

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Global Solution Engineering Limited, you should at once hand this Composite Document, together with the accompanying Form(s) of Acceptance, to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, 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 Composite Document.



THE OFFSHORE GROUP HOLDINGS LTD.

(Incorporated in the British Virgin Islands with limited liability)

GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司*

(Continued in Bermuda with limited liability)

(Stock Code: 8192)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY**



Optima Capital Limited

ON BEHALF OF

THE OFFSHORE GROUP HOLDINGS LTD.

FOR ALL THE ISSUED SHARES IN

GLOBAL SOLUTION ENGINEERING LIMITED

(OTHER THAN THOSE SHARES ALREADY OWNED BY

THE OFFSHORE GROUP HOLDINGS LTD.

AND PARTIES ACTING IN CONCERT WITH IT)

**Independent Financial Adviser to the Independent Board Committee
of Global Solution Engineering Limited**

VEDA | CAPITAL
智略資本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 21 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this Composite Document. A letter from Veda Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 24 to 43 of this Composite Document.

The procedures for acceptance and other information relating to the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar no later than 4:00 p.m. on 29 August 2008 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the sub-paragraph headed "Overseas Shareholders" under the paragraph headed "The Offer" in the letter from Optima Capital on pages 7 to 14 of this Composite Document and in paragraph 5 of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at <http://www.gsehk.com.hk>.

CHARACTERISTICS OF GEM

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 of Hong Kong Limited. 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.

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DEFINITIONS

In this Composite Document, the following expressions have the following meanings, unless the context otherwise requires:

“Agreements”	the AG S&P Agreement and the Sale Shares Agreement
“acting in concert”	has the same meanings ascribed thereto in the Takeovers Code
“AG Sale Share(s)”	two shares of USD1.00 each in the issued capital of Almond Global, representing the entire issued share capital of Almond Global
“AG S&P Agreement”	the sale and purchase agreement dated 11 July 2008 entered into between Marilyn Investments and Mr. Pong in relation to the sale and purchase of the AG Sale Shares
“AIM”	the Alternative Investment Market operated by the London Stock Exchange
“Almond Global”	Almond Global Limited, a company incorporated in the British Virgin Islands with limited liability and was beneficially owned by Mr. Pong before completion of the AG S&P Agreement
“associate”	has the meanings as given to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which licensed banks in Hong Kong are generally open for business, except Saturday, Sunday and public holidays and days on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Friday, 29 August 2008, or if the Offer is revised or extended, the closing date of the Offer which is revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code

DEFINITIONS

“Company”	Global Solution Engineering Limited, a company continued in Bermuda with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Agreements
“Composite Document”	this document jointly issued by the Offeror and the Company in relation to the Offer
“connected person”	has the meanings as given to it in the GEM Listing Rules
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$3,400,000 which are convertible into new Shares at HK\$0.0005 each (subject to adjustment) issued by the Company to Almond Global on 4 September 2007, which are not listed or quoted on any stock exchange
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegates of the Executive Director
“Form(s) of Acceptance”	the accompanying form of acceptance and transfer in respect of the Offer
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the terms of the Offer
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee in respect of the Offer

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Offeror, Marilyn Investments, Mr. Pong and parties acting in concert with any of them
“Joint Announcement”	the announcement dated 18 July 2008 issued jointly by the Offeror and the Company in relation to, among other things, the Offer
“Last Trading Day”	11 July 2008, being the last trading day of the Shares prior to its suspension in trading on the Stock Exchange on 14 July 2008
“Latest Practicable Date”	5 August 2008, being the latest practicable date prior to the printing of the Composite Document for the purpose of ascertaining certain information in the Composite Document
“Marilyn Investments”	Marilyn Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Chan
“Mr. Chan”	Mr. Chan Chun Chuen, the ultimate beneficial owner of the Offeror and Marilyn Investments
“Mr. Pong”	Mr. Pong Wai San, Wilson, an executive Director and Chairman of the Company
“Offer”	the mandatory unconditional cash offer being made by Optima Capital on behalf of the Offeror for all the issued Shares other than those already owned by the Offeror, Marilyn Investments, Mr. Pong and parties acting in concert with any of them in accordance with the Takeovers Code
“Offeror” or “Purchaser”	The Offshore Group Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Chan
“Offer Price”	the price at which the Offer is being made, i.e. at HK\$0.0162 per Share
“Offer Share(s)”	Shares other than (i) those already owned by the Offeror, Marilyn Investments and their respective concert parties; and (ii) the 618,000,000 Shares which remain beneficially owned by Mr. Pong after Completion

DEFINITIONS

“Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror
“Overseas Shareholder(s)”	Shareholder(s) whose registered address(es) as shown on the register of members of the Company were outside Hong Kong
“party(ies) acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“PRC”	The People’s Republic of China, which, for the purpose of the Composite Document, shall exclude Hong Kong, Macau and Taiwan
“Registrar”	Tricor Tengis Limited, the share registrar of the Company which is situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 18 January 2008, being the date falling on the six months before the date of the Joint Announcement, up to and including the Latest Practicable Date
“rg digital”	rg digital (USA) Limited, a company incorporated in British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Chan
“Sale Shares”	950,000,000 Shares acquired by the Offeror from Mr. Pong pursuant to the terms and conditions of the Sale Shares Agreement
“Sale Shares Agreement”	the sale and purchase agreement dated 11 July 2008 entered into between the Offeror and Mr. Pong in relation to the sale and purchase of the Sale Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

EXPECTED TIMETABLE

2008

Offer commences	Friday, 8 August
Latest time for acceptance of the Offer	4:00 p.m. on Friday, 29 August
Closing Date of the Offer (<i>Note 1</i>)	Friday, 29 August
Announcement of the result of the Offer to be posted on the Stock Exchange's website	by 7:00 p.m. on Friday, 29 August
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer (<i>Note 2</i>)	Monday, 8 September

Notes:

1. The Offer, which is unconditional, will be closed on 29 August 2008 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website by 7:00 p.m. on 29 August 2008 stating whether the Offer has been closed, revised or extended, and the next closing date or that the Offer will remain open until further notice. In the event that the Offeror decides that the Offer will remain open until further notice, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.
2. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be posted to the accepting Shareholder(s) at his/her/its own risks as soon as possible but in any event within 10 days of the date of receipt by the Registrar of the duly completed Form of Acceptance.

Unless otherwise expressly stated, all times and dates references contained in this Composite Document refer to Hong Kong times and dates.

LETTER FROM OPTIMA CAPITAL



Optima Capital Limited
Unit 3618, 36th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

8 August 2008

*To the Independent Shareholders and, for information only,
the holders of the Convertible Bonds*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
THE OFFSHORE GROUP HOLDINGS LTD.
FOR ALL THE ISSUED SHARES IN
GLOBAL SOLUTION ENGINEERING LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
THE OFFSHORE GROUP HOLDINGS LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 11 July 2008, Mr. Pong and Marilyn Investments entered into the AG S&P Agreement, pursuant to which Mr. Pong agreed to sell and Marilyn Investments agreed to acquire the AG Sale Shares, being the entire issued share capital of Almond Global. The principal assets held by Almond Global are 2,520,000,000 Shares (representing approximately 45.26% of the entire issued share capital of the Company) and the Convertible Bonds with principal value of HK\$2,900,000.

The total consideration for the AG Sale Shares is HK\$134,784,000 which was agreed between Mr. Pong and Marilyn Investments after arm's length negotiations and taking into account of the 2,520,000,000 Shares held by Almond Global and the 5,800,000,000 new Shares to be issued upon full conversion of the Convertible Bonds with a principal value of HK\$2,900,000 held by Almond Global at the prevailing conversion price of HK\$0.0005 each. Accordingly, the total consideration represents approximately HK\$0.0162 per Share. The total consideration has been paid by Marilyn Investments in full in cash at completion of the AG S&P Agreement, which took place on 11 July 2008 immediately after the signing of the AG S&P Agreement.

On 11 July 2008, Mr. Pong and the Purchaser entered into the Sale Shares Agreement, pursuant to which Mr. Pong agreed to sell and the Purchaser agreed to acquire the Sale Shares, being 950,000,000 Shares and representing approximately 17.06% of the entire issued share capital of the Company.

LETTER FROM OPTIMA CAPITAL

The total consideration for the Sale Shares is HK\$15,390,000 (equivalent to approximately HK\$0.0162 per Sale Share) which was agreed between Mr. Pong and the Purchaser after arm's length negotiations and paid by the Purchaser in full in cash at completion of the Sale Shares Agreement, which took place on 11 July 2008 immediately after the signing of the Sale Shares Agreement.

Prior to Completion, neither the Offeror nor any of the parties acting in concert with it has any other interests in the share capital or voting rights of the Company. As a result of the acquisition of Almond Global and the Sale Shares, the Offeror and parties acting in concert with it have become interested in a total of 3,470,000,000 Shares, representing approximately 62.32% of the existing issued share capital of the Company, and the Convertible Bonds with principal value of HK\$2,900,000. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it.

This letter sets out, among other things, details of the terms of the Offer, information on the Offeror and the intentions of the Offeror regarding the Group. Further details of the terms of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

THE OFFER

Optima Capital, the financial adviser to the Offeror, hereby makes the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

Principal terms of the Offer

For every Offer Share HK\$0.0162 in cash

As at the Latest Practicable Date, the Company has 5,568,000,000 Shares in issue. Pursuant to the AG S&P Agreement, Mr. Pong has irrevocably undertaken to the Offeror not to accept the general offers in respect of (i) 618,000,000 Shares which remain beneficially owned by him after Completion; and (ii) the Convertible Bonds with principal value of HK\$500,000 which is convertible into new Shares at HK\$0.0005 each (subject to adjustment) and remain beneficially owned by him upon completion of the AG S&P Agreement. In addition, Mr. Pong has also irrevocably undertaken to the Offeror not to convert or transfer the Convertible Bonds before the close of the Offer. Accordingly, no comparable offer is being made for the Convertible Bonds and the total number of Shares subject to the Offer is 1,480,000,000 Shares. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Joint Announcement, including all dividends and distributions declared, made or paid on or after the date of the Joint Announcement.

LETTER FROM OPTIMA CAPITAL

Save for the Convertible Bonds held by Almond Global and Mr. Pong, as at the Latest Practicable Date, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

Basis of the Offer Price

The Offer Price is the same as the price per Share paid by the Offeror or Marilyn Investments (as the case may be) under the Agreements.

Comparison of value

The Offer Price of HK\$0.0162 per Offer Share represents:

- (i) a discount of approximately 96.1% to the closing price of HK\$0.415 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 95.4% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$0.350 per Share;
- (iii) a discount of approximately 94.4% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$0.291 per Share;
- (iv) a premium of approximately 5,300.0% over the audited consolidated total equity attributable to Shareholders of approximately HK\$0.0003 per Share as at 31 December 2007; and
- (v) a discount of approximately 97.4% to the closing price of HK\$0.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Value of the Offer

On the basis of the Offer Price of HK\$0.0162 per Offer Share, the entire existing issued Shares of the Company of 5,568,000,000 Shares are valued at approximately HK\$90.2 million. There are 1,480,000,000 Shares subject to the Offer. Accordingly, the Offer is valued at approximately HK\$24.0 million based on the Offer Price.

LETTER FROM OPTIMA CAPITAL

Financial resources available to the Offeror

The Offer is financed by a time deposit maintained by rg digital at the HongKong and Shanghai Banking Corporation Limited. The Offeror does not intend that the payment of interest on repayment of or securing for any liability (contingent or otherwise) incurred by it in connection with the Offer will depend to any significant extent on the business of the Company. Optima Capital is satisfied that sufficient financial resources are available to the Offeror to meet acceptances in full of the Offer.

Stamp duty

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as practicable but in any event within 10 days of the date on which the relevant documents of title are received by the Registrar to render each such acceptance complete and valid.

Other arrangements

As at the Latest Practicable Date, save for the Agreements, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer. Other than the Agreements, there was no agreement or arrangement to which the Offeror was a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the Latest Practicable Date, none of the Offeror or parties acting in concert with it had received any irrevocable commitment to accept the Offer. Pursuant to the AG S&P Agreement, Mr. Pong has irrevocably undertaken not to accept the general offers in respect of (i) 618,000,000 Shares which remain beneficially owned by him after Completion; and (ii) the Convertible Bonds with principal value of HK\$500,000 which is convertible into new Shares at HK\$0.0005 each (subject to adjustment) and remain beneficially owned by him after Completion. Mr. Pong has also irrevocably undertaken to the Offeror not to convert or transfer the Convertible Bonds held by him before the close of the Offer. Save as aforesaid, none of the Directors held any Shares and other securities of the Company.

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offer.

LETTER FROM OPTIMA CAPITAL

INFORMATION ON THE OFFEROR AND MARILYN INVESTMENTS

The Offeror is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror include its equity interests in the Company, equity interests in RCG Holdings Limited and other listed securities in Hong Kong and overseas stock markets. As at the Latest Practicable Date, the board of directors of the Offeror comprise Mr. Chan, Mr. Chan Chun Hung, Bobby, Mr. Chan Chun Tin, Stanley, Ms. Chan Yuen Yin, Josephine and Mr. Zhao Xiao Yi.

Marilyn Investments is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of Marilyn Investments is investment holding and the principal assets held by Marilyn Investments are its equity interests in Almond Global, private investments in the PRC and other listed securities in Hong Kong. As at the date hereof, the board of directors of Marilyn Investments comprises Mr. Chan and Mr. Chan Chun Hung, Bobby.

Mr. Chan is an entrepreneur and an investor in global property, capital markets, private and public companies. Mr. Chan is very enthusiastic in technology investments and owns a significant stake in RCG Holdings Limited, a company listed on the AIM of the London Stock Exchange. RCG Holdings Limited is a leading global provider of integrated biometrics, radio frequency identification (RFID) and security solutions.

Save for the resulting shareholding interest upon Completion, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Offeror, Marilyn Investments and their beneficial owner are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Apart from the transactions pursuant to the Agreements, the Offeror, Marilyn Investments and their respective parties acting in concert have not dealt in the Shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period.

