THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in TSC Offshore Group Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

TSC Offshore Group Limited

TSC海洋集團有限公司*

(Formerly known as EMER International Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

MAJOR TRANSACTION – VOLUNTARY CONDITIONAL CASH OFFER TO ACQUIRE ALL THE ISSUED SHARES OF GLOBAL MARINE ENERGY PLC (OTHER THAN THOSE ALREADY OWNED BY TSC OFFSHORE GROUP LIMITED)

Financial Adviser to TSC Offshore Group Limited

Quam Financial Services Group

Quam Capital Limited

The notice convening the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Monday, 17 March 2008 at 10:00 a.m. or any adjournment thereof is set out on pages 150 to 151 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days and on the website of the Company at www.tscoffshore.com on a continuous basis for at least 5 years from the date of its posting.

* *For identification purposes only*

29 February 2008

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONTENTS

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

"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules for companies whose securities are traded on AIM published by the London Stock Exchange and amended from time to time
"associates"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Code"	the City Code on Takeovers and Mergers
"Company"	TSC Offshore Group Limited (formerly known as EMER International Group Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
"connected person"	has the meaning ascribed thereto in the GEM Listing Rules and the word "connected" shall be construed accordingly
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the making of the Offer, the acquisition of GME Shares under the Offer and the transactions contemplated thereunder
"Enlarged Group"	the Group and the GME Group
"Gartmore"	Gartmore Investment Management Limited, a company registered in England & Wales with limited liability
"GBP"	Pound Sterling, the lawful currency of the UK and the exchange rate for GBP into HK$ for the purpose of this circular is GBP1.00 = HK$15.30
"GEM"	Growth Enterprises Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GME"	Global Marine Energy Plc, a company incorporated in England & Wales with limited liability, the shares of which are listed on AIM
"GME EGM"	an extraordinary general meeting of GME originally proposed to be convened for the GME Shareholders to consider and, if thought fit, pass the resolutions necessary to give effect to the LR Loan Facility
"GME Group"	GME and its subsidiaries
"GME Optionholders"	holders of the GME Share Options
"GME Share(s)"	ordinary share(s) of 2.5 pence (equivalent to approximately HK$0.38) each in the issued share capital of GME
"GME Shareholders"	holders of the GME Shares
"GME Share Options"	share options granted pursuant to the GME Share Option Scheme
"GME Share Option Scheme"	the share option scheme adopted by GME
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"IDM"	IDM Group Limited
"Last Trading Day"	5 November 2007, the last trading day immediately prior to the posting of the announcement on the London Stock Exchange website in respect of the Company revising the Offer Price
"Latest Practicable Date"	27 February 2008, being the latest practicable date for the purpose of ascertaining certain information contained in this circular

"London Stock Exchange"	London Stock Exchange Plc
"LR Loan Facility"	the conditional loan facility proposed to be granted by Lime Rock Partners III, L.P. to GME which has not become effective
"Offer"	the voluntary conditional cash offer by the Company to acquire the entire issued and to be issued share capital of GME (other than those already owned by the Company) in accordance with the Code
"Offer Document"	the document jointly issued by the Company and GME, which sets out, among other things, details of the Offer
"Offer Price"	the cash amount payable by the Company for each GME Share under the Offer
"Panel"	The Panel on Takeovers and Mergers
"Patriot"	Patriot Mechanical Handling Inc., a company incorporated in Texas, the US and which is a subsidiary of GME
"PRC"	The People's Republic of China
"Reverse Takeover Proposal"	a conditional reverse takeover proposal put forward by IDM which has lapsed
"RMB"	Renminbi, the lawful currency of the PRC, and the exchange rate for GBP into RMB for the purpose of this circular is GBP1.00 = RMB14.08
"Sale Shares"	20,992,498 GME Shares acquired by the Company from Gartmore
"SC Loan"	loan(s) drawn down by GME under the SC Loan Facility
"SC Loan Facility"	the loan facility granted by Spring Capital to GME pursuant to a facility agreement dated 19 October 2007
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Shares

"Shares"	ordinary shares of HK$0.1 each in the issued share capital of the Company
"Share Acquisition"	the acquisition of the Sale Shares on 18 December 2007 and the settlement date was on 21 December 2007
"Special Conditions"	conditions precedent to the Offer and the SC Loan Facility, details of which are set out in the section headed "Conditions to the Offer – The Special Conditions" in the "Letter from the Board" in this circular
"Spring Capital"	Spring Capital Resources, Inc., a company registered in the British Virgin Islands and which is wholly-owned by Mr. Brian Chang, a Shareholder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UK"	the United Kingdom
"US"	the United States of America
"US$"	US dollar(s), the lawful currency of US and the exchange rate for US$ into HK$ for the purpose of this circular is US$1.00 = HK$7.80
"YRS"	Yantai Raffles Shipyard Limited, a company incorporated under the laws of Singapore with limited liability and the shares of which are traded on the Oslo Over-the-Counter Market
"%"	per cent

