs	147	182
Depreciation	11	9
Operating lease rental in respect of land and building	45	161
Effective interest expense on convertible bonds	59	-
Interest income	(25)	(7)
	<u> </u>	<u> </u>

6. Income Tax Expenses

No provision for income tax has been made in the financial statements as the Group had no assessable profits for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

7. Loss Per Share

The calculation of basic loss per share for the three months ended 31 March 2008 is based on the unaudited net loss for the three months ended 31 March 2008 of approximately HK\$590,000 (three months ended 31 March 2007: loss of approximately HK\$708,000) and the weighted average of 5,019,648,352 shares (three months ended 31 March 2007: 4,188,051,329 shares) in issue during the three months ended 31 March 2008 after adjusting for the effects of the issuance of new shares on 4 September 2007. The basic loss per share for the three months ended 31 March 2007 had been adjusted accordingly.

No diluted loss per share has been presented for the three months ended 31 March 2008 because there is no dilutive potential share.

8. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

9. Reserves

Movements in reserves during the periods are as follows:

	Share capital (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2007	6,912	–	15,608	–	11	(21,697)	834
Loss for the period	–	–	–	–	–	(708)	(708)
At 31 March 2007	<u>6,912</u>	<u>–</u>	<u>15,608</u>	<u>–</u>	<u>11</u>	<u>(22,405)</u>	<u>126</u>
At 1 January 2008	2,134	1,030	–	1,383	11	(2,887)	1,671
Partial conversion of convertible bonds	600	–	–	(252)	–	–	348
Deferred tax credit to equity	–	–	–	44	–	–	44
Loss for the period	–	–	–	–	–	(590)	(590)
At 31 March 2008	<u>2,734</u>	<u>1,030</u>	<u>–</u>	<u>1,175</u>	<u>11</u>	<u>(3,477)</u>	<u>1,473</u>



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 revenue of approximately HK\$400,000, representing an increase of approximately 233% as compared with that of the last corresponding period. More turnover is expected in the coming quarter and the Group continued to adopt strict cost control policies in managing its operation.

Pursuant to the letter of intent on 6 March 2008, the Group has entered into an agreement with an independent third party on 3 April 2008 to acquire the entire issued share capital of Sanxia International Energy Investments Limited ("Sanxia International"), Sanxia International currently holds 30% equity interest in Shanxi Tongyu Coalbed Methane Transportation Limited, which is principally engaged in the construction and operation of a pipeline for the transportation of coalbed methane in the PRC.

In light of the unsatisfactory financial performance of the Group, the Directors have been seeking investment opportunities from time to time to broaden the Group's source of income. The acquisition of Sanxia International (the "Acquisition") aligns with the Group's overall strategy.

The Directors expect that the Acquisition will enlarge the income base of the Group. In light of the increasing demand for energy and rapid economic development in the PRC, the Directors are optimistic about the development potentials and prospects of Sanxia International and believe that the Acquisition will enable the Group to diversify its investment portfolio in the PRC and will bring long-term benefits to the Group.

FINANCIAL REVIEW

For the three months ended 31 March 2008, the Group's unaudited consolidated turnover and loss attributable to shareholders were HK\$400,000 (2007: HK\$120,000) and HK\$590,000 (2007: HK\$708,000) respectively, which represent an increase of approximately 233% and a decrease of approximately 17%, respectively, as compared with the corresponding period last year. The decrease in the loss attributable to shareholders for the period was mainly attributable to the increase in the income from information technology and engineering services for the period. With the adoption of a rigorous cost control policy, staff costs was decreased by 11% to approximately HK\$320,000 from HK\$359,000 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 three months ended 31 March 2008.

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

As at 31 March 2008, the interests and short positions 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 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 the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long positions in shares and underlying shares of the Company

Name	Personal Interest	Number of Shares		Approximate percentage of shareholding
		Corporate Interest	Total	
Mr. Pong Wai San, Wilson	1,560,000,000	9,328,000,000	10,888,000,000	199.12%
		(Note)		

Note: These shares are owned by Almond Global Limited, a company wholly owned by Mr. Pong Wai San, Wilson. The 9,328,000,000 shares of the Company held by Almond Global Limited consist of a zero coupon convertible bonds of HK\$3,400,000 which can be converted into 6,800,000,000 shares of the Company during its conversion period of five years from 4 September 2007.

Save as disclosed above, as at 31 March 2008, none of the Directors and the chief executives of the Company had any interests or 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 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 or 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 the Model Code.

SHARE OPTION SCHEMES

As at 31 March 2008, 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2008, other than the interests of certain Directors as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interest or 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 issued shares	Capacity in which shares are held	Percentage of issued share capital
Almond Global Limited	9,328,000,000 <i>(Note 1)</i>	Beneficial owner	170.59%
Ms. Tung Ching Yee, Helena	10,888,000,000 <i>(Note 2)</i>	Family interest	199.12%

Notes:

- (1) These shares are owned by Almond Global Limited, a company wholly owned by Mr. Pong Wai San, Wilson. The 9,328,000,000 shares held by Almond Global Limited consist of a zero coupon convertible bonds of HK\$3,400,000 which can be converted into 6,800,000,000 shares of the Company during its conversion period of five years from 4 September 2007.
- (2) Ms. Tung Ching Yee, Helena is the wife of Mr. Pong Wai San, Wilson and accordingly deemed to be interested in the shares beneficially owned by Mr. Pong Wai San, Wilson in his own capacity and through his controlled corporation, Almond Global Limited, under SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures" above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

COMPETING INTERESTS

As at the report date, 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 three months ended 31 March 2008, the Company complied with the provision set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 31 March 2008 except that the roles of chairman and chief executive officer are not separate and are performed by the same individual.

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 Hong Kong Institute of Certified Public Accountants 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 Mr. Lai Hin Wing, Henry, Mr. Yip Tai Him and Mr. Lung Hung Cheuk. The Group's unaudited consolidated financial statements for the three months ended 31 March 2008 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.



CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by 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. 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 31 March 2008.

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

Executive Directors:

Pong Wai San, Wilson

Lau Wai Shu

Independent non-executive Directors:

Lai Hin Wing, Henry

Yip Tai Him

Lung Hung Cheuk

By Order of the Board
Global Solution Engineering Limited
Pong Wai San, Wilson
Chairman

Hong Kong, 13 May 2008