OFFEROR'S INTENTION ON THE GROUP

The Offeror intends that the Group will continue its existing principal activities. Apart from the proposed changes to the Board composition as described below, the Offeror does not intend to introduce any major changes to the existing business, operation and management structure of the Company, or to discontinue the employment of any employees of the Company and its subsidiaries, as a result of the Offer. In addition, the Offeror believes that the general management experience and network from the proposed Directors and the continuity of corporate strategies to improve the operating efficiency of the Group will bring more business opportunities to the Group in the future. At present, there is no plan for the Offeror to redeploy any fixed assets of the Group other than in its ordinary course of business. The Offeror also expects that there will be no material change to the existing business of the Company as a result of the Offer.

LETTER FROM OPTIMA CAPITAL

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Group. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant.

PROPOSED CHANGE OF BOARD COMPOSITION

The Offeror intends to nominate Mr. Chan Chun Tin, Stanley and Mr. Ying Kan Man as executive Directors and the effective date of such appointments will be after the close of the Offer. It is expected that Mr. Pong and Mr. Lau Wai Shu will resign as executive Directors after the close of the Offer. The existing business will continue to be operated by the existing employees under the supervision and management of the new executive Board with members who are familiar with and possess relevant expertise for the Group's business.

It is also expected that Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, the existing independent non-executive Directors, will remain as independent non-executive Directors and General Dato' Seri Mohd Azumi Bin Mohamed will be appointed as an independent non-executive Director in place of Mr. Yip Tai Him who will resign after the close of the Offer.

Set out below are the biographical details of the proposed executive Directors and independent non-executive Directors to be nominated by the Offeror:

Executive Directors

Mr. Chan Chun Tin, Stanley, aged 40, is experienced in corporate management and operations. Mr. Stanley Chan is currently a director of RCG (Shenzhen) Limited, a subsidiary of RCG Holdings Limited which is a company listed on the AIM of the London Stock Exchange. Mr. Stanley Chan holds a Bachelor of Arts degree from the University of Sydney. Mr. Stanley Chan is a brother of Mr. Chan.

Mr. Ying Kan Man, aged 34, is experienced in the technology sector and has extensive business relationships with various technology partners, distributors and solution providers. Mr. Ying specialised in the business development of biometrics hardware and security solutions. He has been the director and the deputy chief operating officer of RCG Holdings Limited. Mr. Ying holds a Bachelor of Business Administration degree in marketing from the Chinese University of Hong Kong. Mr. Ying also served as a counsel member of the Innovation and Technology Association during 2005 to 2006.

LETTER FROM OPTIMA CAPITAL

Independent non-executive Director

General Dato' Seri Mohd Azumi bin Mohamed, aged 60, has 37 years of military experience in the Malaysian Armed Forces and is a retired General of the Malaysian Armed Forces. General Dato' Seri Mohd Azumi bin Mohamed is a qualified parachutist and has broad experience in international peacekeeping duties such as the United Nation Observation Mission in Iraq and Kuwait and the deployment of Malaysian peacekeepers in Cambodia, Somalia and Bosnia Herzegovina. General Dato' Seri Mohd Azumi bin Mohamed also represented Malaysia at the United Nation Troop Contributing Nations meeting in Zagreb. General Dato' Seri Mohd Azumi bin Mohamed holds a Master of Science degree in natural resources and strategy from the National Defense University, Washington DC. General Dato' Seri Azumi bin Mohamed also holds a Graduate Diploma in strategy accredited by the Australian National Accreditation Agency. He is also a recipient of the French Award Officer Ordre du Merite. General Dato' Seri Azumi bin Mohamed is currently a non-executive director of RCG Holdings Limited.

Further announcement will be made by the Company in respect of the resignations and appointments of the Directors pursuant to Rule 17.50(2) of the GEM Listing Rules as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offer. The Company, the new Directors to be nominated by the Offeror and the directors of the Offeror has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

TAXATION

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, Optima Capital, the Company or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on or liabilities of any person or persons as a result of their acceptance of the Offer.

LETTER FROM OPTIMA CAPITAL

This Composite Document does not include any information in respect of overseas taxation. Shareholders who may be subject to overseas tax are urged to consult their tax advisers regarding the relevant jurisdiction of owning and disposing of the Shares.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

The attention of the Overseas Shareholders is drawn to paragraph 5 of Appendix I to this Composite Document.

All documents and remittances to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their addresses as they appear in the branch register of members of the Company (as the case may be) or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the branch register of members of the Company, as applicable. None of the Offeror, the Company, Optima Capital or any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser to the Independent Board Committee contained in this Composite Document.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Mei H. Leung
Chairman

LETTER FROM THE BOARD



GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司

GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司*

(Continued in Bermuda with limited liability)

(Stock Code: 8192)

Executive Directors:

Mr. Pong Wai San, Wilson

(Chairman and Chief Executive Officer)

Mr. Lau Wai Shu

Independent Non-Executive Directors:

Mr. Lai Hin Wing, Henry

Mr. Lung Hung Cheuk

Mr. Yip Tai Him

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Room 1301, 13/F.

Park Commercial Centre

180 Tung Lo Wan Road

Causeway Bay

Hong Kong

8 August 2008

*To the Independent Shareholders and, for information only,
the holder of the Convertible Bonds*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
THE OFFSHORE GROUP HOLDINGS LTD.
FOR ALL THE ISSUED SHARES IN
GLOBAL SOLUTION ENGINEERING LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
THE OFFSHORE GROUP HOLDINGS LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 11 July 2008, Mr. Pong and Marilyn Investments entered into the AG S&P Agreement, pursuant to which Mr. Pong agreed to sell and Marilyn Investments agreed to acquire the AG Sale Shares, being the entire issued share capital of Almond Global. The principal assets held by Almond Global are 2,520,000,000 Shares (representing approximately 45.26% of the entire issued share capital of the Company) and the Convertible Bonds with principal value of HK\$2,900,000.

* For identification purposes only

LETTER FROM THE BOARD

The total consideration for the AG Sale Shares is HK\$134,784,000 which was agreed between Mr. Pong and Marilyn Investments after arm's length negotiations and taking into account of the 2,520,000,000 Shares held by Almond Global and the 5,800,000,000 new Shares to be issued upon full conversion of the Convertible Bonds with a principal value of HK\$2,900,000 held by Almond Global at the prevailing conversion price of HK\$0.0005 each. Accordingly, the total consideration represents approximately HK\$0.0162 per Share. The total consideration has been paid by Marilyn Investments in full in cash at completion of the AG S&P Agreement, which took place on 11 July 2008 immediately after the signing of the AG S&P Agreement.

On 11 July 2008, Mr. Pong and the Purchaser entered into the Sale Shares Agreement, pursuant to which Mr. Pong agreed to sell and the Purchaser agreed to acquire the Sale Shares, being 950,000,000 Shares and representing approximately 17.06% of the entire issued share capital of the Company.

The total consideration for the Sale Shares is HK\$15,390,000 (equivalent to approximately HK\$0.0162 per Sale Share) which was agreed between Mr. Pong and the Purchaser after arm's length negotiations and paid by the Purchaser in full in cash at the completion of the Sale Shares Agreement, which took place on 11 July 2008 immediately after the signing of the Sale Shares Agreement.

Prior to Completion, neither the Offeror nor any of the parties acting in concert with it has any other interests in the share capital or voting rights of the Company. As a result of the acquisition of Almond Global and the Sale Shares, the Offeror and parties acting in concert with it have become interested in a total of 3,470,000,000 Shares, representing approximately 62.32% of the existing issued share capital of the Company, and the Convertible Bonds with principal value of HK\$2,900,000. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offer and the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Offer, and the advice of the Independent Financial Adviser to the Independent Board Committee on the Offer.

LETTER FROM THE BOARD

THE OFFER

Optima Capital, the financial adviser to the Offeror, is making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

Principal terms of the Offer

For every Offer Share HK\$0.0162 in cash

As at the Latest Practicable Date, the Company has 5,568,000,000 Shares in issue. Pursuant to the AG S&P Agreement, Mr. Pong has irrevocably undertaken to the Offeror not to accept the general offers in respect of (i) 618,000,000 Shares which remain beneficially owned by him after Completion; and (ii) the Convertible Bonds with principal value of HK\$500,000 which is convertible into new Shares at HK\$0.0005 each (subject to adjustment) and remain beneficially owned by him upon Completion. In addition, Mr. Pong has also irrevocably undertaken to the Offeror not to convert or transfer the Convertible Bonds before the close of the Offer. Accordingly, no comparable offer will be made for the Convertible Bonds and the total number of Shares subject to the Offer is 1,480,000,000 Shares. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Joint Announcement, including all dividends and distributions declared, made or paid on or after the date of the Joint Announcement.

Save for the Convertible Bonds held by Almond Global and Mr. Pong, as at the Latest Practicable Date, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

The Offer is unconditional in all respects. Acceptance of the Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURES

Set out below are the respective shareholding structures of the Company immediately before Completion, as at the Latest Practicable Date, and assuming full conversion of the Convertible Bonds:

	Immediately before Completion		As at the Latest Practicable Date		Assuming full conversion of the Convertible Bonds (Note 3)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Pong (Note 1)	4,088,000,000	73.42	618,000,000	11.10	1,618,000,000	13.08
The Offeror and parties acting in concert with it (Note 2)	-	-	3,470,000,000	62.32	9,270,000,000	74.95
Public Shareholders	1,480,000,000	26.58	1,480,000,000	26.58	1,480,000,000	11.97
Total	5,568,000,000	100.00	5,568,000,000	100.00	12,368,000,000	100.00

Notes:

1. The figures represent the aggregate interest of Mr. Pong and Almond Global which was a company wholly owned by Mr. Pong prior to Completion.

It was noted that on 11 July 2008, Almond Global effected a distribution of a special dividend in the sum of HK\$504,000 which was satisfied by the transfer of 8,000,000 Shares and the Convertible Bonds with principal amount of HK\$500,000 to Mr. Pong. Immediately after the distribution but before Completion, 2,520,000,000 Shares and Convertible Bonds with principal value of HK\$2,900,000 were held by Almond Global, and 1,568,000,000 Shares and Convertible Bonds with principal value of HK\$500,000 were held by Mr. Pong under his name. Immediately after Completion, Mr. Pong is no longer interested in Almond Global and he remains to be interested in 618,000,000 Shares and Convertible Bonds with principal value of HK\$500,000 held under his name.

2. Pursuant to the AG S&P Agreement, Mr. Pong sold and the Offeror acquired 100% interests in Almond Global. Immediately after completion of the AG S&P Agreement, the Offeror is interested in 100% of Almond Global, which beneficially owned 2,520,000,000 Shares and the Convertible Bonds with principal value of HK\$2,900,000.
3. This column is for illustrative purpose only. It is a term of the Convertible Bonds that the holders of the Convertible Bonds will not convert to the extent that the minimum public float requirement of the Company under the GEM Listing Rules will be breached as a result of such conversion.

Save for the shareholding of the Offeror, directors of the Offeror and parties acting in concert with it as stated above, neither the Offeror nor any of the parties acting in concert with it has any other interests in the share capital, convertible securities, warrants or options of the Company as at the Latest Practicable Date. Save for the transactions pursuant to the Agreements, the Offeror, directors of the Offeror, Marilyn Investments and parties acting in concert with any of them have not dealt in the Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in the provision of information technology and engineering consultancy services, with its business focus in Hong Kong and the PRC market. The Group recorded net losses of approximately HK\$1.4 million and HK\$2.8 million for the financial years ended 31 December 2006 and 2007 respectively. The audited consolidated total equity attributable to Shareholders as at 31 December 2007 was HK\$1.7 million, representing approximately HK\$0.0003 per Share.

In April 2008, the Group entered into an agreement to acquire Sanxia International Energy Investments Limited which is principally engaged in the construction and operation of pipeline to be constructed for the transportation of coalbed methane from Shanxi Province to Henan Province, the PRC. However, due to the unsatisfactory result of its due diligence review on Sanxia International Energy Investments Limited and its subsidiaries, the Company served a termination notice on 24 June 2008 to cancel and terminate the agreement.

INFORMATION ON THE OFFEROR AND MARILYN INVESTMENTS

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquires, the Offeror is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror include its equity interests in the Company, equity interests in RCG Holdings Limited and other listed securities in Hong Kong and overseas stock markets. As at the Latest Practicable Date, the board of directors of the Offeror comprise Mr. Chan, Mr. Chan Chun Hung, Bobby, Mr. Chan Chun Tin, Stanley, Ms. Chan Yuen Yin, Josephine and Mr. Zhao Xiao Yi.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquires, Marilyn Investments is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of Marilyn Investments is investment holding and the principal assets held by Marilyn Investments are its equity interests in Almond Global, private investments in the PRC and other listed securities in Hong Kong. As at the date hereof, the board of directors of Marilyn Investments comprises Mr. Chan and Mr. Chan Chun Hung, Bobby.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquires, Mr. Chan is an entrepreneur and an investor in global property, capital markets, private and public companies. Mr. Chan is very enthusiastic in technology investments and owns a significant stake in RCG Holdings Limited, a company listed on the AIM of the London Stock Exchange. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, RCG Holdings Limited is a leading global provider of integrated biometrics, radio frequency identification (RFID) and security solutions.

Save for the resulting shareholding interest upon Completion, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Offeror, Marilyn Investments and their beneficial owner are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

LETTER FROM THE BOARD

OFFEROR'S INTENTION ON THE GROUP

The Offeror intends that the Group will continue its existing principal activities. Apart from the proposed changes to the Board composition as described below, the Offeror does not intend to introduce any major changes to the existing business, operation and management structure of the Company, or to discontinue the employment of any employees of the Company, as a result of the Offer. In addition, the Offeror believes that the general management experience and network from the proposed Directors and the continuity of corporate strategies to improve the operating efficiency of the Group will bring more business opportunities to the Group in the future. At present, there is no plan for the Offeror to redeploy any fixed assets of the Group other than in its ordinary course of business. The Offeror also expects that there will be no material change to the existing business of the Company as a result of the Offer.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Group. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant.

PROPOSED CHANGE OF BOARD COMPOSITION

The Offeror intends to nominate Mr. Chan Chun Tin, Stanley and Mr. Ying Kan Man as executive Directors and the effective date of such appointments will be after the close of the Offer. It is expected that Mr. Pong and Mr. Lau Wai Shu will resign as executive Directors after the close of the Offer. The existing business will continue to be operated by the existing employees under the supervision and management of the new executive Board with members who are familiar with and possess relevant expertise for the Group's business.