TSC Offshore Group Limited
TSC海洋集團有限公司*

(Formerly known as EMER International Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

Executive Directors:
Mr. Jiang Bing Hua
Mr. Zhang Menggui
Mr. Chen Yunqiang
Mr. Zhang Hongru

Non-executive Director:
Mr. Jiang Longsheng

Independent non-executive Directors:
Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
Unit 1612, 16th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

29 February 2008

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION –
VOLUNTARY CONDITIONAL CASH OFFER TO ACQUIRE
ALL THE ISSUED SHARES OF
GLOBAL MARINE ENERGY PLC
(OTHER THAN THOSE ALREADY OWNED
BY TSC OFFSHORE GROUP LIMITED)**

INTRODUCTION

A voluntary conditional cash offer for the issued and to be issued share capital of GME other than those already owned by the Company was announced in the Company's announcements dated 24 October 2007 and 8 November 2007. As at the Latest Practicable Date, the Company owned 20,992,498 GME Shares, representing approximately 28.7% of the issued share capital of GME. The Offer is subject to a number of conditions.

The Offer Price is 16 pence (equivalent to approximately HK$2.45) in cash per GME Share.

* *For identification purposes only*

All the outstanding GME Share Options have exercise prices higher than the Offer Price. Therefore, the Company will not make any proposals to the GME Optionholders.

On the basis of the Offer Price of 16 pence (equivalent to approximately HK$2.45) in cash per GME Share under the Offer, the total consideration payable by the Company in cash under the Offer amounts to approximately GBP8.3 million (equivalent to approximately HK$127.0 million). The consideration will be satisfied by the Group's internal resources.

The aggregation of the Offer and the Share Acquisition constitutes a "major transaction" of the Company under Chapter 19 of the GEM Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the making of the Offer, the acquisition of GME Shares under the Offer and the transactions contemplated thereunder by poll.

The purpose of this circular is to provide you with, among other things, details of the Offer, the accountants' report of the GME Group and notice of the EGM.

VOLUNTARY CONDITIONAL CASH OFFER

It was announced in its announcement dated 24 October 2007 that the Company proposed to make a voluntary conditional cash offer for the entire issued and to be issued share capital of GME for 13 pence (equivalent to approximately HK$1.99) in cash per GME Share.

On 6 November 2007 (UK time), the Company announced that it had revised the Offer Price to the following:

For each GME Share . . . 16 pence (equivalent to approximately HK$2.45) in cash

It was announced in the Company's announcement dated 19 December 2007 that on 18 December 2007, the Company purchased 20,992,498 GME Shares at 15.5 pence (equivalent to approximately HK$2.37) each from Gartmore on AIM. Immediately after the Share Acquisition and as at the Latest Practicable Date, the Company owned approximately 28.7% of the issued share capital of GME.

The Offer is only made for the GME Shares other than those already owned by the Company. According to GME's annual report for the year ended 31 March 2007, the exercise prices of the outstanding GME Share Options range between 17.7 pence (equivalent to approximately HK$2.71) and 400.0 pence (equivalent to approximately HK$61.20), which are higher than the Offer Price. Therefore, the Company will not make any proposals to the GME Optionholders.

Comparisons of value

The Offer Price was determined with reference to (i) the continual increase in turnover of the GME Group for the three years ended 31 March 2007; (ii) the average closing price of GME Shares for the 90 trading days immediately prior to and including the Last Trading Day; (iii) the value per GME Share under the Reverse Takeover Proposal; and (iv) the synergy and strategic value of the GME Group to the future development of the Group, in particular, the opportunity for the Group to capture GME's order book of US$150 million (equivalent to approximately HK$1.2 billion), details of which are set out in the section headed "Reasons for and benefits of the Offer" below.

The Offer Price per GME Share under the Offer represents:

(a) a premium of approximately 16.36% over the closing price of 13.75 pence (equivalent to approximately HK$2.10) per GME Share on the Last Trading Day;

(b) a premium of approximately 74.86% over the average closing price of 9.15 pence (equivalent to approximately HK$1.40) per GME Share for the 30 trading days immediately prior to and including the Last Trading Day;

(c) a premium of approximately 27.29% over the average closing price of 12.57 pence (equivalent to approximately HK$1.92) per GME Share for the 90 trading days immediately prior to and including the Last Trading Day; and

(d) a premium of approximately 24.32 pence (equivalent to approximately HK$3.72) over the GME Group's audited consolidated net liabilities value of approximately 8.32 pence (equivalent to approximately HK$1.27) per GME Share calculated based on the GME Group's audited consolidated net liabilities value of approximately GBP6.1 million (equivalent to approximately HK$93.3 million) as at 30 September 2007 and 73,074,952 GME Shares in issue as at the Latest Practicable Date.

