



GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司

(continued in Bermuda with limited liability)

Stock Code : 8192

Interim Report
2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 six months ended 30 June 2008, together with the comparative figures for the corresponding periods in 2007 as follows:

Unaudited Condensed Consolidated Income Statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	4	500	647	900	767
Other income	4	5	3	30	10
Depreciation		(11)	(24)	(22)	(33)
Staff costs		(346)	(220)	(666)	(579)
Other operating expenses		(1,104)	(443)	(1,729)	(910)
Loss from operations		(956)	(37)	(1,487)	(745)
Finance costs		(58)	–	(117)	–
Loss before income tax	5	(1,014)	(37)	(1,604)	(745)
Income tax expense	6	–	–	–	–
Net loss for the period		(1,014)	(37)	(1,604)	(745)
Loss attributable to equity holders of the Company		(1,014)	(37)	(1,604)	(745)
Loss per share in HK cents					
– Basic	7	(0.0183)	(0.0009)	(0.0304)	(0.0178)
– Diluted		N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Balance Sheet

		As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		85	107
Current assets			
Other receivables, deposits and prepayments	9	22,561	207
Cash and cash equivalents		1,000	4,858
		23,561	5,065
Current liabilities			
Accruals and other payables		455	800
Net current assets			
		23,106	4,265
Total assets less current liabilities			
		23,191	4,372
Non-current liabilities			
Convertible bonds	10	2,176	2,408
Deferred tax liabilities		249	293
		2,425	2,701
Net assets			
		20,766	1,671
Equity attributable to the equity holders of the Company			
Share capital	11	2,784	2,134
Reserves		17,982	(463)
Total equity		20,766	1,671

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital reserve	Share premium	Convertible bonds equity reserve	Special reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	6,912	-	15,608	-	11	(21,697)	834
Loss for the period	-	-	-	-	-	(745)	(745)
At 30 June 2007	<u>6,912</u>	<u>-</u>	<u>15,608</u>	<u>-</u>	<u>11</u>	<u>(22,442)</u>	<u>89</u>
At 1 January 2008	2,134	1,030	-	1,383	11	(2,887)	1,671
Partial conversion of convertible bonds (Note 10)	600	-	-	(252)	-	-	348
Deferred tax credit to equity	-	-	-	44	-	-	44
Issue of new shares (Note 11)	50	-	20,257	-	-	-	20,307
Loss for the period	-	-	-	-	-	(1,604)	(1,604)
At 30 June 2008	<u>2,784</u>	<u>1,030</u>	<u>20,257</u>	<u>1,175</u>	<u>11</u>	<u>(4,491)</u>	<u>20,766</u>

Unaudited Condensed Consolidated Cashflow Statement

	Six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash flows from operating activities	(1,715)	(1,007)
Cash flows from investing activities	(22,450)	10
Cash flows from financing activities	20,307	(512)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,858)	(1,509)
Cash and cash equivalents at beginning of the period	4,858	1,820
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,000	311
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,000	311
	<hr/> <hr/>	<hr/> <hr/>



Notes to the Condensed Consolidated Interim 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 ("HKFRSs") 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 six months ended 30 June 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 of the Company.

3. 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 also situated in Hong Kong.

4. Revenue and Other Income

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

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue				
Service income	<u>500</u>	<u>647</u>	<u>900</u>	<u>767</u>
Other income				
Interest income	<u>5</u>	<u>3</u>	<u>30</u>	<u>10</u>

5. Loss before Income Tax

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

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Directors' remuneration	174	132	347	264
Other staff costs	172	133	319	315
Depreciation	11	24	22	33
Operating lease rental in respect of land and building	62	89	107	250
Effective interest expense on convertible bonds	<u>58</u>	<u>-</u>	<u>117</u>	<u>-</u>



6. Income Tax Expense

No provision for income tax has been made in the financial statements as the Group had no assessable profits for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

7. Loss Per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2008 is based on the unaudited net loss for the three months and six months ended 30 June 2008 of approximately HK\$1,014,000 and HK\$1,604,000 respectively (three months and six months ended 30 June 2007: loss of approximately HK\$37,000 and HK\$745,000 respectively) and the weighted average of 5,541,626,374 ordinary shares and 5,274,043,956 ordinary shares (three months and six months ended 30 June 2007: 4,188,051,329 ordinary shares), restated in issue during the three months and six months ended 30 June 2008 respectively after adjusting for the effects of the issuance of new shares on 4 September 2007 and the share subdivision with effect from 21 December 2007, details of which are set out in the Group's annual financial statements for the year ended 31 December 2007.

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

8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

9. Other Receivables, Deposits and Prepayments

A deposit of HK\$22,450,000 (the "Deposit") was paid pursuant to a sales and purchase agreement (the "Agreement") dated 3 April 2008 and entered into between Dragon Vision Group Limited, a wholly-owned subsidiary of the Company, as a purchaser and Mr. Chen Keyu as a vendor in relation to the acquisition of the entire issued share capital of and the shareholder's loan owned by Sanxia International Energy Investments Limited at a total consideration of HK\$134,000,000. On 24 June 2008, the Group has served a notice of termination to Mr. Chen Keyu, to cancel and terminate the Agreement and request to return the Deposit within 60 days from the date of notice of the termination.

10. Convertible Bonds

The convertible bonds with the principal amount of HK\$4,000,000 were issued by the Company on 4 September 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date. The bonds can be converted into approximately 8,000,000,000 ordinary shares of HK\$0.0005 each. If the bonds have not been converted, they will be redeemed on 4 September 2012 at par. The convertible bonds do not bear any interests.