It is also expected that Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, the existing independent non-executive Directors, will remain as independent non-executive Directors and General Dato' Seri Mohd Azumi Bin Mohamed will be appointed as an independent non-executive Director in place of Mr. Yip Tai Him who will resign after the close of the Offer.

A list of the proposed executive Directors and independent non-executive Directors to be nominated by the Offeror and their biographies have been provided in the "Letter from Optima Capital" as set out on pages 12 to 13 in this Composite Document.

Further announcement will be made by the Company in respect of the resignations and appointments of the Directors pursuant to Rule 17.50(2) of the GEM Listing Rules as and when appropriate.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offer. The Company, the new Directors to be nominated by the Offeror and the directors of the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 22 to 23 of this Composite Document and the letter of advice from the Independent Financial Adviser set out on pages 24 to 43 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Optima Capital as set out on pages 7 to 14 of this Composite Document and the accompanying Form of Acceptance which contain details of the Offer.

Your attention is also drawn to the additional information set out in the appendices contained in this Composite Document.

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



GLOBAL SOLUTION ENGINEERING LIMITED

環球工程有限公司*

(Continued in Bermuda with limited liability)

(Stock Code: 8192)

8 August 2008

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
THE OFFSHORE GROUP HOLDINGS LTD.
FOR ALL THE ISSUED SHARES IN
GLOBAL SOLUTION ENGINEERING LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
THE OFFSHORE GROUP HOLDINGS LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 8 August 2008 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Veda Capital on pages 24 to 43 of the Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Optima Capital and the additional information set out in the appendices to the Composite Document.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the terms of the Offer and the advice from the Independent Financial Adviser, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period the Offer remains open for acceptance and shall, having regard to their own circumstances, consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

Yours faithfully,

The Independent Board Committee

Lai Hin Wing, Henry

Lung Hung Cheuk

Yip Tai Him

Independent Non-executive Directors

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Vouex Road Central, Hong Kong

8 August 2008

*To the Independent Board Committee of
Global Solution Engineering Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
THE OFFSHORE GROUP HOLDINGS LTD.
FOR ALL THE ISSUED SHARES IN
GLOBAL SOLUTION ENGINEERING LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
THE OFFSHORE GROUP HOLDINGS LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the "Letter from Optima Capital" and the "Letter from the Board" contained in the Composite Document dated 8 August 2008 to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 11 July 2008, Mr. Pong and Marilyn Investments entered into the AG S&P Agreement, pursuant to which Mr. Pong agreed to sell and Marilyn Investments agreed to acquire the AG Sale Shares, being the entire issued share capital of Almond Global. The principal assets held by Almond Global are 2,520,000,000 Shares (representing approximately 45.26% of the entire issued share capital of the Company) and the Convertible Bonds with principal value of HK\$2,900,000. The total consideration for the AG Sale Shares is HK\$134,784,000 which was agreed between Mr. Pong and Marilyn Investments after arm's length negotiations and taking into account of the 2,520,000,000 Share held by Almond Global and the 5,800,000,000 new Shares to be issued upon full conversion of the Convertible Bonds with a principal value of HK\$2,900,000 held by Almond Global at the prevailing conversion price of HK\$0.0005 each. Accordingly, the total consideration represents approximately HK\$0.0162 per Share. The total consideration has been paid by Marilyn Investments in full in cash at completion of the AG S&P Agreement, which took place on 11 July 2008 immediately after the signing of the AG S&P Agreement.

LETTER FROM VEDA CAPITAL

On 11 July 2008, Mr. Pong and the Purchaser entered into the Sale Shares Agreement, pursuant to which Mr. Pong agreed to sell and the Purchaser agreed to acquire the Sale Shares, being 950,000,000 Shares and representing approximately 17.06% of the entire issued share capital of the Company. The total consideration for the Sale Shares is HK\$15,390,000 (equivalent to approximately HK\$0.0162 per Sale Share) which was agreed between Mr. Pong and the Purchaser after arm's length negotiations and paid by the Purchaser in full in cash at the completion of the Sale Shares Agreement, which took place on 11 July 2008 immediately after the signing of the Sale Shares Agreement.

As a result of the acquisition of Almond Global and the Sale Shares, the Offeror and parties acting in concert with it have become interested in a total of 3,470,000,000 Shares, representing approximately 62.32% of the existing issued share capital of the Company, and the Convertible Bonds with principal value of HK\$2,900,000. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it. Optima Capital is making the Offer on behalf of the Offeror. Detailed terms and conditions of the Offer, including the procedures for acceptance, are set out in the Composite Document, in particular in the "Letter from the Board", the "Letter from Optima Capital" and Appendix I to the Composite Document.

The Independent Board Committee (comprising three independent non-executive Directors namely Mr. Lai Hin Wing, Henry, Mr. Lung Hung Cheuk and Mr. Yip Tai Him) which is not involved in nor has any interest in the Offer and thus being independent, has been formed to advise the Independent Shareholders on the terms of the Offer. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Document and provided to us by the Company, the Directors and the management of the Company. All information, opinions and representations contained or referred to in the Composite Document should have been ensured to be true and accurate at the time when they were made and at the date of the Composite Document and will continue to be true during the period of the Offer remains open for acceptance and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

LETTER FROM VEDA CAPITAL

We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document to provide a reasonable basis for our opinion and recommendation. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

In formulating our opinion, we have made reference to the Business Comparables (as defined hereafter) and the subject companies of the Comparable Offers (as defined hereafter), which are listed on GEM or main board of the Stock Exchange for analysis purpose and the relevant information was obtained from the website of the Stock Exchange (www.hkex.com.hk). We have assumed the truthfulness and accuracy of the information available to us regarding the Business Comparables and the Comparable Offers. We have not, however, carried out any independent verification of the information available to us regarding the Business Comparables and the subject companies of the Comparable Offers, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of these companies. Our opinion are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Historical financial performance and prospects of the Group

The Company is an investment holding company. The Group is principally engaged in the provision of information technology and engineering consultancy services, with its business focus in Hong Kong and the PRC market.

LETTER FROM VEDA CAPITAL

(i) Financial year ended 31 December 2006 versus financial year ended 31 December 2005

For the year ended 31 December 2006, the Group recorded turnover of approximately HK\$2.82 million, representing an increase of approximately 31.1% from that of the year ended 31 December 2005 of approximately HK\$2.15 million. The increase in turnover was mainly attributed to the increase in consultancy fee income in engineering aspect. Loss attributable to Shareholders narrowed to approximately HK\$1.37 million for the year ended 31 December 2006 from approximately HK\$3.77 million for the year ended 31 December 2005. According to 2006 annual report of the Company, the decrease in the loss attributable to the Shareholders was primarily attributable to the increase in turnover and decrease in staff costs and other operating expenses. With the adoption of rigorous cost control policy by the Group, staff costs and other operating expenses for the year ended 31 December 2006 decreased by approximately 47.9% and approximately 35.1% to approximately HK\$1.93 million and approximately HK\$2.22 million respectively.

(ii) Financial year ended 31 December 2007 versus financial year ended 31 December 2006

For the year ended 31 December 2007, the Group recorded turnover of approximately HK\$1.42 million, representing a decrease of approximately 49.81% from that for the year ended 31 December 2006 of approximately HK\$2.82 million and was attributable to the decrease in turnover of engineering consultancy fee income. Loss attributable to Shareholders increased to approximately HK\$2.85 million for the year ended 31 December 2007 from approximately HK\$1.37 million for the year ended 31 December 2006. Although staff costs decreased by approximately 38.4%, the decrease in turnover and the increase in other operating expenses resulted in the increase of approximately 107.6% in loss attributable to the Shareholders for the year ended 31 December 2007.

(iii) Three months ended 31 March 2008 versus three months ended 31 March 2007

For the three months ended 31 March 2008, the Group's unaudited turnover was approximately HK\$0.4 million, representing an increase of approximately 233% from that for the same period in 2007 of approximately HK\$0.12 million. With the increase in revenue from information technology and engineering services for the three months ended 31 March 2008 and the continuing adoption of cost control policy, staff cost was decreased by approximately 10.9% and loss attributable to Shareholders decreased by approximately 16.7% to approximately HK\$0.59 million for the three months ended 31 March 2008.

LETTER FROM VEDA CAPITAL

(iv) Net assets

As at 31 December 2007, the Group had net assets (principally comprising cash) of approximately HK\$1.67 million, representing an increase of approximately 100.34% from approximately HK\$0.83 million as at 31 December 2006 and an increase of approximately 449.67% from approximately HK\$0.30 million as at 31 December 2005. The increase of net assets of the Company in 2006 and 2007 mainly attributed to the increase in cash of approximately HK\$1.9 million and HK\$1.27 million by way of the subscription of new Shares on 10 February 2006 and 4 September 2007 respectively. With the conversion of the Convertible Bonds in the amount of HK\$0.6 million in February 2008 and a subscription of new Shares in the amount of HK\$20.4 million in April 2008, the latest net asset position of the Group is expected to increase. Since the valuation of the Company was approximately HK\$90.2 million based on the Offer Price of HK\$0.0162 per Share, which is still expected to be at a premium over the latest net asset position of the Group.

(v) Prospects and outlook

As noted from the annual reports of the Company for the year ended 31 December 2005 and 2007 ("**2007 Annual Report**") respectively, the Group had been suffering continuous losses since financial year ended 31 March 2003 (financial year end of the Group has been changed to 31 December in 2005). As noted from the 2007 Annual Report and as advised by the Directors, keen competition from other industry participants of engineering consultancy services as well as increase in costs, mainly in human resources and professional fees, in both Hong Kong and the PRC resulted in the tough business environment of the Group in Hong Kong and the PRC. As advised by the Directors, with the relatively small scale setting of business of the Group, it has not been easy for it to compete with other industry participants of engineering consultancy services for sizable projects which usually would be projects with more profit margins. As such, the Group had faced difficulties to tender for more lucrative and higher value contracts. Given that (a) the Group had incurred continuous losses for the past few financial years and the three months ended 31 March 2008; and (b) the Group had faced difficulties to tender for more lucrative and higher value contracts, we consider that the prospects and outlook of the Group would remain challenging in the absence of further financing support.

As mentioned in the 2007 Annual Report, since the introduction of Mr. Pong as the then controlling Shareholder and the appointment of the existing Board in September 2007, the Board had performed a business review to streamline the business operation and improve the financial position of the Group, and has looking for new investment opportunities in new business sections to improve its existing business. In order to seek for more business opportunities and to maximize the return of the Group in the long run, in April 2008, the Group entered into an agreement to acquire Sanxia International

LETTER FROM VEDA CAPITAL

Energy Investments Limited which is principally engaged in the construction and operation of pipeline to be constructed for the transportation of coalbed methane from Shanxi Province to Henan Province, the PRC. However, due to the unsatisfactory result of its due diligence review on Sanxia International Energy Investments Limited, the Company served a termination notice on 24 June 2008 to cancel and terminate the agreement. Given (i) the termination of the acquisition of Sanxia International Energy Investments Limited; and (ii) the Completion took place on 11 July 2008 and Mr. Pong and the other executive Director will resign after the close of the Offer, we are of the view that the future investment plan of the Group is uncertain. We consider that we are not in the position to opine on the future investment opportunities of the Group.

The Offer

Pursuant to Rule 26 of the Takeovers Code, Optima Capital, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share HK\$0.0162 in cash

The Offer Price of HK\$0.0162 for each Offer Share is the same as the consideration per Share under the Agreements. The Offer Price represents:

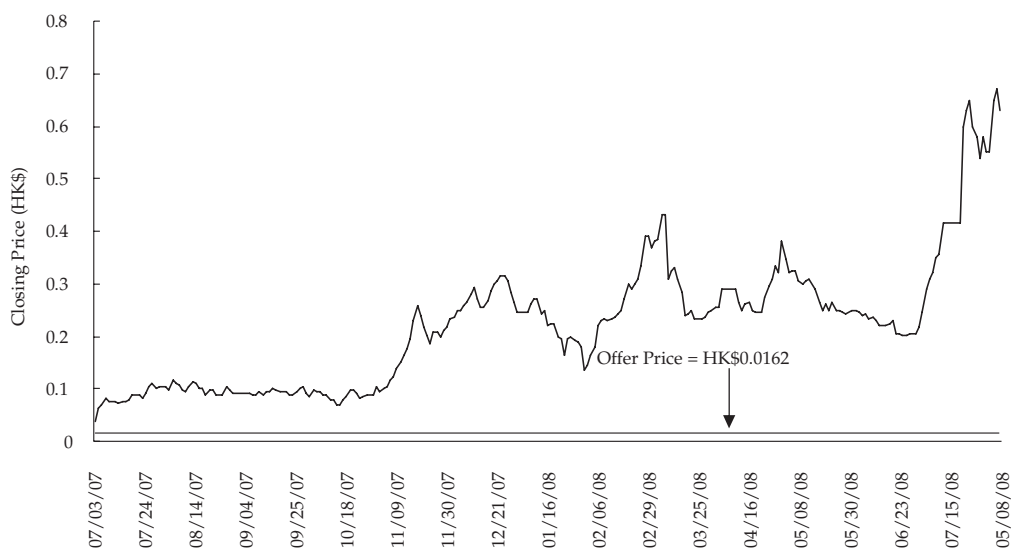
- (a) a discount of approximately 96.1% to the closing price of HK\$0.415 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 95.4% to the average of the closing prices of approximately HK\$0.350 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 94.4% to the average of the closing prices of approximately HK\$0.291 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 97.4% to the closing price of HK\$0.63 per Share as quoted by the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 5,300.0% over the audited consolidated total equity attributable to Shareholders of approximately HK\$0.0003 per Share as at 31 December 2007.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the "Letter from Optima Capital" and Appendix I to the Composite Document.

LETTER FROM VEDA CAPITAL

Historical share price performance

The graph below illustrates the closing price levels of the Shares during the period from 1 July 2007 to 5 August 2008 (being the 12 full calendar months period prior to the Last Trading Day and thereafter up to and including the Latest Practicable Date) (the “**Review Period**”).



Note: Trading of the Shares was suspended on 2 July 2007, 6 to 9 March 2008, 7 to 10 April 2008, 21 April 2008 and 14 to 18 July 2008.