Consideration for the Offer

Other than the Sale Shares, there were 52,082,454 GME Shares in issue as at the Latest Practicable Date. On the basis of the Offer Price of 16 pence (equivalent to approximately HK$2.45) in cash per GME Share under the Offer, the total consideration payable by the Company in cash under the Offer amounts to approximately GBP8.3 million (equivalent to approximately HK$127.0 million). The consideration will be satisfied by the Group's internal resources.

CONDITIONS TO THE OFFER

The Offer is conditional upon, among other things:

The Special Conditions

(a) the resolutions to be proposed at the GME EGM not being passed by 2 November 2007; and

(b) the GME Shareholders at a subsequent general meeting passing the resolutions required to enable the SC Loan Facility to become available subject to GME delivering to Spring Capital certain documents and evidence as set out in the SC Loan Facility or waiver of such requirements by Spring Capital.

Other conditions

(a) the lapsing or failure to become effective of the LR Loan Facility; the lapsing of all of GME's obligations under the LR Loan Facility (save in relation to GME's obligation to pay certain fees and expenses to Lime Rock Partners III, L.P. of up to US$140,000 (equivalent to approximately HK$1.1 million) plus value-added tax); and GME not entering into any agreements or arrangements similar to the LR Loan Facility with Lime Rock Partners III, L.P. or any other party;

(b) valid acceptances being received (and not, where permitted, withdrawn) by not later than 1:00 p.m. (London, UK time) on the first closing date of the Offer (or such later time(s) and/or date(s) as the Company may, subject to the rules of the Code or with the consent of the Panel, decide) in respect of not less than 50% of the GME Shares to which the Offer relates, provided that this condition will not be satisfied unless the Group shall have acquired, or agreed to acquire, whether pursuant to the Offer or otherwise, directly or indirectly, GME Shares carrying in aggregate more than 50% of the voting rights normally exercisable at general meetings of GME, including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to any GME Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise; and

(c) the Shareholders passing at the EGM (or any adjournment thereof) the resolutions necessary to approve and implement the Offer and the acquisition of any GME Shares.

The GME EGM was originally proposed to be held for the GME Shareholders to consider, if thought fit, among other things, (i) to grant the borrowing powers to GME to permit GME to draw down the full amount of the LR Loan Facility; and (ii) to approve the terms of the LR Loan Facility. On 31 October 2007, GME announced that it was no longer pursuing the Reverse Takeover Proposal, and as a result the GME EGM would not be convened. As such, the Special Condition (a) and other condition (a) set out above are deemed to be fulfilled.

At the general meeting held on 9 November 2007, the GME Shareholders passed the requisite resolutions to enable the SC Loan Facility to become available. Therefore, the Special Condition (b) as set out above was fulfilled.

As at the Latest Practicable Date, the outstanding conditions precedent to the Offer are, among other things, other conditions (b) and (c) set out above.

COMPULSORY ACQUISITION, CANCELLATION OF TRADING AND RE-REGISTRATION

If the Company receives acceptances under the Offer in respect of, and/or otherwise acquires, 90% or more in nominal value and of the voting rights of the GME Shares to which the Offer relates, and if all other conditions of the Offer have been satisfied or waived (to the extent that they are capable of being waived), the Company intends to exercise its rights pursuant to chapter 3 of part 28 of the Companies Act 2006 to acquire compulsorily any remaining GME Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

As stated in the Company's announcement dated 24 October 2007, it was the Company's then intention to maintain the listing status of GME on AIM. However, given various changes in the circumstances subsequent to the announcement, including the termination of the Reverse Takeover Proposal and the LR Loan Facility (as a result of which GME will not issue a substantial number of new GME Shares to IDM) and also the Company's acquisition of approximately 28.7% interest in GME, it is the Company's current intention to procure otherwise.

If the Company receives acceptances under the Offer in respect of, and/or otherwise acquires, 75% or more of the voting rights of the GME Shares, and if all other conditions of the Offer have been satisfied or waived (to the extent that they are capable of being waived), the Company intends to procure that GME applies for the cancellation of admission to trading of GME Shares on AIM. It is anticipated that such cancellation will, subject to the requirements of the London Stock Exchange (including but not limited to the Rules of the London Stock Exchange) and the AIM Rules, take effect no earlier than 20 business days after the Company has acquired or agreed to acquire 75% or more of the voting rights attached to GME Shares. The AIM Rules state that, unless the London Stock Exchange agrees otherwise, the cancellation is conditional upon the consent of not less than 75% of votes cast by GME Shareholders in general meeting. The Company intends to procure that GME requests that the London Stock Exchange waives this requirement.