During the period under review, the convertible bonds with principal amount of HK\$600,000 were converted in 1,200,000,000 shares at the conversion price of HK\$0.0005 per share. As at 30 June 2008 and after the partial conversion of the convertible bonds, the balance of principal amount of convertible bonds was HK\$3,400,000.

11. Share Capital

	Number of shares	(Unaudited) HK\$'000
Authorised		
40,000,000,000 ordinary shares of HK\$0.0005 each	40,000,000,000	20,000
Issued and fully paid		
At 1 January 2008	4,268,000,000	2,134
Issue of new shares on partial conversion of convertible bonds (<i>Note 10</i>)	1,200,000,000	600
Issue of new shares on top-up placement	100,000,000	50
At 30 June 2008	5,568,000,000	2,784

The Company has a share option scheme for Directors and eligible employees and consultants of the Group. There were no outstanding share options at the beginning and end of the period.

During the period, no share options were granted and exercised.



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\$900,000, representing an increase of approximately 17% as compared with that of the last corresponding period. As compared with the first quarter, the Group's performance in the second quarter improved steadily. Turnover in the second quarter increased approximately 25% from the first quarter's HK\$400,000 to the second quarter's HK\$500,000. More turnover is expected in the coming quarters and the Group continued to adopt strict cost control policies in managing its operation.

On 3 April 2008, Dragon Vision Group Limited ("Dragon Vision"), a wholly-owned subsidiary of the Company, had entered into sales and purchase agreement (the "Agreement") with an independent third party (the "Vendor"), pursuant to which Dragon Vision may acquire from the Vendor the entire issued share capital of Sanxia International Energy Investments Limited ("Sanxia International") (the "Proposed Acquisition") with total consideration amounted to HK\$134,000,000. Sanxia International held 30% equity interest in Shanxi Tongyu Coalbed Methane Transportation Limited ("Shanxi Tongyu"). Shanxi Tongyu is principally engaged in the construction and operation of a pipeline to be constructed for the transportation of coalbed methane from Shanxi Province to Henan Province, the People Republic of China (the "PRC"). Pursuant to the Agreement, the Company has paid HK\$22,450,000 to the Vendor as part of the deposit (the "Deposit") for the Proposed Acquisition. On 24 June 2008, Dragon Vision served a notice of termination ("Termination Notice") to the Vendor to cancel and terminate the Agreement and request the Vendor to return the Deposit to Dragon Vision within 60 days.

Since the change of the controlling interest of the Company on 11 July 2007, Mr. Chan Chun Chuen ("Mr. Chan") intends that the Group will continue its existing principal activities and does not intend to introduce any major changes to the existing operating and management structure of the Company. The Company will continue to utilise most of its resource for the development of its principal activities of information technology and engineering consultancy services in Hong Kong and the PRC market. The directors of the Company (the "Directors") believe that the continual growth of the economy in Hong Kong and the PRC will provide a good prospect of the Group.

To seek more business opportunities and to maximize the return to the Group in the long run, the Directors will continue to seek investment opportunities, which aligns with the Group's overall strategy, from time to time to broaden the Group's source of income.

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group's unaudited consolidated turnover and loss attributable to equity holders were HK\$900,000 (2007: HK\$767,000) and HK\$1,604,000 (2007: HK\$745,000) respectively which were increased by approximately 17% and 115% respectively comparing with the corresponding period last year. The increase in the loss attributable to equity holders was mainly attributable to the increase in legal and professional fee incurred for the proposed acquisition of the entire issued share capital of Sanxia International.

Liquidity, financial resources and capital structure

As at 30 June 2008, the Group had assets of approximately HK\$23,646,000 (31 December 2007: HK\$5,172,000), including net cash and bank balances of approximately HK\$1,000,000 (31 December 2007: HK\$4,858,000).

During the six months ended 30 June 2008 and 2007, the Group financed its operations and investing activities with internally generated cash flow, proceeds from issue of new shares and convertible bonds. On 28 April 2008, the Company allotted and issued 100,000,000 shares to an independent third party, at the placing price of HK\$0.204 per share pursuant to a placing agreement and a subscription agreement dated 18 April 2008.

As at 30 June 2008, 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' equity, was nil (31 December 2007: nil). There was no charge on the Group's assets as at 30 June 2008 (31 December 2007: 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 2008, there was no significant investment held by the Group (31 December 2007: 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 2008.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2008.

Employees and remuneration policies

As at 30 June 2008, the Group had 7 (31 December 2007: 7) employees, including Directors. Total staff costs (including directors' emoluments) were approximately HK\$666,000 for the six month ended 30 June 2008 (30 June 2007: approximately HK\$579,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

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 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 30 June 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	Number of issued share capital		Total	Approximate percentage of issued share capital
	Personal interest	Corporate interest		
Mr. Pong Wai San, Wilson	1,560,000,000	9,328,000,000	10,888,000,000	195.55%
		(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 30 June 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 30 June 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 has 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 30 June 2008, other than the interests of certain Directors and the chief executives of the Company 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 share capital	Capacity in which shares are held	Approximate percentage of issued share capital
Almond Global Limited	9,328,000,000 <i>(Note 1)</i>	Beneficial owner	167.53%
Ms. Tung Ching Yee, Helena	10,888,000,000 <i>(Note 2)</i>	Family interest	195.55%

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.

Save as disclosed above, as at 30 June 2008, 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 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 of the company or any associated corporation" 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

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 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 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 six months ended 30 June 2008 except for the deviation from code provision A.2.1 regarding the separate roles of chairman and chief executive officer of the Company. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.



AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and which had been revised on 1 March 2008. 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. Lai Hin Wing, Henry, Mr. Lung Hung Cheuk and Mr. Yip Tai Him, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lai Hin Wing, Henry.

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. 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 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 August 2008