During the Review Period, the closing price of the Shares had been fluctuating between the lowest of HK\$0.0385 per Share (recorded on 3 July 2007) to the highest of HK\$0.67 (recorded on 4 August 2008). The Offer Price was below the closing prices of the Shares throughout the Review Period. During the Review Period, the Company released quite a number of announcements dated 3 August 2007, 27 August 2007, 4 September 2007, 18 October 2007, 16 November 2007, 19 November 2007, 21 December 2007, 4 January 2008, 9 January 2008, 10 January 2008, 14 January 2008, 31 January 2008, 6 February 2008, 30 April 2008, 3 July 2008 and 21 July 2008 respectively stating that save as some previous announcements of the Company (where applicable) it was not aware of any reasons for the increase/decrease in trading price of the Shares and there were no negotiations or agreement relating to intended acquisition or realizations which were discloseable under the Listing Rules. On 19 November 2007, the Company announced the subdivision of the then existing Shares into 20 subdivided Shares of HK\$0.0005 each. On 28 February 2008, it was announced that the Company was in preliminary discussion with an independent third party about a potential acquisition with no definitive or legally binding agreements or memorandum of understanding or contracts have been signed by the Company. On 7 March 2008 and 10 April 2008, the Company announced that a legally binding letter of intent and a conditional sale and purchase agreement were signed respectively to acquire Sanxia International Energy Investments Limited which is principally engaged in the construction and operation of pipeline to be constructed for the transportation of coalbed methane from Shanxi Province to Henan Province,

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the PRC. However, due to the unsatisfactory result of its due diligence review on Sanxia International Energy Investments Limited, the Company served a termination notice on 24 June 2008 to cancel and terminate the agreement. The Company also announced on 21 April 2008 that a top-up placing and top-up subscription of the Shares had been conducted to raise HK\$20.4 million for the Company.

The Offer Price of HK\$0.0162 per Offer Share represents a discount of approximately 92.82% to the average closing price of approximately HK\$0.226 per Share during the Review Period. The Offer Price also represents a discount of approximately 97.43% to the closing price of the Shares of HK\$0.63 on the Latest Practicable Date. In this regard, the Offer Price might appear not attractive to the Independent Shareholders.

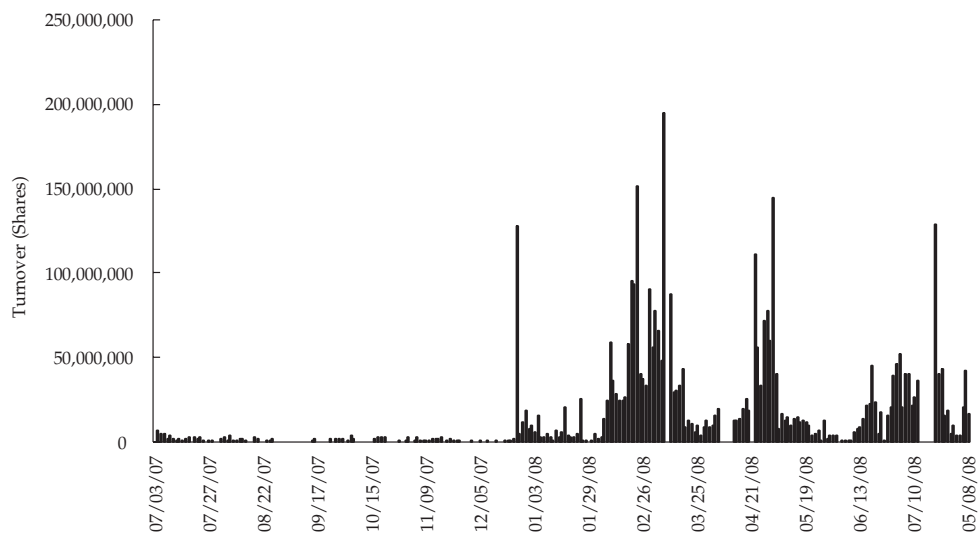
Although the Offer Price represent discounts to the recent market price of the Shares, we consider that the discounts are justifiable taking into account (a) the Group had incurred continuous losses for the past few years; (b) the Group had faced difficulties to tender for more lucrative and higher value contracts as detailed in the section headed "Historical financial performance and prospects of the Group" above; and (c) the substantial premium represented by the Offer Price over the net asset value per Share as at 31 December 2007. Also given the low liquidity of the Shares as detailed in the section headed "Liquidity of the Shares" below, we consider that the prevailing market price of the Shares might not truly reflect the value of the Shares.

We would like to remind the Independent Shareholders that although the Offer Price is below the closing price of the Shares throughout the Review Period, and represents a discount to the daily average closing price of the Shares of approximately HK\$0.226 per Share for the Review Period, as well as the closing price of the Shares on the Latest Practicable Date, there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the Offer Period. The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the period of the Offer remains open for acceptance.

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Liquidity of the Shares

The graph and table below set out (i) the daily trading volume of the Shares; and (ii) the average daily number of Shares traded per month; and (iii) the respective percentages of monthly trading volume compared to the issued share capital and the number of issued Shares held by the Independent Shareholders respectively during the Review Period.



Note: Trading of the Shares was suspended on 3 July 2007, 6 to 9 March 2008, 7 to 10 April 2008, 21 April 2008 and 14 to 18 July 2008.

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	Average daily trading volume	Number of trading days in each month/period	Percentage to the total number of issued Shares (Note 1)	Percentage to the number of issued Shares held by the Independent Shareholders (Note 2)
	(Shares)	(days)	(%)	(%)
2007				
July	2,138,833	20	0.0384	0.1445
August	1,205,522	23	0.0217	0.0815
September	492,053	19	0.0088	0.0332
October	889,238	21	0.0160	0.0601
November	1,293,445	22	0.0232	0.0874
December	9,445,053	19	0.1696	0.6382
2008				
January	5,770,182	22	0.1036	0.3899
February	47,369,684	19	0.8507	3.2007
March	36,586,105	19	0.6571	2.4720
April	44,009,000	16	0.7904	2.9736
May	10,848,800	20	0.1948	0.7330
June	12,799,600	20	0.2299	0.8648
July (up to the Last Trading Day)	35,579,000	8	0.6390	2.4040
July (since the resumption of trading of the Shares on 21 July)	29,923,556	9	0.5374	2.0219
August (up to and including the Latest Practicable Date)	26,626,667	3	0.4782	1.7991

Notes:

1. Based on 5,568,000,000 Shares in issue as at the Latest Practicable Date.
2. Based on 1,480,000,000 issued Shares held by the Independent Shareholders as at the Latest Practicable Date.
3. Trading of the Shares was suspended on 3 July 2007, 6 to 9 March 2008, 7 to 10 April 2008, 21 April 2008 and 14 to 18 July 2008.

Source: website of the Stock Exchange (www.hkex.com.hk)

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As illustrated in the table above, the trading volume of the Shares during the Review Period had been generally thin. During the period from 12 July 2007 up to the Last Trading Day, the highest daily average trading monthly volume amounted to approximately 47,369,684 Shares during the month of February 2008, representing approximately 0.8507% of the total number of issued Shares and approximately 3.2007% of the number of Shares held by the Independent Shareholders respectively. The average daily trading volume of Shares since resumption of trading of the Shares on 21 July 2008 until the Latest Practicable Date amounted to approximately 29,099,333 Shares, representing approximately 0.5226% of the total number of issued Shares and approximately 1.9662% of the number of Shares held by the Independent Shareholders respectively. Trading volume of the Shares on the Latest Practicable Date amounted to 16,544,000 Shares, representing 0.2971% of the total number of issued Shares and approximately 1.1178% of the number of Shares held by the Independent Shareholders respectively.

Given the low liquidity of the Shares, we consider that despite the fact that the Offer Price represents a discount to the prevailing market price of the Shares as detailed in the section headed "Historical share price performance" above, Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Therefore, we consider that the Offer provides an alternative for the Independent Shareholders who would like to realize their investment in the Shares. Nevertheless, Independent Shareholders who intend to dispose part or all of their Shares are reminded to closely monitor the market price and the liquidity of the Shares during the period of the Offer remains open for acceptance and consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Offer.

Comparable analysis

In assessing the fairness and reasonableness of the Offer, we have identified a list of all companies listed on either the main board of the Stock Exchange or GEM, which are engaged in the similar principal business as the Group, i.e. provision of information technology and engineering consultancy services as at the Last Trading Day. Since the valuation of the Company was approximately HK\$90.2 million based on the Offer Price of HK\$0.0162 per Share, we limit the selection for comparison with companies of market capitalization of less than HK\$500 million. Pursuant to

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the above selection criteria, 15 comparable companies (the “**Business Comparables**”) were selected with the respective financial comparison information stated in the following table:

Company name (stock code)	Principal business	Closing share price as at the Last Trading Day (HK\$)	Market Capitalisation as at the Last Trading Day (HK\$ million)	Latest audited net asset value prior to the Last Trading Day (HK\$ million)	Price to earnings ratio (times)	Premium/ (Discount) of market capitalisation to latest net assets value (%)
Armitage Technologies Holding Ltd (8213)	Provision of information solutions and sale of the group’s proprietary and third party application software	0.055	41.25	28.51	Not applicable since loss making	44.69
Asian Capital Resources (Holdings) Ltd (8025)	Provision of the content solution and business consultation, the IT enabling technology and the logistics services	0.180	115.08	(17.11)	Not applicable since loss making	Not applicable since net liability
Capinfo Co. Ltd (8157)	Installation of network systems, network design, consultancy and related technical services and sales of computers, related accessories and equipment	0.27	209.11	687.44	0.89	3.95
Computech Holdings Ltd (8081)	Provision of IT services, and supply chain solutions	0.52	54.50	8.94	32.42	509.38
Computer And Technologies Holdings Ltd (46)	Provision of system and network integration services, IT solutions implementation, application development services, enterprise applications, IT operation outsourcing services, and distribution of digital media products	0.84	218.07	328.42	7.75	(33.60)

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Company name (stock code)	Principal business	Closing share price as at the Last Trading Day (HK\$)	Market Capitalisation as at the Last Trading Day (HK\$ million)	Latest audited net asset value prior to the Last Trading Day (HK\$ million)	Price to earnings ratio (times)	Premium/ (Discount) of market capitalisation to latest net assets value (%)
ePRO Ltd (8086)	Provision of professional IT contract services	0.18	60.51	11.07	73.35	446.52
Excel Technology International Holdings Ltd (8048)	Sale of enterprise software products and provision of maintenance services, systems integration services and resale of complementary hardware and software products, consultancy services, and services in respect of ASP business	0.099	97.52	93.08	23.97	4.77
Green Global Resources Limited (61)	Provision of systems integration, software development, engineering, maintenance and professional outsourcing services and software solutions	0.11	278.83	322.80	Not applicable since loss making	(13.62)
Jiangsu Nandasoft Co. Ltd (8045)	Sales of computer software products; systems integration services including sales of computer hardware products and equipment and provision of IT consulting services; and import and export of IT related products and equipment	0.295	69.03	184.59	9.36	(62.60)

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Company name (stock code)	Principal business	Closing share price as at the Last Trading Day (HK\$)	Market Capitalisation as at the Last Trading Day (HK\$ million)	Latest audited net asset value prior to the Last Trading Day (HK\$ million)	Price to earnings ratio (times)	Premium/ (Discount) of market capitalisation to latest net assets value (%)
Qianlong Technology International Holdings Ltd (8015)	Development and trading of computer software, provision of the related maintenance and consulting services and investment in IT companies	0.56	117.88	95.68	9.08	23.20
ThinSoft (Holdings) Inc. (8096)	Research, development, sales and marketing of Thin Computing solutions products and the provision of related engineering work	0.8	401.00	38.76	1,081.97 (excluding from comparison for being an outliner)	934.69
Timeless Software Ltd (8028)	Software development, provision of computer consultancy and software maintenance services and sales of computer hardware and software	0.092	104.26	128.35	Not applicable since loss making	(18.77)
Tradeeasy Holdings Limited (8163)	Provision of on-line and off-line one-stop integrated marketing solutions and management automation services to assist SMEs to generate and transform trade leads into transactions	0.213	258.74	57.84	Not applicable since loss making	347.32

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Company name (stock code)	Principal business	Closing share price as at the Last Trading Day (HK\$)	Market Capitalisation as at the Last Trading Day (HK\$ million)	Latest audited net asset value prior to the Last Trading Day (HK\$ million)	Price to earnings ratio (times)	Premium/ (Discount) of market capitalisation to latest net assets value (%)
Vodatel Networks Holdings Ltd (8033)	Design, sale and implementation of data networking systems, provision of related engineering services and sales of goods and sale of mobile phones	0.135	82.87	104.72	1.48	(20.87)
Zhongtian International Ltd (2379)	System integration, customised software products, sale of hardware and software products and maintenance and other services	0.275	110.00	124.15	Not applicable since loss making	(11.39)
				Highest	73.35	934.69
				Lowest	1.48	(62.60)
Offer with the Offer Price of HK\$0.0162 per Share		0.0162	90.20	1.67	Not applicable since loss making	5,300

(a) Price-earnings ratio

Although price-earnings multiple is one of the most commonly used benchmarks for valuing a company, since the Group recorded net loss for the year ended 31 December 2007, we consider the use of price-earnings multiple not a meaningful comparison method for assessing the Offer Price when comparing to the Business Comparables.

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(b) Net asset value

Given the Group is principally engaged in the provision of information technology and engineering consultancy services, valuation based on net asset value may not be a commonly used basis. However, given the Company was loss making and did not pay dividend for the year ended 31 December 2007, we consider that valuation of the Offer versus net asset value of the Group could provide an alternative basis of comparison analysis for the Independent Shareholders to consider the Offer against the Business Comparables and the Comparable Offers (as defined hereinafter).

The premiums of the market capitalisation on the Last Trading Day over the net asset value of the 15 Business Comparables ranged from a premium of approximately 934.69% to a discount of approximately 62.60%. For illustrative purpose, the value of the Company based on the Offer Price represents a premium of approximately 5,300% over the net asset value of the Group as at 31 December 2007, which is higher than the range of the premiums of the market capitalization on the Last Trading Day over the net asset value of the Business Comparables.