FURTHER TERMS OF THE OFFER

The Offer extends to all GME Shares unconditionally allotted or issued and fully paid (other than those already owned by the Company) as at the date of despatch of the Offer Document and any GME Shares which are unconditionally allotted or issued and fully paid whilst the Offer remains open for acceptance (or such earlier date as the Company may, subject to the Code, and with the consent of the Panel, decide).

The GME Shares will be acquired by the Company fully paid, with full title guarantee and free from all liens, charges, equities, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto, including without limitation, voting rights and the right to receive and retain all dividends and other distributions (if any) declared, made or payable on or after 19 October 2007.

RECOMMENDATION AND INTENTIONS OF THE DIRECTORS OF GME

The directors of GME have unanimously recommended that the GME Shareholders, following satisfaction or waiver by the Company of the conditions of the Offer, accept the Offer.

In making the above recommendation, the directors of GME considered, among other things, that the Offer provides GME Shareholders with an opportunity to realise their investment for cash at a very significant premium to the closing price of GME Shares on 27 September 2007, being the last trading day immediately prior to the suspension of trading in the GME Shares due to GME being under a bid situation.

Each of the directors of GME who holds GME Shares intends to accept the Offer in respect of GME Shares in which he holds the legal interest or procure the acceptance by his nominee where he holds a beneficial interests in GME Shares. As at the Latest Practicable Date, the directors of GME held 985,050 GME Shares in aggregate, representing approximately 1.35% of GME's issued share capital.

INFORMATION ON THE GME GROUP

Overview

GME is a company incorporated in England & Wales with limited liability. The GME Group is principally engaged in the design and production of specialist mechanical handling equipment for the offshore oil industry, such as drill pipe handling system, casing handling, bop handling, iron roughneck, subsea tree handling, derrick, kingpost crane and knuckle boom crane. GME is one of the manufacturers of such products in the world.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the Sale Shares held by the Company, GME, its shareholders and optionholders and their ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons and none of them hold any Shares.

Financial information

For the two years ended 31 March 2006 and 2007, the GME Group recorded audited consolidated loss before taxation from continuing operations of approximately GBP2.9 million (equivalent to approximately HK$44.4 million) and approximately GBP8.3 million (equivalent to approximately HK$127.0 million) respectively based on Hong Kong accounting standards. Loss after taxation from continuing operations for each of the two years ended 31 March 2006 and 2007 were approximately GBP2.9 million (equivalent to approximately HK$44.4 million) and approximately GBP8.3 million (equivalent to approximately HK$127.0 million) respectively. As at 30 September 2007, the audited consolidated net liabilities value of the GME Group was approximately GBP6.1 million (equivalent to approximately HK$93.3 million).

The audited consolidated financial statements of the GME Group for the three years ended 31 March 2007 and the six months ended 30 September 2007 are set out in Appendix II to this circular.

Shareholding structure

The following is a list of the substantial GME Shareholders (as defined in the GEM Listing Rules) and their respective shareholding interests in GME as at 25 February 2008, being the latest practicable date for the purpose of this section, as registered with GME's share registrar:

Name	Number of GME Shares	Approximate % of GME's issued share capital
Pershing Keen Nominees Limited *(Note)*	29,429,498	40.3%
Citygate Nominees Limited	7,382,750	10.1%

Note: These include 20,992,498 GME Shares beneficially-owned by the Company.

Other information

(a) Termination of a competing proposal

In its announcement dated 28 September 2007 and circular dated 5 October 2007, GME disclosed that it was conducting a strategic review and had been in discussions with various parties concerning possible restructuring transactions relating to GME. In the aforesaid announcement and circular, GME announced that a conditional reverse takeover proposal had been put forward by IDM which valued GME at 10 pence (equivalent to approximately HK$15.3) per GME Share.

In addition, as disclosed in its circular dated 5 October 2007, GME had entered into a secured bridge loan facility with Lime Rock Partners III, L.P., the major shareholder of IDM, for a total principal amount not exceeding US$14 million (equivalent to approximately HK$109.2 million). The LR Loan Facility would only become effective upon the GME Shareholders at the GME EGM (i) granting borrowing powers to GME to permit GME to draw down the full amount of the LR Loan Facility; and (ii) approving the terms of the LR Loan Facility.

