



GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司

(continued in Bermuda with limited liability)

(Stock Code : 8192)

Third Quarterly 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 of the Stock Exchange 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 nine months ended 30 September 2008, together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

### Unaudited Condensed Consolidated Income Statement

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Revenue – Turnover</b>	4	<b>224</b>	150	<b>1,124</b>	917
Other income		<b>1</b>	1,038	<b>31</b>	1,048
Depreciation		<b>(11)</b>	(17)	<b>(33)</b>	(50)
Materials and consumables used		<b>(141)</b>	–	<b>(141)</b>	–
Staff costs		<b>(764)</b>	(346)	<b>(1,430)</b>	(925)
Other operating expenses		<b>(1,154)</b>	(1,176)	<b>(2,883)</b>	(2,086)
<b>Loss from operations</b>		<b>(1,845)</b>	(351)	<b>(3,332)</b>	(1,096)
Finance costs		<b>(59)</b>	(19)	<b>(176)</b>	(19)
<b>Loss before income tax</b>	5	<b>(1,904)</b>	(370)	<b>(3,508)</b>	(1,115)
Income tax expense	6	–	–	–	–
<b>Net loss for the period</b>		<b>(1,904)</b>	(370)	<b>(3,508)</b>	(1,115)
<b>Loss attributable to equity holders of the Company</b>		<b>(1,904)</b>	(370)	<b>(3,508)</b>	(1,115)
<b>Loss per share in HK cents</b>	7				
– Basic		<b>(0.034)</b>	(0.008)	<b>(0.065)</b>	(0.025)
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## 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 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 and results as well as analysis of 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 – 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.

### 5. Loss Before Income Tax

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

	Three months ended		Nine months ended	
	30 September 2008	2007	30 September 2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Directors' remuneration	220	232	567	496
Other staff costs	544	114	863	429
Depreciation	11	17	33	50
Operating lease rental in respect of land and building	111	160	218	410
Effective interest expense on convertible bonds	59	19	176	19
Interest income	(1)	(8)	(31)	(18)
	<u>          </u>	<u>          </u>	<u>          </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 three months and nine months ended 30 September 2008 (three months and nine months ended 30 September 2007: Nil).

**7. Loss Per Share**

The calculation of basic loss per share for the three months and nine months ended 30 September 2008 is based on the unaudited net loss for the three months and nine months ended 30 September 2008 of approximately HK\$1,904,000 and HK\$3,508,000 respectively (three months and nine months ended 30 September 2007: loss of approximately HK\$370,000 and HK\$1,115,000 respectively) and the weighted average of 5,568,000,000 shares and 5,372,744,526 shares respectively (three months and nine months ended 30 September 2007: 4,905,877,416 shares and 4,429,956,091 shares respectively) restated in issue during the three months and nine months ended 30 September 2008 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 were set out in the Group's annual financial statements for the year ended 31 December 2007.

No diluted loss per share has been presented for the three months and nine months ended 30 September 2008 because there is no dilutive potential share.

**8. Dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (nine months ended 30 September 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
Capital reduction	(6,048)	-	(15,608)	-	-	21,656	-
Issue of convertible bonds	-	-	-	1,676	-	-	1,676
Issue of shares	1,270	-	-	-	-	-	1,270
Loss for the period	-	-	-	-	-	(1,115)	(1,115)
At 30 September 2007	<u>2,134</u>	<u>-</u>	<u>-</u>	<u>1,676</u>	<u>11</u>	<u>(1,156)</u>	<u>2,665</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
Issue of new shares	50	-	20,257	-	-	-	20,307
Loss for the period	-	-	-	-	-	(3,508)	(3,508)
At 30 September 2008	<u>2,784</u>	<u>1,030</u>	<u>20,257</u>	<u>1,175</u>	<u>11</u>	<u>(6,395)</u>	<u>18,862</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **BUSINESS REVIEW AND PROSPECT**

Turnover of the Group for the nine months ended 30 September 2008 amounted to approximately HK\$1,124,000, representing an increase of approximately 23% compared with the corresponding period last year of HK\$917,000. The Group's performance in the third quarter was lower than expectation which was attributable to the increase in other operating expenses, mainly in human resources and professional fees resulted in the tough business environment of the Group in Hong Kong and the People's Republic of China (the "PRC"). The Group will continue to adopt strict cost control policies in managing its operation and more turnover is expected in the coming quarter as the Board has performed business review to streamline the business operation to improve the financial position of the Group and explore new business opportunities in related business section.