One of the Business Comparables was the subject of cash offer during the Review Period and thereafter up to and including the Latest Practicable Date. The Company also has been the subject of another cash offer as announced on 3 July 2007. The following table summarised the relevant details of the cash offer of such Business Comparable and the previous cash offer of the Company (altogether, the “Comparable Offers”):

Company (stock code)	Date of cash offer announcement	Offer price (HK\$)	Closing price as at the last trading day (HK\$)	Premium/ (discount) of offer price over/(to) closing price as at the last trading day (%)	Premium/ (discount) of offer price over/(to) latest published net asset value per share (%)
ThinSoft (Holdings) Inc. (8096)	4 June 2008	0.23	0.197	16.75	198.70
The previous offer	3 July 2007	0.40	0.77	(48.1)	4,000
The Offer		0.0162	0.415	(96.1)	5,300

Source: website of the Stock Exchange (www.hkex.com.hk)

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The table above shows that one of the two Comparable Offers had the offer price set at a discount of approximately 48.1% to its closing price on the last trading day prior to the date of the relevant announcement while the other had the offer price set at a premium of approximately 16.75% over its closing price on the last trading day prior to the date of the relevant announcement. The Offer Price of HK\$0.0162 represents a discount of 96.1% to the closing price of the Shares as at the Last Trading Day, which is at a deeper discount than comparison of the Comparable Offer with the offer price set at a discount. However, as illustrated in the above sections, given that (a) the Group had incurred continuous losses for the past few years; (b) the Group had faced difficulties to tender for more lucrative and higher value contracts; (c) the low liquidity of the Shares; (d) the closing prices of the Shares had been very fluctuative with no specific reasons for most of the upward movements as announced throughout the Review Period and even after the termination of the acquisition of Sanxia International Energy Investments Limited. We considered that the prevailing market price of the Shares might not truly reflect the value of the Shares and the comparison of the Offer Price against the closing price on the Last Trading Day may be of less relevance.

Both of Comparable Offers had the offer price set at premiums over the latest net asset value per share prior to the publication of the announcements in relation to the offers. The comparison ranges from a premium of approximately 198.70% to a premium of approximately 4,000%. The Offer Price of HK\$0.0162 represents a premium of approximately 5,300% over the latest net asset value per Share of approximately HK\$0.0003 per Share as at 31 December 2007. In this regard, we consider the Offer Price is attractive and is fair and reasonable so far as the Independent Shareholders are concerned.

Background of the Offeror and its intention regarding the future of the Group

(a) Information on the Offeror and Marilyn Investments

The Offeror is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror include its equity interests in the Company, equity interests in RCG Holdings Limited and other listed securities in Hong Kong and overseas stock markets. As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr. Chan, Mr. Chan Chun Hung, Bobby, Mr. Chan Chun Tin, Stanley, Ms. Chan Yuen Yin, Josephine and Mr. Zhao Xiao Yi.

Marilyn Investments is an investment holding company and is wholly and beneficially owned by Mr. Chan. The principal activity of Marilyn Investments is investment holding and the principal assets held by Marilyn Investments are its equity interest in Almond Global, private investments in the PRC and other listed securities in Hong Kong. As at the Latest Practicable Date, the board of directors of Marilyn Investments comprises Mr. Chan and Mr. Chan Chun Hung, Bobby.

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Mr. Chan is an entrepreneur and an investor in global property, capital markets, private and public companies. Mr. Chan is very enthusiastic in technology investments and owns a significant stake in RCG Holdings Limited, a company listed on the AIM of the London Stock Exchange. RCG Holdings Limited is a leading global provider of integrated biometrics, radio frequency identification (RFID) and security solutions.

(b) Intention of the Offeror

As stated in the “Letter from Optima Capital”, it is the intention of the Offeror to continue the existing principal activities of the Group. Apart from the proposed changes to the Board composition as described in the section headed “Proposed change of Board composition” in the “Letter from Optima Capital”, the Offeror does not intend to introduce any major changes to the existing operating and management structure of the Company, or to discontinue the employment of any employees of the Company, as a result of the Offer. At present, there is no plan for the Offeror to redeploy any fixed assets of the Group other than in its ordinary course of business. The Offeror also expects that there will be no material change to the existing business of the Company as a result of the Offer. The Company, the new Directors to be nominated by the Offeror and the directors of the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares. As such, we consider that there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offer.

(c) Directors and management

Pursuant to the Agreements and in compliance with the Takeovers Code, all existing executive Directors, including Mr. Pong and Mr. Lau Wai Shu and one of the independent non-executive Directors, Mr. Yip Tai Him, will resign after the close of the Offer. The Offeror intends to nominate new Directors to the Board. Mr. Chan Chun Tin, Stanley and Mr. Ying Kan Man will be appointed as executive Directors and General Dato’ Seri Mohd Azumi bin Mohamed will be appointed as independent non-executive Director. The biographical details of the new Directors are set out in the “Letter from Optima Capital” in the Composite Document. We note that the new Directors to be appointed to the Board may not have the directly relevant experience in the industry for which the Company principally engaged. Notwithstanding the above, we consider that there are uncertainties as to the impact of the intended resignations of certain existing Directors from the Board and the proposed change in the composition of the Board on the business operation of the Group.

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Recommendation for the Offer

Taking into consideration the above-mentioned principal factors and reasons of the Offer, being:

- (i) the Independent Shareholders are treated even-handedly by the Offeror who is offering to acquire the Shares of the Independent Shareholders at the Offer Price of HK\$0.0162 per Share, which is the same as the price payable for each Share under the Agreements;
- (ii) the continuous loss making situation of the Group during the three financial years ended 31 December 2005, 2006 and 2007 and three months ended 31 March 2008;
- (iii) with the relatively small scale setting of the business of the Group, the Group had faced difficulties to tender for more lucrative and higher value contracts which usually would be projects with more profit margins;
- (iv) the trading liquidity of the Shares has been thin during the Review Period, including the trading days after the release of the Announcement;
- (v) the Offer Price of HK\$0.0162 represents a substantial premium of 5,300% to the audited net assets per Share while the comparison of the Comparable Offers ranges from a premium of approximately 198.70% to a premium of approximately 4,000%;
- (vi) there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offer and the new Directors to be appointed to the Board may not have the directly relevant experience in the industry for which the Company is currently principally engaged,

we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price after the release of the Announcement, and that there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Offer Price during and after the close of the Offer. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period of the Offer remains open for acceptance and shall, having regard to their own circumstances, consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

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Given the low liquidity of the Shares during the Review Period, we would like to remind the Independent Shareholders who may wish to realize their investments in the Shares that they might not be able to do so, especially those with sizeable shareholdings, in the open market, without adversely affecting the market price level of the Shares. Thus, the Offer represents a valid exit for the Independent Shareholders who would like to realize their investments in the Shares. We would like to remind the Independent Shareholders that there is no guarantee whether the current market price of the Shares will sustain or will not sustain and will or will not be higher than the Offer Price during and after the close of Offer.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Managing Director

Julisa Fong

Executive Director

1. FURTHER PROCEDURES FOR ACCEPTANCE

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name(s), and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

- (c) If the certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Optima Capital and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on Friday, 29 August 2008 or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered shareholder of Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under sub-paragraphs (e) (i) and (e) (iii)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered holder of Shares, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer have previously been extended or revised, the latest time and date for acceptance will be 4:00 p.m. on Friday, 29 August 2008. In order to be valid, the relevant Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on Friday, 29 August 2008. The Offer is unconditional.

The Offeror is entitled to extend or revise the Offer in accordance with the Takeovers Code after the date of this Composite Document. If the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document to the Shareholders. If the Offer is revised or extended, an announcement of such revision or extension will be published stating the revised closing date of the Offer.

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Friday, 29 August 2008 which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer have been revised or extended as the Executive may approve, or have expired.

The announcement must state the following:

- (i) the total number of issued Shares and rights over Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer period; and

- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar no later than 4:00 p.m. on Friday, 29 August 2008 shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of listed companies must be made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

Acceptance to the Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed "Announcements" above. In those circumstances, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such announcements requirements can be met.

In such case, upon the Independent Shareholders withdraw the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

5. OVERSEAS SHAREHOLDERS

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

6. SETTLEMENT

Provided that the Form of Acceptance and relevant share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares are complete and in good order and have been received by the Registrar not later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Shareholder in respect of the Shares tendered by him/her/it under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Shareholder at the address specified on the Form of Acceptance by ordinary post at his/her/its own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents of title are received by the Registrar to render such acceptance complete and valid.

The settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

7. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and neither the Company, the Offeror, Optima Capital, their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch the Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and constructed in accordance with the laws of Hong Kong.

- (e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, Optima Capital or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer is sold by such person or persons free from all liens, claims and encumbrances and together with all rights attaching thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the date of the Joint Announcement.
- (g) Reference to the Offer in this Composite Document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.
- (h) The English text of the Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 December 2007 and the assets and liabilities as at 31 December 2005, 2006 and 2007 as extracted from the audited financial statements of the Group for the relevant years and the unaudited financial results of the Group for the three months ended 31 March 2007 and 2008 as extracted from the first quarterly reports of the Group for the relevant years:

(i) Results

	Three months ended		Year ended 31 December		
	31 March		2006		
	2008	2007	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	400	120	1,417	2,823	2,153
Other income	25	7	66	20	52
Depreciation	(11)	(9)	(65)	(66)	(118)
Staff costs	(320)	(359)	(1,188)	(1,929)	(3,700)
Other operating expenses	(625)	(467)	(2,992)	(2,219)	(3,420)
Loss from operations	(531)	(708)	(2,762)	(1,371)	(5,033)
Finance costs	(59)	-	(84)	-	(3)
Gain on disposal of subsidiaries	-	-	-	-	1,270
Loss before income tax	(590)	(708)	(2,846)	(1,371)	(3,766)
Income tax expense	-	-	-	-	-
Net loss	(590)	(708)	(2,846)	(1,371)	(3,766)
Loss attributable to the equity holders of the Company	(590)	(708)	(2,846)	(1,371)	(3,766)
Loss per share					
- Basic (Note)	HK(0.0118) cents	HK(0.0169) cents	HK(0.06) cents	HK(1.63) cents	HK(0.65) cents
- Diluted	N/A	N/A	N/A	N/A	N/A

Note: The above presentation of loss per share for the years ended 31 December 2006 and 2005 as extracted from 2006 annual report and 2005 annual report respectively have not been re-calculated to reflect the share subdivision in 2007 and share consolidation in 2006.

(ii) Assets and liabilities

	As at 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Total assets	5,172	2,389	2,227
Total liabilities	(3,501)	(1,555)	(1,923)
Net assets	<u>1,671</u>	<u>834</u>	<u>304</u>

Notes:

1. The Company has no exceptional or extraordinary items for each of the three years ended 31 December 2007 and the three months ended 31 March 2008.
2. There is no minority interest for each of the three years ended 31 December 2007 and the three months ended 31 March 2008.
3. No dividends have been paid or declared by the Company during each of the three years ended 31 December 2007 and the three months ended 31 March 2008.
4. No qualified opinion has been issued by the Company's auditors for each of the three financial years ended 31 December 2007.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2007 extracted from the annual report of the Company for the year ended 31 December 2007:

Consolidated Income Statement

For the year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	6	1,417	2,823
Other income	6	66	20
Depreciation		(65)	(66)
Staff costs	13	(1,188)	(1,929)
Other operating expenses		(2,992)	(2,219)
Loss from operations		(2,762)	(1,371)
Finance costs	8	(84)	–
Loss before income tax	9	(2,846)	(1,371)
Income tax expense	10	–	–
Net loss for the year		(2,846)	(1,371)
Loss attributable to the equity holders of the Company	11	(2,846)	(1,371)
Loss per share	12		
– Basic (2006: restated)		HK(0.06) cents	HK(0.03) cents
– Diluted		N/A	N/A

Consolidated Balance Sheet*As at 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	107	217
Current assets			
Other receivables, deposits and prepayments		207	352
Cash and cash equivalents	17	4,858	1,820
		<u>5,065</u>	<u>2,172</u>
Current liabilities			
Accruals and other payables		800	543
		<u>4,265</u>	<u>1,629</u>
Net current assets		<u>4,265</u>	<u>1,629</u>
Total assets less current liabilities		4,372	1,846
Non-current liabilities			
Amount due to a shareholder company	18	–	1,012
Convertible bonds	19	2,408	–
Deferred tax liabilities	20	293	–
		<u>2,701</u>	<u>1,012</u>
Net assets		<u><u>1,671</u></u>	<u><u>834</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	21	2,134	6,912
Reserves		(463)	(6,078)
		<u>1,671</u>	<u>834</u>
Total equity		<u><u>1,671</u></u>	<u><u>834</u></u>

Balance Sheet*As at 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	–	–
Current assets			
Other receivables		116	120
Cash and cash equivalents	17	4,854	1,119
		<u>4,970</u>	<u>1,239</u>
Current liabilities			
Accruals and other payables		502	329
		<u>502</u>	<u>329</u>
Net current assets		<u>4,468</u>	<u>910</u>
Non-current liabilities			
Convertible bonds	19	2,408	–
Deferred tax liabilities	20	293	–
		<u>2,701</u>	<u>–</u>
Net assets		<u>1,767</u>	<u>910</u>
EQUITY			
Share capital	21	2,134	6,912
Reserves	23	(367)	(6,002)
		<u>(367)</u>	<u>(6,002)</u>
Total equity		<u>1,767</u>	<u>910</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2007*

	Equity attributable to equity holders of the Company						
	Share capital	Capital reserve	Share premium	Special reserve	Convertible bonds equity reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	5,760	-	14,859	11	-	(20,326)	304
Net loss for the year	-	-	-	-	-	(1,371)	(1,371)
Total recognised income and expense for the year	-	-	-	-	-	(1,371)	(1,371)
Shares issued at premium	1,152	-	749	-	-	-	1,901
At 31 December 2006 and 1 January 2007	6,912	-	15,608	11	-	(21,697)*	834
Net loss for the year	-	-	-	-	-	(2,846)	(2,846)
Total recognised income and expense for the year	-	-	-	-	-	(2,846)	(2,846)
Capital reduction and capital reorganisation (<i>note 21(ii)</i>)	(6,048)	-	(15,608)	-	-	21,656	-
Recognition of equity component of convertible bonds	-	-	-	-	1,676	-	1,676
Deferred tax charge to equity	-	-	-	-	(293)	-	(293)
Capital contribution by a shareholder company	-	1,030	-	-	-	-	1,030
Issue of shares	1,270	-	-	-	-	-	1,270
At 31 December 2007	<u>2,134</u>	<u>1,030*</u>	<u>-</u>	<u>11*</u>	<u>1,383*</u>	<u>(2,887)*</u>	<u>1,671</u>

* The aggregated amount of these balances of HK\$463,000 (2006: HK\$6,078,000) in deficit is included as reserves in the consolidated balance sheet.