On 31 October 2007, GME announced that it was no longer pursuing the Reverse Takeover Proposal. In view of the aforesaid decision not to pursue the Reverse Takeover Proposal, GME did not convene the GME EGM and as a consequence the LR Loan Facility did not complete. Under the LR Loan Facility, GME is liable to pay certain fees and expenses of Lime Rock Partner III, L.P. of up to US$140,000 (equivalent to approximately HK$1.1 million) plus value-added tax.

(b) The SC Loan Facility

On 19 October 2007, Spring Capital had conditionally agreed to grant a secured loan facility of a total principal amount not exceeding US$14 million (equivalent to approximately HK$109.2 million) to GME for a term of 12 months from the date on which the facility becomes effective pursuant to the SC Loan Facility or 13 months from 19 October 2007, whichever is earlier. Under the SC Loan Facility, Spring Capital has the option to require GME to convert all or part only of the outstanding SC Loan including interest and fees into GME Shares at a conversion price of 13 pence (equivalent to approximately HK$2.05) per GME Share. The availability of the SC Loan Facility was conditional upon, among other things, satisfaction or waiver of the Special Conditions which were satisfied as disclosed in the section headed "Conditions to the Offer" above.

Whilst the Offer is capable of acceptance, the outstanding SC Loan can only be converted in order to accept an alternative offer for GME Shares which has been declared or become wholly unconditional. If the Offer lapses, is withdrawn or otherwise becomes incapable of acceptance, then conversion will be limited so as not to result in Spring Capital holding more than 29.9% of the then issued share capital of GME unless further conversion has been approved by the GME Shareholders at a general meeting pursuant to the provisions of the Code. Subject to the aforesaid limitations, the outstanding SC Loan may be convertible into GME Shares at any time until the SC Loan has been repaid by GME.

Assuming that (i) the SC Loan Facility is fully drawn down as to US$14 million (equivalent to approximately HK$109.2 million); (ii) no event of default has occurred; (iii) Spring Capital converts the entire outstanding SC Loan; and (iv) the then exchange rate of US$2.00 = GBP1.00, then the conversion would result in the issue of 53,846,153 new GME Shares, representing approximately 73.7% of the existing issued share capital of GME and approximately 42.4% of the issued share capital of GME as enlarged by the conversion.

The beneficial owner of Spring Capital is Mr. Brian Chang. As at the Latest Practicable Date, Mr. Brian Chang did not have any equity interest in GME. Mr. Brian Chang owned approximately 4.1% of the issued share capital of the Company through his wholly-owned company, Asian Infrastructure Limited. Mr. Brian Chang did not hold any position in the Company.

As at the Latest Practicable Date, YRS Investments Limited was interested in approximately 10.9% of the issued share capital of the Company. YRS Investments Limited is wholly-owned by YRS, the shares of which are traded on the Oslo Over-the-Counter Market. YRS was owned as to approximately 45% by Mr. Brian Chang and his associates and as to approximately 55% by independent third parties not connected with the Company or its connected persons.

REASONS FOR AND BENEFITS OF THE OFFER

The Group is a product and service provider of onshore and offshore drilling rigs in oil and gas industries. It is principally engaged in the manufacture and sale of onshore and offshore drilling and handling equipment (such as drilling rig control systems, mud pumps and jacking control systems), oilfield supplies (such as expendables and accessories for drilling rigs) and also the provision of turnkey solutions for offshore rigs.

GME's major product line is mechanical handling equipment for offshore rigs, which complements the Group's existing products. The equipment forms the automation or mechanisation part of an offshore rig and is an essential system for an offshore rig package. GME is one of the manufacturers of such products in the world.

As at the Latest Practicable Date, the Company had approximately 28.7% equity interest in GME. Leveraging on its equity interest in GME and its alliance with YRS, the Group is able to offer complete turnkey packages, including jack-ups, semi-submersibles and platform modular rigs; and to offer significant operational benefits to customers which will help facilitate business growth. The Offer provides an opportunity for the Group to consolidate its control over GME in order to realise the synergy and strategic value of the GME Group to the further development of the Group more effectively.

The Offer will also allow the Group to capture GME's large order book, which stood at approximately US$150 million (equivalent to approximately HK$1.2 billion) in September 2007 as reported in GME's annual report for the year ended 31 March 2007.

It was stated in the Company's interim report for the six months ended 30 June 2007 that the Group will seek potential investment opportunities that provide synergies in terms of expansion of its product lines and penetration into the booming offshore drilling equipment sector. The Directors consider that the Offer is in line with the Group's business strategy.

EFFECT OF THE OFFER ON THE GROUP

GME is an associate (as defined under Hong Kong accounting standards) of the Company. If the Offer becomes unconditional in all aspects, GME will become a subsidiary of the Company. The Company's shareholding interest in GME upon completion of the Offer will depend on, among other things, the acceptance level of the Offer.