With our sights trained on Hong Kong and the PRC, Shenzhen is our platform for progress in the economic life of the PRC market. The Group will expand its information technology and engineering consultancy services in the PRC market, and capture the growing market opportunities in the area of design and installation of intelligent and green building systems. The Group has incorporated a wholly foreign owned enterprise ("WFOE") in Shenzhen on 15 October 2008 for the development of business in intelligent and green building technology solutions and provision of related engineering consultancy services in the PRC. The Directors are optimistic about the development potentials and prospects of the WFOE and believe that by utilizing the competitiveness of the PRC's workforce, combined with the established business operation and strategic directions from Hong Kong, the Group will be able to take full advantage of future opportunities.

Collaboration with industry and academic institution is another important plank in the platform for our future success. Therefore, high on the Group's agenda for action is to forge connections to strengthen collaboration with synergistic industry partners and academic institutions. The Group is currently exploring with a business unit of a renowned university in the PRC for collaboration in the research and development of new sustainable architectural design and building solutions. The Directors envision that the collaboration will bring long-term benefits to the Group.



## **FINANCIAL REVIEW**

For the nine months ended 30 September 2008, the Group's unaudited consolidated turnover and loss attributable to equity holders of the Company were approximately HK\$1,124,000 (2007: HK\$917,000) and HK\$3,508,000 (2007: HK\$1,115,000) respectively which were increased by approximately 23% and 215% respectively comparing with the corresponding period last year. The increase in the loss was mainly attributable to the increase in staff costs and legal and professional fees.

## **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 nine months ended 30 September 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 September 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 September 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 September 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 interests 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

<b>Name of shareholder</b>	<b>Number of issued share capital</b>	<b>Capacity in which shares are held</b>	<b>Approximate percentage of issued share capital</b>
Almond Global Limited	8,320,000,000 Note 1	Beneficial Owner	149.43%
Marilyn Investments Limited	8,320,000,000 Note 1	Beneficial Owner	149.43%
The Offshore Group Holdings Ltd.	950,000,000 Note 2	Beneficial Owner	17.06%
Chan Chun Chuen	9,270,000,000 Note 3	Interest in controlled corporation	166.49%
Tam Miu Ching	9,270,000,000 Note 3	Family Interest	166.49%
Pong Wai San, Wilson	1,618,000,000 Note 4	Personal	29.06%
Tung Ching Yee, Helena	1,618,000,000 Note 4	Family Interest	29.06%





Notes

1. Almond Global Limited is a limited liability company incorporated in the British Virgin Islands. The shares are held by Almond Global Limited. Marilyn Investments Limited owns 100% interest in Almond Global Limited. The 8,320,000,000 shares held by Almond Global Limited consist of a zero coupon convertible bonds of HK\$2,900,000 which can be converted into 5,800,000,000 shares of the Company during its conversion period of five years from 4 September 2007. According to Part XV of the SFO, Marilyn Investments Limited is deemed to be interested in the 8,320,000,000 shares held by Almond Global Limited.
2. The Offshore Group Holdings Ltd. is a limited liability company incorporated in the British Virgin Islands, which is 100% owned by Mr. Chan Chun Chuen.
3. Mr. Chan Chun Chuen owns 100% interest in Marilyn Investments Limited and The Offshore Group Holdings Ltd.. According to Part XV of the SFO, Mr. Chan Chun Chuen is deemed to be interested in the 8,320,000,000 shares held by Almond Global Limited through his controlled corporation Marilyn Investments Limited and the 950,000,000 shares held by The Offshore Group Holdings Ltd..

Ms. Tam Miu Ching is the wife of Mr. Chan Chun Chuen and accordingly deemed to be interested in the shares beneficially owned by Mr. Chan Chun Chuen in his own capacity and through his controlled corporations under SFO.

4. The 1,618,000,000 shares held by Mr. Pong Wai San, Wilson consist of a zero coupon convertible bonds of HK\$500,000 which can be converted into 1,000,000,000 shares of the Company during its conversion period of five years from 4 September 2007.

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 under SFO.

Save as disclosed above, as at 30 September 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 SHARES 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 nine months ended 30 September 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 to 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. Yip Tai Him, Mr. Lung Hung Cheuk, and General Dato’ Seri Mohd Azumi bin Mohamed, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Yip Tai Him.

## 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 September 2008.

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

*Executive Directors:*

Chan Chun Tin, Stanley  
Ying Kan Man

*Independent non-executive Directors:*

Yip Tai Him  
Lung Hung Cheuk  
General Dato’ Seri Mohd Azumi bin Mohamed

By order of the Board  
**Global Solution Engineering Limited**  
**Chan Chun Tin, Stanley**  
*Chairman*

Hong Kong, 7 November 2008