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to the Group reorganisation in 2002.

Consolidated Cash Flow Statement*For the year ended 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before income tax		(2,846)	(1,371)
Adjustments for:			
Interest income	9	(63)	(20)
Interest expenses on convertible bonds	8	84	–
Depreciation	9	65	66
Write off of property, plant and equipment	9	45	–
		<hr/>	<hr/>
Operating loss before working capital changes		(2,715)	(1,325)
Decrease in other receivables, deposits and prepayment		145	1,049
Increase/(Decrease) in accruals and other payables		275	(368)
		<hr/>	<hr/>
Net cash used in operating activities		(2,295)	(644)
Cash flows from investing activities			
Interest received		63	20
Purchase of property, plant and equipment		–	(11)
		<hr/>	<hr/>
Net cash generated from investing activities		63	9
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from the issue of shares	21(iii)	1,270	1,901
Proceeds from the issue of convertible bonds	19	4,000	–
		<hr/>	<hr/>
Net cash generated from financing activities		5,270	1,901
		<hr/>	<hr/>
Net increase in cash and cash equivalents		3,038	1,266
Cash and cash equivalents at beginning of the year		1,820	554
		<hr/>	<hr/>
Cash and cash equivalents at end of the year		<u>4,858</u>	<u>1,820</u>

Notes to the Financial Statements

For the year ended 31 December 2007

1. NATURE OF OPERATIONS

The principal activity of Global Solution Engineering Limited (“the Company”) is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are set out in note 16 to the financial statements.

2. 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 HM11, 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”).

During the year, the Company had changed its domicile from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile became effective on 31 August 2007.

The financial statements on pages 23 to 52 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

The financial statements for the year ended 31 December 2007 were approved to publish by the board of directors on 17 March 2008.

3. ADOPTION OF NEW OR AMENDED HKFRSS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment

The adoption of the new or amended HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented but with expanded disclosures on the Group’s capital management policies and the significance, nature and extent of risk relating to the Group’s use of financial instruments. Accordingly, no prior period adjustment is required.

3.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are detailed in note 28.

3.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group’s financial statements now feature:

- a sensitivity analysis explaining the Group’s market risk exposure in regards to its financial instruments; and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet line items.

3.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. Among these new standards and interpretations, HKAS 1 (revised) is expected to be relevant to the Group’s financial statements. The directors of the Company is currently assessing the impact the other new standards, and or interpretations but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

HKAS 1 (Revised)	“Presentation of Financial Statements” ¹
HKAS 23 (Revised)	“Borrowing Costs” ¹
HKFRS 8	“Operating Segments” ¹
HK(IFRIC) – Interpretation 11	“Group and Treasury Share Transactions” ²
HK(IFRIC) – Interpretation 12	“Service Concession Arrangements” ³
HK(IFRIC) – Interpretation 13	“Customer Loyalty Programmes” ⁴
HK(IFRIC) – Interpretation 14	“HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction” ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparing these financial statements. Although these estimates are based on management's best knowledge and judgements of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

(c) Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidation from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in subsidiaries are carried at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK\$), which is the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Revenue recognition

Revenue comprises the fair value for the rendering of services. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follow:

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Property, plant and equipment*(i) Depreciation*

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(ii) Measurement bases

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(g) Impairment testing of assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(h) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of

benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Financial assets

The Group's financial assets include other receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus any directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of asset.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. Any changes in their value are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Significant financial difficulties of the debtor, probability that the debtor will bankruptcy or financial reorganization are considered indicators that the trade receivable is impaired.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not recognized in profit or loss of the period in which the reversal occurs.

(j) Income tax

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the expected tax to be payable or recoverable on difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance

sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit/loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposits with original maturities of three months or less.

(l) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

(m) Related parties

Parties are considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Company/Group;
 - has an interest in the Company/Group that gives it significant influence over the Company/Group; or
 - has joint control over the Company/Group;
- (ii) the party is a jointly-controlled entity;
- (iii) the party is an associate of the Company/Group;
- (iv) the party is a member of the key management personnel of the Company/Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

(n) Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(o) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding increase in equity (share option reserve), net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium.

(p) Financial liabilities

The Group’s financial liabilities include other payables and convertible bonds. They are included in balance sheet items as “Accruals and other payables” and “Convertible bonds”.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as convertible bonds equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bonds.

When the bonds are converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of convertible bonds

On initial recognition date, the fair value of the liability component of the convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of key assumptions are disclosed in note 19.

6. 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 year are as follows:

	2007 HK\$'000	2006 HK\$'000
Revenue		
Service income	<u>1,417</u>	<u>2,823</u>
	2007 HK\$'000	2006 HK\$'000
Other income		
Net exchange gain	3	–
Interest income on the financial assets stated at amortised cost	<u>63</u>	<u>20</u>
	<u>66</u>	<u>20</u>

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 have not been presented as the Group's turnover and results are substantially generated from the PRC, and the Group's assets and capital expenditures are situated in Hong Kong.

8. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest expenses on convertible bonds carried at amortised cost	<u>84</u>	<u>–</u>

9. LOSS BEFORE INCOME TAX

	2007 HK\$'000	2006 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	260	250
Depreciation	65	66
Net exchange (gain)/loss	(3)	7
Operating lease rentals in respect of land and buildings	601	362
Write off of property, plant and equipment	<u>45</u>	<u>–</u>

10. INCOME TAX EXPENSE

No provision for income tax has been made in the financial statements as the Group had no assessable profits for the year (2006: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2007 HK\$'000	2006 HK\$'000
Loss before income tax	<u>(2,846)</u>	<u>(1,371)</u>
Tax at applicable rate of 17.5% (2006: 17.5%)	(498)	(240)
Tax effect of non-deductible expenses	393	259
Tax effect of non-taxable income	(11)	(12)
Tax effect of temporary differences not recognised	8	10
Tax effect of unused tax losses not recognised	108	–
Tax effect of utilisation of tax losses	<u>–</u>	<u>(17)</u>
Total income tax expense	<u><u>–</u></u>	<u><u>–</u></u>

11. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated net loss for the year of HK\$2,846,000 (2006: HK\$1,371,000), a loss of HK\$2,826,000 (2006: HK\$1,001,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$2,846,000 (2006: HK\$1,371,000) and on the weighted average number of 5,009,202,014 ordinary shares (2006: 4,073,310,197 ordinary shares, as restated) in issue during the year after adjusting for the effects of the issuance of new shares and the share subdivision, details of which are set out in note 21 to the financial statements. The comparative figure of basic loss per share for the year ended 31 December 2006 had been re-calculated to reflect the share subdivision occurred during the year.

No diluted result per share has been presented because the potential ordinary shares had anti-dilutive effect for the year ended 31 December 2007.

No diluted result per share has been presented because there is no dilutive potential share for the year ended 31 December 2006.

On 4 February 2008, 1,200,000,000 shares were issued on the partial conversion of the convertible bonds. Details of this conversion are in note 29(a).

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK\$'000	2006 HK\$'000
Wages and salaries	1,115	1,964
Retirement benefits scheme contributions*	41	(73)*
Staff benefits	<u>32</u>	<u>38</u>
	<u><u>1,188</u></u>	<u><u>1,929</u></u>

* During the year ended 31 December 2006, the amount included a refund of approximately HK\$108,000 in respect of the total voluntary contributions previously made by the Group for a director who resigned in December 2005.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Employer's retirement scheme contri- butions HK\$'000	Total HK\$'000
2007					
<i>Executive directors:</i>					
Mr. Pong Wai San, Wilson ¹	-	-	-	-	-
Mr. Lau Wai Shu ¹	-	-	-	-	-
Mr. Chu Yen Ling ²	-	-	-	-	-
Mr. Lee Chan Wah ²	-	394	-	14	408
	<u>-</u>	<u>394</u>	<u>-</u>	<u>14</u>	<u>408</u>
<i>Independent non-executive directors:</i>					
Mr. Lai Hin Wing, Henry ³	15	-	-	-	15
Mr. Ko Chun Hay, Kelvin ³	15	-	-	-	15
Mr. Lung Hung Cheuk ³	15	-	-	-	15
Dr. Lu Da ⁴	17	-	-	-	17
Mr. Lau Man Yiu ⁴	43	-	-	-	43
Ms. Xue Xiaoyi ⁴	43	-	-	-	43
	<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>
	<u>148</u>	<u>394</u>	<u>-</u>	<u>14</u>	<u>556</u>
2006					
<i>Executive directors:</i>					
Mr. Chu Yen Ling ²	-	200	-	-	200
Mr. Lee Chan Wah ²	-	474	45	19	538
	<u>-</u>	<u>674</u>	<u>45</u>	<u>19</u>	<u>738</u>
<i>Independent non-executive directors:</i>					
Dr. Lu Da ⁴	24	-	-	-	24
Mr. Lau Man Yiu ⁴	60	-	-	-	60
Ms. Xue Xiaoyi ⁴	60	-	-	-	60
	<u>144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144</u>
	<u>144</u>	<u>674</u>	<u>45</u>	<u>19</u>	<u>882</u>

¹ The executive directors, Mr. Pong Wai San, Wilson and Mr. Lau Wai Shu, were newly appointed on 19 September 2007.

² The executive directors, Mr. Chu Yen Ling and Mr. Lee Chan Wah, resigned on 19 September 2007.

³ The independent non-executive directors, Mr. Lai Hin Wing, Henry, Mr. Ko Chun Hay, Kelvin and Mr. Lung Hung Cheuk, were appointed on 19 September 2007. On 1 March 2008, Mr. Ko Chun Hay, Kelvin was resigned and Mr. Yip Tai Him was appointed.

⁴ The independent non-executive directors, Dr. Lu Da, Mr. Lau Man Yiu and Ms. Xue Xiaoyi, resigned on 19 September 2007.

(b) Five highest paid individuals

The five highest paid individuals during the year included three (2006: two) directors, whose emoluments are set out above. The details of the emoluments of the remaining two (2006: three) highest paid individuals are as follows:

	2007 HK\$'000	2006 HK\$'000
Basic salaries and allowances	539	664
Retirement benefits scheme contributions	25	34
	<u>564</u>	<u>698</u>

None of the above two (2006: three) highest paid individuals received individual emoluments in excess of HK\$1 million.

During each of the two years ended 31 December 2007 and 2006, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2007 and 2006, except Mr. Chu Yen Ling, who has agreed to unconditionally waive his rights to receive the outstanding director's remuneration due for the period from 1 January 2007 to 18 September 2007 in accordance with the service agreement.

15. PROPERTY, PLANT AND EQUIPMENT**The Group**

	Furniture, fixtures and equipment HK\$'000
At 31 December 2005	
Cost	322
Accumulated depreciation	<u>(50)</u>
Net book amount	<u>272</u>
Year ended 31 December 2006	
Opening net book amount	272
Additions	11
Depreciation	<u>(66)</u>
Closing net book amount	<u>217</u>
At 31 December 2006	
Cost	333
Accumulated depreciation	<u>(116)</u>
Net book amount	<u>217</u>
Year ended 31 December 2007	
Opening net book amount	217
Disposal	(45)
Depreciation	<u>(65)</u>
Closing net book amount	<u>107</u>
At 31 December 2007	
Cost	222
Accumulated depreciation	<u>(115)</u>
Net book amount	<u>107</u>

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	10	10
Less: Impairment	(10)	(10)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Amounts due from subsidiaries	5,725	4,982
Less: Provision for amounts due from subsidiaries	(5,725)	(4,982)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from 31 December 2007.

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation and operation and kind of legal entity	Issued and paid-up share capital	Percentage held by the Company directly	Principal activities
New Goal Plus Limited (Formerly known as Global Solution Engineering (HK) Limited)	Hong Kong, limited liability company	10,000 ordinary shares of HK\$1 each	100%	Provision of information technology and engineering consultancy services
AGL Design Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	Dormant
Global Solution Engineering (HK) Limited (Formerly known as Goal Plus Limited)*	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	Dormant
Ally Champ Limited*	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	Dormant

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

* *Subsidiaries newly set up during the year.*

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	4,858	1,820	4,854	1,119

The effective interest rates of the bank balances of the Group and the Company ranged from 2.1% to 5.3% (2006: 2.5% to 2.75%) per annum.

18. AMOUNT DUE TO A SHAREHOLDER COMPANY

The amount due was unsecured, interest-free and is not repayable within twelve months from the balance sheet date. Accordingly, the amount is classified as a non-current liability.

19. CONVERTIBLE BONDS

	The Group and the Company	
	2007	2006
	HK\$'000	HK\$'000
Convertible bonds	2,408	–

The convertible bonds 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.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The excess of consideration received on issue of convertible bond over the fair value of liability component, representing the value of the equity conversion component, is included in shareholders' equity in convertible bonds equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars which is the functional currency of the Company.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2007	2006
	HK\$'000	HK\$'000
Proceeds of issue	4,000	–
Equity component	(1,676)	–
Liability component on initial recognition	2,324	–
Imputed interest expenses	84	–
Liability component at 31 December	2,408	–

Interest expenses of HK\$84,000 has been recognised in the income statement, using the effective interest method by applying the effective interest rate of 11.473% per annum to the liability component.

20. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liabilities method using a principal taxation rate of 17.5%.

Recognised deferred tax liabilities

	The Group and the Company	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bonds	293	–
Net deferred tax liabilities	<u>293</u>	<u>–</u>

The movement in the deferred tax liabilities is as follow:

	The Group and the Company	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	–	–
Charged to equity	<u>293</u>	<u>–</u>
At 31 December	<u>293</u>	<u>–</u>

Unrecognised deferred tax assets

As at 31 December 2007, the Group and the Company had unutilised tax losses of HK\$9,462,000 (2006: HK\$8,846,000) and HK\$3,784,000 (2006: HK\$3,784,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. These tax losses can be carried forward indefinitely.