The Group had an unaudited net assets value of approximately RMB195.9 million as at 30 June 2007. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, as a result of the acquisition of all GME Shares, the consolidated net assets value of the Enlarged Group as at 30 June 2007 would remain unchanged at approximately RMB195.9 million.

As set out in the audited consolidated financial statements of the GME Group in Appendix II to this circular, the GME Group had turnovers from continuing operations of approximately GBP10.5 million (equivalent to approximately RMB147.8 million) and approximately GBP14.5 million (equivalent to approximately RMB204.2 million) for the year ended 31 March 2007 and the six months ended 30 September 2007 respectively. If the Offer becomes unconditional in all aspects, the results of GME will be consolidated into the Group. As a result, turnover of the Group will increase.

Please refer to Appendix III to this circular for further details of the financial information of the Enlarged Group.

EGM

With the exception of the Share Acquisition, there were no other prior transactions in relation to the GME Shares which may require aggregation under Rule 19.22 of the GEM Listing Rules.

The aggregation of the Offer and the Share Acquisition constitutes a "major transaction" of the Company under Chapter 19 of the GEM Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the making of the Offer, the acquisition of GME Shares under the Offer and the transactions contemplated thereunder by poll.

Mr. Brian Chang is considered to have a material interest in the Offer. Accordingly, Mr. Brian Chang and his associates, including Asian Infrastructure Limited and YRS Investments Limited are required to abstain from voting at the EGM pursuant to the GEM Listing Rules. Save as disclosed above, to the best knowledge of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Offer, and accordingly no other Shareholder is required to abstain from voting at the EGM.

On 17 October 2007, certain Shareholders irrevocably undertook to the Company to vote in favour of all resolutions to be proposed at the EGM, details of which are set out in the following table:

Name	Nature of interest	Number of Shares held as at 17 October 2007 subject to the undertaking	Approximate % of the Company's issued share capital as at the Latest Practicable Date	Number of Shares acquired between 18 October 2007 and the Latest Practicable Date *(Note d)*	Approximate % of the Company's issued share capital as at the Latest Practicable Date	Total number of Shares held as at the Latest Practicable Date	Approximate % of the Company's issued share capital as at the Latest Practicable Date
Global Energy Investors, LLC *(Note a)*	Corporate	136,871,200	34.75%	–	–	136,871,200	34.75%
Mr. Zhang Menggui, an executive Director *(Note a)*	Beneficial owner	432,000	0.11%	432,000	0.11%	864,000	0.22%
Mr. Jiang Bing Hua, an executive Director *(Note a)*	Beneficial owner	432,000	0.11%	432,000	0.11%	864,000	0.22%
Keywise Greater China Opportunities Master Fund *(Note b)*	Corporate	38,164,000	9.69%	3,324,000	0.84%	41,488,000	10.53%
Osbeck Investments Limited *(Note c)*	Corporate	16,228,800	4.12%	–	–	16,228,800	4.12%
Mr. Zhang Hongru, an executive Director *(Note c)*	Beneficial owner	4,431,600	1.12%	259,200	0.07%	4,690,800	1.19%
Mr. Chen Yunqiang, an executive Director	Beneficial owner	842,400	0.21%	280,800	0.07%	1,123,200	0.28%
Total		197,402,000	50.11%	4,728,000	1.20%	202,130,000	51.31%

Notes:

(a) Global Energy Investors, LLC is ultimately owned as to 50% by each of Mr. Zhang Menggui and Mr. Jiang Bing Hua.

(b) Keywise Greater China Opportunities Master Fund is an investment fund registered in the Cayman Islands and is managed by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong.

(c) Osbeck Investments Limited is a company wholly-owned by Mr. Zhang Hongru.

(d) The respective Shareholders had expressed their intention to vote in favour of all resolutions to be proposed at the EGM in respect of the additional Shares acquired.

Set out on pages 150 to 151 of this circular is a notice of the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Monday, 17 March 2008 at 10:00 a.m.. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded: (a) by the chairman of such meeting; or (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or (e) by any Director or Directors who, individually or collectively, hold proxies in respect of the Shares representing 5% or more of the total voting rights at such meeting.

RECOMMENDATION

Having considered the factors and reasons set out herein, the Directors (including the independent non-executive Directors) are of the opinion that the Offer is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions in respect of the Offer to be put forward at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Jiang Bing Hua
Executive Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three years ended 31 December 2006 extracted from the relevant annual reports of the Company.

CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December		
	2006	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	216,449	110,916	105,782
Cost of sales	(119,394)	(63,995)	(66,437)
Gross profit	97,055	46,921	39,345
Other revenue	4,852	3,405	2,085
Selling and distribution expenses	(9,253)	(4,434)	(1,416)
General and administrative expenses	(51,254)	(22,196)	(8,988)
Other operating expenses	(2,654)	(2,449)	(2,492)
Profit from operations	38,746	21,247	28,534
Finance costs	(1,224)	(877)	(126)
Share of loss of an associate	(8)	–	–
Profit before taxation	37,514	20,370	28,408
Income tax	(3,376)	(1,013)	657
Profit for the year	34,138	19,357	29,065
Profit attributable to equity shareholders of the Company	34,138	19,357	29,065

CONSOLIDATED BALANCE SHEETS

	At 31 December		
	2006	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	24,193	13,367	6,392
Property under development	2,294	–	–
Intangible assets	458	558	658
Interest in leasehold land held for own use under operating leases	8,886	9,080	3,461
Investment in an associate	2,492	–	–
Deferred tax assets	2,328	2,789	1,653
	40,651	25,794	12,164
Current assets			
Interest in leasehold land held for own use under operating leases	201	198	81
Inventories	57,752	23,760	11,545
Due from a director	100	102	–
Due from an officer	92	1,333	132
Due from related companies	631	514	686
Due from an associate	1,000	–	–
Prepayments, deposits and other receivables	3,089	4,463	2,910
Trade receivables	63,304	45,477	38,327
Advance to suppliers	16	3,495	1,828
Bills receivable	22,150	2,300	2,000
Value added tax recoverable	1,346	1,564	114
Cash and bank balances	23,366	31,254	5,486
	173,047	114,460	63,109

	At 31 December		
	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Bank overdrafts	–	60	–
Trade payables	23,738	14,627	9,758
Other payables and accruals	7,547	6,595	1,170
Deposits received	6,272	1,536	–
Due to directors	–	538	4,473
Due to a related company	11	–	4,170
Bills payable, secured	16,190	2,300	1,000
Tax payables	4,151	4,354	1,636
Bank loans, secured	18,849	7,779	4,552
Obligations under finance leases	–	42	50
	76,758	37,831	26,809
Net current assets	96,289	76,629	36,300
Total assets less current liabilities	136,940	102,423	48,464
Non-current liabilities			
Obligations under finance leases	–	113	12
Deferred tax liabilities	269	25	10
	269	138	22
Net assets	136,671	102,285	48,442
Capital and reserves			
Share capital	25,066	24,960	166
Reserves	111,605	77,325	48,276
Total equity attributable to equity shareholders of the Company	136,671	102,285	48,442

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

The following are the audited consolidated financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
TURNOVER	6	216,449	110,916
COST OF SALES		(119,394)	(63,995)
GROSS PROFIT		97,055	46,921
OTHER REVENUE	6	4,852	3,405
SELLING AND DISTRIBUTION EXPENSES		(9,253)	(4,434)
GENERAL AND ADMINISTRATIVE EXPENSES		(51,254)	(22,196)
OTHER OPERATING EXPENSES	7	(2,654)	(2,449)
PROFIT FROM OPERATIONS		38,746	21,247
FINANCE COSTS	8	(1,224)	(877)
SHARE OF LOSS OF AN ASSOCIATE		(8)	–
PROFIT BEFORE TAXATION	9	37,514	20,370
INCOME TAX	12	(3,376)	(1,013)
PROFIT FOR THE YEAR		34,138	19,357
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	13	34,138	19,357
DIVIDEND	14	–	–
EARNINGS PER SHARE			
– basic	15(a)	RMB0.142	RMB0.105
– diluted	15(b)	RMB0.137	RMB0.100

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	24,193	13,367
Property under development	17	2,294	–
Intangible assets	18	458	558
Interest in leasehold land held for own use under operating leases	19	8,886	9,080
Investment in an associate	21	2,492	–
Deferred tax assets	33	2,328	2,789
		40,651	25,794
CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases	19	201	198
Inventories	22	57,752	23,760
Due from a director	23	100	102
Due from an officer	24	92	1,333
Due from related companies	25	631	514
Due from an associate		1,000	–
Prepayments, deposits and other receivables		3,089	4,463
Trade receivables	26	63,304	45,477
Advance to suppliers		16	3,495
Bills receivable		22,150	2,300
Value added tax recoverable		1,346	1,564
Cash and bank balances	34	23,366	31,254
		173,047	114,460
CURRENT LIABILITIES			
Bank overdrafts		–	60
Trade payables	27	23,738	14,627
Other payables and accruals		7,547	6,595
Deposits received		6,272	1,536
Due to directors	28	–	538
Due to a related company	29	11	–
Bills payable, secured		16,190	2,300
Tax payables	30	4,151	4,354
Bank loans, secured	31	18,849	7,779
Obligations under finance leases	32	–	42
		76,758	37,831
NET CURRENT ASSETS		96,289	76,629