21. SHARE CAPITAL

	2007		2006	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.08 (2006: HK\$0.01) each at beginning of year	250,000	20,000	2,000,000	20,000
Share consolidation (<i>Note (i)</i>)	–	–	(1,750,000)	–
Capital reduction and capital reorganisation (<i>Note (ii)</i>)	1,750,000	–	–	–
Share subdivision (<i>Note (iv)</i>)	38,000,000	–	–	–
	<u>40,000,000</u>	<u>20,000</u>	<u>250,000</u>	<u>20,000</u>
Ordinary shares of HK\$0.0005 (2006: HK\$0.08) each at end of year				
	<u>40,000,000</u>	<u>20,000</u>	<u>250,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.08 (2006: HK\$0.01) each at beginning of year	86,400	6,912	576,000	5,760
Share consolidation (<i>Note (i)</i>)	–	–	(604,800)	–
Capital reduction and capital reorganisation (<i>Note (ii)</i>)	–	(6,048)	–	–
Issue of shares (<i>Note (iii)</i>)	127,000	1,270	115,200	1,152
Share subdivision (<i>Note (iv)</i>)	4,054,600	–	–	–
	<u>4,268,000</u>	<u>2,134</u>	<u>86,400</u>	<u>6,912</u>
Ordinary shares of HK\$0.0005 (2006: HK\$0.08) each at end of year				
	<u>4,268,000</u>	<u>2,134</u>	<u>86,400</u>	<u>6,912</u>

Notes:

(i) Share consolidation

Pursuant to an ordinary resolution passed on 27 April 2006, a share consolidation on the basis that every eight shares of HK\$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK\$0.08 each was carried out (“Share Consolidation”) with effect from 28 April 2006. The authorised share capital of the Company remained at HK\$20,000,000, but was divided into 250,000,000 shares of HK\$0.08 each.

(ii) Capital reduction and capital reorganisation

Pursuant to a special resolution passed on 17 August 2007, a capital reduction on the basis that the nominal value of each of the issued share was reduced from HK\$0.08 each by cancelling the paid-up capital to the extent of HK\$0.07 on each issued share and the existing issued share capital of HK\$6,912,000 was reduced by HK\$6,048,000 to HK\$864,000 comprising 86,400,000 new shares of HK\$0.01 each with effect from 31 August 2007. As a result of the above capital reduction, the share premium account was cancelled and the credit arising from such cancellation was credited to the contributed surplus of the Company which was used to eliminate the accumulated losses of the Company. Upon the completion of the capital reduction, a share subdivision for each of the authorised but unissued share on the basis being subdivided into 8 subdivided shares of HK\$0.01 each was carried out. The authorised share capital of the Company remained at HK\$20,000,000, but was divided into 2,000,000,000 shares of HK\$0.01 each.

(iii) Issue of shares

The Company entered into a subscription agreement (the "Share Subscription Agreement") with Almond Global Limited on 25 June 2007. Pursuant to the Subscription Agreement, the Company issued a total of 127,000,000 subscription shares at subscription price of HK\$0.01 each. The issued share capital of the Company was thus increased from HK\$864,000 to HK\$2,134,000 as enlarged by the allotment and issue of the subscription shares with effect from 4 September 2007. The Company intended to apply the proceeds raised as general working capital for the Group.

The Company entered into two subscription agreements (the "Subscription Agreements") with Peak Achieve Limited and Data Expert Limited on 10 February 2006. Pursuant to the Subscription Agreements, the Company issued a total of 115,200,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.0165 each. The issued share capital of the Company was thus increased from HK\$5,760,000 to HK\$6,912,000. The excess of the subscription proceeds over the nominal value of share capital issued is credited as share premium. The Company intended to apply the proceeds raised as general working capital for the Group.

(iv) Share subdivision

Pursuant to an ordinary resolution passed on 20 December 2007, a share subdivision with effect from 21 December 2007 on the basis that each share of HK\$0.01 in the issued and unissued share capital of the Company being subdivided into 20 subdivided shares of HK\$0.0005 each was carried out. The authorised share capital of the Company remained at HK\$20,000,000, but was divided into 40,000,000,000 shares of HK\$0.0005 each. The subdivided shares rank *pari passu* in all respects with each other and the share subdivision did not result in any change in the relative rights of the shareholders.

22. SHARE OPTION SCHEME

The current share option scheme in force was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme").

The Share Option Scheme was adopted for a period of 10 years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Share Option Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the Board of Directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

- (i) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time.
- (ii) as refreshed by the shareholders in the general meeting on 29 April 2005, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 57,600,000 shares (equivalent to 1,152,000,000 shares after the Company's Share subdivision in December 2007), representing 10% of the issued share capital of the Company at 29 April 2005.

A nominal consideration of HK\$10 is payable upon acceptance of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of: (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

No options had been granted or remained outstanding for each of the two years ended 31 December 2007 and 2006.

23. RESERVES

The Company

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	14,859	-	742	-	(21,351)	(5,750)
Net loss for the year	-	-	-	-	(1,001)	(1,001)
Shares issued at premium	749	-	-	-	-	749
At 31 December 2006 and 1 January 2007	15,608	-	742	-	(22,352)	(6,002)
Net loss for the year	-	-	-	-	(2,826)	(2,826)
Capital reduction	(15,608)	-	-	-	21,656	6,048
Recognition of equity component of convertible bonds	-	-	-	1,676	-	1,676
Deferred tax charge to equity	-	-	-	(293)	-	(293)
Capital contribution by a shareholder company	-	1,030	-	-	-	1,030
At 31 December 2007	-	1,030	742	1,383	(3,522)	(367)

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

24. OPERATING LEASE COMMITMENTS

As at 31 December 2007, the total future minimum lease payments of the Group under non-cancellable operating lease in respect of land and buildings are payable as follows:

	The Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	207	362
In the second to fifth year inclusive	197	-
	<u>404</u>	<u>362</u>

The Group leases an office premise under an operating lease. The lease runs for an initial period of two years with option to renew the lease terms at the expiry date and does not include any contingent rentals.

25. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "Scheme") for all its qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group's contribution is calculated at 5% of the employee's monthly relevant income as defined in the Mandatory Provident Fund Schemes Ordinance of up to a maximum of HK\$20,000, which contribution is matched by employees. The contributions made by the Group which exceed 5% of the employee's monthly relevant income are paid as voluntary contribution.

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 16 and 18 to the financial statements, details of other related party transactions during the year ended 31 December 2007 are disclosed as follows:

	2007 HK\$'000	2006 HK\$'000
<i>Compensation of key management personnel:</i>		
Total remuneration of directors and other members of key management during the year	<u>556</u>	<u>1,147</u>

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, liquidity risk and credit risk, which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors closely monitors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(i) Interest rate risk

The Group's exposure to changes in interest rates relates mainly to cash and cash equivalents which earn interest at floating rates. However, the Directors are of the opinion that the sensitivity of the Group's result for year to the reasonably possible change in interest rate in the coming twelve months is low.

(ii) Foreign currency risk

The Group is exposed to foreign currency risk arising from currency exposures to United States Dollars ("US\$"). All the Group's revenue is derived in both HK\$ and US\$, as HK\$ is pegged to US\$, and thus foreign exchange exposure is considered as minimal.

(iii) Credit risks

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in financial loss. The carrying amounts of cash and cash equivalents, and other current assets except for deposits and prepayments included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

(iv) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2007, the Group's financial liabilities with contractual maturities are the convertible bonds of principal amount of HK\$4,000,000 (2006 : Nil). Unless previously converted, the Group shall repay 100% of principal amount of the outstanding convertible bonds to the holder of the convertible bonds on 4 September 2012.

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 4(i) and 4(p) for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	4,858	1,820	4,858	1,119
Loans and receivables:				
Other receivables	4	–	4	–
	<u>4,862</u>	<u>1,820</u>	<u>4,862</u>	<u>1,119</u>

(ii) Financial liabilities:

Financial liabilities at amortised cost:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities:				
Other payables	540	293	–	–
Non-current liabilities:				
Amount due to a shareholder company	–	1,012	–	–
Convertible bonds	2,408	–	2,408	–
	<u>2,948</u>	<u>1,305</u>	<u>2,408</u>	<u>–</u>

28. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern;
- (ii) to provide an adequate return to the equity holders of the Company;
- (iii) to support the Group's sustainable growth; and
- (iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders of the Company, return capital to equity holders of the Company, issue new shares, or sell assets to reduce debt.

Management regards total equity and convertible bonds presented below as capital, for capital management purpose.

	2007 HK\$'000	2006 HK\$'000
Convertible bonds	2,408	–
Total equity	<u>1,671</u>	<u>834</u>
	<u>4,079</u>	<u>834</u>

29. POST BALANCE SHEET EVENTS

- (a) On 4 February 2008, the Company announced that a conversion notice for the partial conversion of the convertible bonds issued and as a result of which the Company has issued a total of 1,200,000,000 at a conversion price of HK\$0.0005 per conversion share, according to the terms and conditions of the bonds.

The new shares rank *pari passu* in all respects with the existing shares of the Company in issue. Following the issue of these new shares, the number of issued and paid-up ordinary shares of the Company would be 5,468,000,000. The outstanding principal amount of the convertible bonds after this conversion is HK\$3,400,000.

- (b) On 6 March 2008, Dragon Vision Group Limited ("Dragon Vision"), a wholly-owned subsidiary of the Company incorporated on 6 February 2008, had entered into a legally binding Letter of Intent 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 million.

Sanxia International currently holds 30% equity interest in Shanxi Tongyu Coalbed Methane Transportation Limited ("Shanxi Tongyu"). Shanxi Tongyu is principally engaged in the construction and operation of 端氏—晉城—博愛煤層氣輸氣管道 (Duanshi to Jincheng to Boai Coalbed Methane Transportation Pipeline), a pipeline to be constructed for the transportation of coalbed methane from Shanxi Province to Henan Province, the PRC.

Upon signing of the Letter of Intent, Dragon Vision paid to an escrow agent, who was jointly appointed by Dragon Vision and the Vendor, a sum of HK\$1,000,000 (the "Earnest Money"). The Earnest Money will be retained by the escrow agent in an interest-bearing account subject to and in accordance with the terms of a separate escrow agreement of the same date of the Letter of Intent entered into between the escrow agent, the Vendor and Dragon Vision.

If formal agreement is not agreed by the parties and executed before the expiry date of the Letter of Intent, the Earnest Money shall be refunded (together with any interest thereon) in full to Dragon Vision forthwith. Otherwise, it shall be applied (together with any interest thereon) as part of cash consideration of the formal agreement.

3. UNAUDITED FIRST QUARTERLY RESULTS

The following financial information is extracted from the first quarterly report of the Company for the three months ended 31 March 2008. All information in this paragraph should be read in conjunction with the unaudited financial statements of the Group for the three months ended 31 March 2008 which are included in the 2008 first quarterly report.

Unaudited Condensed Consolidated Income Statement

	<i>Notes</i>	Three months ended	
		31 March	
		2008	2007
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
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		<u>(590)</u>	<u>(708)</u>
Loss per share in HK cents	7		
– Basic		<u>(0.0118)</u>	<u>(0.0169)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

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>

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2008 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document), the Group had Convertible Bonds of approximately HK\$2,176,000.

Save as disclosed above, the Group had no other outstanding mortgages, charges, debentures or loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities at the close of business on 30 June 2008.

As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 30 June 2008.

5. MATERIAL CHANGE

Save as disclosed in the following (all of which had been previously announced by the Company), the Directors are not aware of any material change in the financial or trading position or outlook of the Company subsequent to 31 December 2007, being the date to which the last published audited consolidated financial statements of the Company were made up:

- (i) on 25 January 2008, the Company has received a conversion notice for the partial conversion of the Convertible Bonds and as a result of which the Company has issued a total 1,200,000,000 Shares to Mr. Pong at the conversion price of HK\$0.0005 per Share on 4 February 2008;
- (ii) the entering into of a legally binding letter of intent dated 6 March 2008 between Dragon Vision Group Limited ("Dragon Vision"), being a wholly owned subsidiary of the Company, and Mr. Chen Keyu (the "Vendor"), pursuant to which Dragon Vision may (subject to, inter alia, satisfaction of due diligence review on the target companies and entering into of a formal legally binding condition sale and purchase agreement) acquire from the Vendor the entire issued share capital of Sanxia International Energy Investments Limited ("Sanxia International") and 100% of any loan and other indebtedness outstanding from Sanxia International and 山西通豫煤層氣輸配有限公司 (Shanxi Tongyu Coalbed Methane Transportation Limited);
- (iii) the entering into of a conditional sale and purchase agreement (the "Agreement") dated 3 April 2008 between Dragon Vision and the Vendor, pursuant to which Dragon Vision agreed to acquire from the Vendor the entire issued share capital of Sanxia International at a consideration of HK\$134 million;

- (iv) the entering into of a subscription agreement dated 18 April 2008 between the Company and Mr. Pong, pursuant to which Mr. Pong agreed to subscribe for 100,000,000 Shares at a price of HK\$0.204 per Share; and
- (v) 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 in the sum of HK\$22.45 million to Dragon Vision within 60 days from the date on which the Vendor having received the Termination Notice. The Vendor has on the same date acknowledged receipt of the Termination Notice and has agreed to return the deposit within the stipulated time.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document (other than information in relation to the Offeror (and parties acting in concert with it), the terms and conditions of the Offer and the Offeror's future intentions regarding the Group) has been supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror (and parties acting in concert with it)) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement (other than those relating to the Offeror (and parties acting in concert with it)) contained herein misleading.

The information contained in this Composite Document (other than information in relation to the Group and Mr. Pong (and parties acting in concert with him)) has been supplied by the directors of the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group and Mr. Pong (and parties acting in concert with him)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and Mr. Pong (and parties acting in concert with him)) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement (other than those in relation to the Group and Mr. Pong) contained herein misleading.

2. SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued and fully paid up share capital of the Company as at the Latest Practicable Date was as follows:

HK\$

Authorised:

40,000,000,000 Shares

20,000,000

Issued and fully paid:

5,568,000,000 Shares

2,784,000

The authorised and issued and fully paid up share capital of the Company upon the issue of the Conversion Shares will be as follows:

HK\$

Authorised:

<u>40,000,000,000</u>	Shares	<u>20,000,000</u>
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Issued and fully paid:

5,568,000,000	Shares	2,784,000
6,800,000,000	Shares to be issued upon full conversion of the outstanding Convertible Bonds at the prevailing conversion price of HK\$0.0005 each	3,400,000
<u>12,368,000,000</u>	Shares	<u>6,184,000</u>

All the existing issued Shares and Shares to be issued on conversion of the Convertible Bonds rank *pari passu* in all respects including all rights as to dividends, voting and capital.

Since 31 December 2007, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, an aggregate of 1,300,000,000 new Shares were issued. 1,200,000,000 new Shares were issued upon the conversion of the Convertible Bonds in February 2008 and 100,000,000 new Shares were issued pursuant to the placing agreement dated 18 April 2008.

Save for the Convertible Bonds with aggregate principal amount of HK\$3,400,000, the Company does not have any outstanding warrants or share options or other securities carrying rights of conversion into or exchange or subscription for Shares.

(b) Listing

The Shares are listed and traded on the GEM Board of the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal with the Shares being or proposed to be sought on any other stock exchange.

3. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
29 February 2008	0.390
31 March 2008	0.249
30 April 2008	0.380
31 May 2008	0.245
30 June 2008	0.206
Last Trading Day	0.415
31 July 2008	0.550
5 August 2008 (being the Latest Practicable Date)	0.630

The highest and lowest closing prices of the Shares during the Relevant Period were HK\$0.67 per Share on 4 August 2008 and HK\$0.134 per Share on 31 January 2008 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at the Latest Practicable Date, 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 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 Shares Personal Interest	Approximate percentage of shareholding
Mr. Pong Wai San, Wilson	1,618,000,000	29.06%

Note: Out of 1,618,000,000 Shares, 618,000,000 Shares are beneficially owned by Mr. Pong and 1,000,000,000 Shares are the underlying Shares under the Convertible Bonds in a principal sum of HK\$500,000 which is convertible into said number of Shares at conversion price of HK\$0.0005 each.

Save as disclosed above, as at the Latest Practicable Date, 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.

(b) Substantial shareholders' interests and short positions in the shares and underlying shares of the company

As at the Latest Practicable Date, 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 Shareholders	Notes	Number of issued Shares/ underlying Shares	Capacity in which Shares are held	Percentage of issued share capital
Mr. Chan Chun Chuen	1	3,470,000,000	Corporate interest	62.32%
	1	5,800,000,000	Corporate interest	104.17%
Ms. Tam Miu Ching	1	3,470,000,000	Family interest	62.32%
	1	5,800,000,000	Family interest	104.17%
Almond Global Limited	1	2,520,000,000	Beneficial interest	45.26%
	1	5,800,000,000	Beneficial interest	104.17%
Marilyn Investments Limited	1	2,520,000,000	Beneficial interest	45.26%
	1	5,800,000,000	Beneficial interest	104.17%
The Offeror	1	950,000,000	Beneficial interest	17.06%
Ms. Tung Ching Yee, Helena	2	1,000,000,000	Family interest	17.96%
	2	618,000,000	Family interest	11.10%

Notes:

1. Mr. Chan beneficially owns the entire issued share capital of the Offeror and Marilyn Investments, which in turn owns the entire issued share capital of Almond Global. Therefore, Mr. Chan is deemed to be interested in same block of Shares held by the Offeror and Almond Global under the SFO. As at the Latest Practicable Date, the Offeror beneficially owned 950,000,000 Shares and Almond Global beneficially owned 2,520,000,000 Shares and the Convertible Bonds in a principal sum of HK\$2,900,000 which are convertible into 5,800,000,000 Shares at conversion price of HK\$0.0005 each during its conversion period of five years from 4 September 2007. Ms. Tam Miu Ching is the spouse of Mr. Chan and therefore is deemed to be interested in the Shares beneficially owned by Mr. Chan.
2. Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong and therefore is deemed to be interested in the Shares beneficially owned by Mr. Pong. Mr. Pong beneficially owns 618,000,000 Shares and 1,000,000,000 underlying Shares under the Convertible Bonds in a principal sum of HK\$500,000 which is convertible into said number of Shares at conversion price of HK\$0.0005 each during its conversion period of five years from 4 September 2007.

So far as is known to the Directors, as at the Latest Practicable Date, no other persons (other than the Directors, the chief executive and substantial Shareholders disclosed above) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any subsidiary of the Company.

5. INTERESTS OF THE OFFEROR AND ITS DIRECTORS

The Offeror is wholly and beneficially owned by Mr. Chan.

The principal member of the Offeror's concert group comprises Mr. Chan and Marilyn Investments. Save for the direct and indirect interest in a total of 3,470,000,000 Shares and the Convertible Bonds with principal value of HK\$2,900,000 as a result of the acquisition of the Sale Shares and Almond Global, none of the Offeror, Marilyn Investments, their respective directors and parties acting in concert with them had any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date. Save for the acquisition of the Sale Shares and Almond Global, the Offeror, Marilyn Investments, their respective directors and parties acting in concert with them have not dealt in the Shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period.

6. INTERESTS IN THE OFFEROR

As at the Latest Practicable Date, the Group did not have any interest in the shares or any convertible securities, warrants, options and derivatives of the Offeror or its associates.

As at the Latest Practicable Date, none of the Directors had any interest in the shares or any convertible securities, warrants, options and derivatives of the Offeror or its associates.

7. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

- (a) Save for the dealings by Mr. Pong set out in the table below, none of the Directors has dealt for value in any of the Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company during the Relevant Period:

Date	Dealings	Number of Shares involved	Dealing price per Share
4 February 2008	Conversion of Convertible Bonds in a principal sum of HK\$600,000	1,200,000,000 Shares	HK\$0.0005
18 April 2008	Disposal (Top-up placing)	100,000,000 Shares	HK\$0.204
28 April 2008	Subscription of new Shares (Top-up placing)	100,000,000 Shares	HK\$0.204
11 July 2008	Disposal of Shares from Almond Global to Mr. Pong through dividend in specie	8,000,000 Shares	HK\$0.0005
11 July 2008	Disposal of Convertible Bonds in a principal sum of HK\$500,000 from Almond Global to Mr. Pong through dividend in specie	1,000,000,000 Shares	HK\$0.0005
11 July 2008	Acquisition of Shares by Mr. Pong from Almond Global through dividend in specie	8,000,000 Shares	HK\$0.0005
11 July 2008	Acquisition of Convertible Bonds by Mr. Pong in a principal sum of HK\$500,000 from Almond Global through dividend in specie	1,000,000,000 Shares	HK\$0.0005
11 July 2008	Disposal (through Almond Global)	2,520,000,000 Shares	HK\$0.0162
11 July 2008	Disposal (Personal interest)	950,000,000 Shares	HK\$0.0162
11 July 2008	Disposal of Convertible Bonds in a principal sum of HK\$2,900,000	5,800,000,000 Shares	HK\$0.0162

- (i) as at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the Independent Financial Adviser or any of its associates (as defined in the Takeovers Code);
- (ii) as at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company;

- (d) as at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a person with whom the Offeror or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (e) as at the Latest Practicable Date, there was no shareholding in the Company which the Offeror or any party acting in concert with it has borrowed or lent;
- (f) as at the Latest Practicable Date, there was no shareholding in the Company which the Company or any Directors has borrowed or lent; and
- (g) As at the Latest Practicable Date, no shareholding in the Company was own or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (h) Save for Mr. Pong who has irrevocably undertaken not to accept the general offer in respect of (i) 618,000,000 Shares which remain beneficially owned by him after Completion; and (ii) the Convertible Bonds with principal value of HK\$500,000 which is convertible into new Shares at HK\$0.0005 each (subject to adjustment) and remain beneficially owned by him after Completion, no person had irrevocably committed himself to accept or not to accept the Offer. In addition, Mr. Pong has also irrevocably undertaken to the Offeror not to convert or transfer the Convertible Bonds before the close of the Offer. Please refer to (a) above for details of dealings in the Shares by Mr. Pong during the Relevant Period.
- (i) During the Relevant Period, none of a subsidiary of the Company, a pension fund of any member of the Group, an adviser to the Company as specified in class (2) of the definition of associate, the Independent Financial Adviser and its associate, a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate, and fund managers connected with the Company had dealt for value in the Shares or any convertible securities, warrants, options and derivatives of the Company.
- (j) During the Relevant Period, none of the Directors has borrowed or lent in any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company.
- (k) During the Relevant Period, none of the Offeror or any parties acting in concert with it who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company had dealt for value in the Shares or any convertible securities, warrants, options or derivatives of the Company.

- (l) During the Relevant Period, none of the Offeror, its ultimate beneficial owners, its directors and parties acting in concert with any one of the Offeror or its ultimate beneficial owners has borrowed or lent any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company.

8. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company or the Directors had any dealings in the shares or any convertible securities, warrants, options and derivatives of the Offeror.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, Mr. Lau Wai Shu ("Mr. Lau") has a service contract with a wholly-owned subsidiary of the Company which commenced from 1 March 2008 and will continue thereafter until terminated by either party to the agreement at no less than two months' notice. The annual remuneration of Mr. Lau is HK\$654,000 which includes a salary of HK\$546,000 per annum, an annual discretionary bonus and work related expenses reimbursement. Save for the said service contract, Mr. Lau has not entered into any other service contract with the Company.

In addition, Mr. Yip Tai Him ("Mr. Yip"), an independent non-executive Director, entered into a letter of appointment with the Company on 29 February 2008, pursuant to which Mr. Yip was appointed as an independent non-executive Director for a term of 1 year with effect from 1 March 2008 at an annual director's fee of HK\$50,000. Save for the said service contract, Mr. Yip has not entered into any other service contract with the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

10. MISCELLANEOUS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, any person acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder of the Company which had any connection with or dependent upon the Offer;

- (c) apart from the Agreements, no material contracts had been entered into by the Offeror in which any Director has a material personal interest;
- (d) there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer;
- (e) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (f) there is no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and
- (g) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares which might be material to the Offer.

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group after the date two years immediately preceding 18 July 2008, being the date of the Joint Announcement, and up to the Latest Practicable Date and are or may be material:

- (a) the conditional subscription agreement dated 25 June 2007 and entered into between the Company as an issuer and Almond Global as a subscriber for the subscription of 127,000,000 new Shares at a total consideration of HK\$1,270,000;
- (b) the conditional subscription agreement dated 25 June 2007 entered into between the Company as an issuer and Almond Global as a subscriber for the subscription of convertible bonds in the principal amount of HK\$4,000,000 at a total consideration of HK\$4,000,000;
- (c) the sale and purchase agreement (the “**Sanxia 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 owed by Sanxia International Energy Investments Limited at a total consideration of HK\$134,000,000;
- (d) the conditional subscription agreement dated 18 April 2008 and entered into between the Company as an issuer and Mr. Pong as a subscriber in respect of the subscription of 100,000,000 new Shares at a total consideration of HK\$20,400,000;

- (e) the placing agreement dated 18 April 2008 and entered into between Mr. Pong and Mr. Zhou Qijin in relation to the placing of 100,000,000 issued Shares owned by Mr. Pong at a total consideration of HK\$20,400,000; and
- (f) the termination notice dated 24 June 2008 issued by Dragon Vision Group Limited terminating the Sanxia Agreement and requesting Mr. Chen Keyu to return the deposit in a sum of HK\$22,450,000 paid under the Sanxia Agreement.

12. LITIGATION

There was late filing (the “**Late Filing**”) of relevant form to the Companies Registry in Hong Kong in respect of resignation of Mr. Chung Yan Yee Andrew as a director of the Company on 30 April 2003, which may constitute potential claim by the Companies Registry or relevant authorities.

Save as disclosed above, as the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

13. CONSENTS AND QUALIFICATIONS

The following is the qualification of the experts whose letters/opinion are contained in this Composite Document:

Name	Qualification
Optima Capital Limited	a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities and the financial adviser to the Offeror
Veda Capital Limited	a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity under the SFO and the Independent Financial Adviser to the Independent Board Committee

Each of Optima Capital and Veda Capital has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

14. GENERAL

- (a) The registered office of the Offeror is situated at Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the entire issued share capital of the Offeror is beneficially and wholly owned by Mr. Chan. The board of directors of the Offeror comprised Mr. Chan, Mr. Chan Chun Hung, Bobby, Mr. Chan Chun Tin, Stanley, Ms. Chan Yuen Yin, Josephine and Mr. Zhao Xiao Yi. The board of directors of Marilyn Investments comprised Mr. Chan and Mr. Chan Chun Hung, Bobby. The entire issued share capital of Marilyn Investments is beneficially and wholly owned by Mr. Chan. The correspondence address of the Offeror, Marilyn Investments and Mr. Chan in Hong Kong is situated at Level 9, Core C, Cyberport 3, 100 Cyberport Rd., Hong Kong.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Hong Kong head office and principal place of business of the Company is at Room 1301, 13/F. Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.
- (c) As at the Latest Practicable Date, the Board comprised 5 Directors, of which Mr. Pong Wai San, Wilson and Mr. Lau Wai Shu are executive Directors, and Mr. Lai Hin Wing, Henry, Mr. Yip Tai Him and Mr. Lung Hung Cheuk are independent non-executive Directors.
- (d) The registered address of Optima Capital is Unit 3618, 36th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (e) The registered address of Veda Capital is Suite 1302, Takshing House, 20 Des Voeux Road Central, Central, Hong Kong.
- (f) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretations.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of the Company in Hong Kong at Room 1301, 13/F. Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong; (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) the Company's website at www.gsehk.com.hk during the period from 8 August 2008 to 29 August 2008, being the Closing Date:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the memorandum and articles of association of the Offeror;

- (c) the annual reports of the Company for the two years ended 31 December 2007;
- (d) the first quarterly report of the Company for the three months ended 31 March 2008;
- (e) the letter from Optima Capital as set out on pages 7 to 14 of this Composite Document;
- (f) the letter from the Independent Board Committee as set out on pages 22 to 23 of this Composite Document;
- (g) the letter from the Independent Financial Adviser as set out on pages 24 to 43 of this Composite Document;
- (h) the written consents referred to in the paragraph headed "Consents and qualifications" in this appendix;
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (j) the fund proof documents including the letter from The Hong Kong and Shanghai Banking Corporation Limited and the undertaking given by rg digital in favour of Optima Capital confirming that a time deposit was maintained by rg digital for the sole purpose of enabling the Offeror to satisfy the consideration payable for the acceptances of the Offer;
- (k) the undertaking given by Mr. Pong that he will not accept the general offer in respect of (i) 618,000,000 Shares which remain beneficially owned by him after Completion; and (ii) the Convertible Bonds with principal value of HK\$500,000 which is convertible into new shares at HK\$0.0005 each (subject to adjustment) and remain beneficially owned by him after Completion;
- (l) the Agreements; and
- (m) the service contract and the letter of appointment referred to in the paragraph headed "Service Contracts" in this appendix.