	Notes	2006 RMB'000	2005 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		136,940	102,423
NON-CURRENT LIABILITIES			
Obligations under finance leases	32	–	113
Deferred tax liabilities	33	269	25
		269	138
NET ASSETS		136,671	102,285
CAPITAL AND RESERVES			
Share capital	35	25,066	24,960
Reserves	36	111,605	77,325
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		136,671	102,285

BALANCE SHEET
31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	20	166	166
Deferred tax assets	33	–	79
		166	245
CURRENT ASSETS			
Prepayment, deposits and other receivables		107	104
Due from subsidiaries		26,915	16,744
Dividend receivable		22,871	–
Cash and bank balances – unrestricted		5,554	20,758
		55,447	37,606
CURRENT LIABILITIES			
Other payables and accruals		900	2,461
Due to directors	28	–	399
Due to subsidiaries		11	224
		911	3,084
NET CURRENT ASSETS		54,536	34,522
TOTAL ASSETS LESS CURRENT LIABILITIES		54,702	34,767
CAPITAL AND RESERVES			
Share capital	35	25,066	24,960
Reserves	36	29,636	9,807
		54,702	34,767

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

		Reserves									
	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000* *(Note 36(a))*	Exchange fluctuation reserve *RMB'000* *(Note 36(b))*	Employee share-based compensation reserve *RMB'000*	Capital reserve *RMB'000* *(Note 36(c))*	Statutory surplus reserve *RMB'000* *(Note 36(d))*	Statutory public welfare fund *RMB'000* *(Note 36(e))*	Retained profits *RMB'000*	Subtotal *RMB'000*	Total *RMB'000*
At 1 January 2005	166	–	17,724	–	–	–	1,953	976	27,623	48,276	48,442
Issue of share capital	2	(2)	–	–	–	–	–	–	–	(2)	–
Employee share-based payment expenses	–	–	–	–	1,502	–	–	–	–	1,502	1,502
Share exchange	(166)	166	–	–	–	–	–	–	–	166	–
Issue of shares on listing	6,240	39,312	–	–	–	–	–	–	–	39,312	45,552
Capitalisation of share premium	18,718	(18,718)	–	–	–	–	–	–	–	(18,718)	–
Share issue expenses	–	(12,080)	–	–	–	–	–	–	–	(12,080)	(12,080)
Movement in exchange fluctuation reserve	–	–	–	(158)	–	–	–	–	–	(158)	(158)
Staff welfare expenses	–	–	–	–	–	–	–	(330)	–	(330)	(330)
Profit for the year	–	–	–	–	–	–	–	–	19,357	19,357	19,357
Transferred from retained profits	–	–	–	–	–	4,138	2,065	1,032	(7,235)	–	–
At 31 December 2005	24,960	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325	102,285
At 1 January 2006	24,960	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325	102,285
Shares issued under share option scheme	106	198	–	–	–	–	–	–	–	198	304
Transferred to share premium upon exercise of employee share options	–	192	–	–	(192)	–	–	–	–	–	–
Employee share-based payment expenses	–	–	–	–	1,294	–	–	–	–	1,294	1,294
Movement in exchange fluctuation reserve	–	–	–	(197)	–	–	–	–	–	(197)	(197)
Staff welfare expenses	–	–	–	–	–	–	–	(1,153)	–	(1,153)	(1,153)
Profit for the year	–	–	–	–	–	–	–	–	34,138	34,138	34,138
Transferred from retained profits	–	–	–	–	–	–	3,064	1,314	(4,378)	–	–
At 31 December 2006	25,066	9,068	17,724	(355)	2,604	4,138	7,082	1,839	69,505	111,605	136,671

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	2006	**2005**
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before taxation	37,514	20,370
Adjustments for:		
Loss on disposals of property, plant and equipment	165	–
Impairment losses on bad and doubtful debts	964	1,699
Reversal of impairment losses on bad and doubtful debts	(1,042)	(1,143)
Interest income	(464)	(107)
Finance costs	1,224	877
Depreciation	2,517	1,086
Amortisation of intangible assets	100	100
Amortisation of leasehold land held for own use	81	37
Employee share-based payment expenses	1,294	1,502
Share of loss of an associate	8	–
Operating profit before working capital changes	42,361	24,421
Increase in inventories	(33,992)	(12,215)
Decrease/(increase) in amount due from a director	2	(102)
Decrease/(increase) in amount due from an officer	1,241	(1,201)
(Increase)/decrease in amount due from related companies	(117)	172
Increase in amount due from an associate	(1,000)	–
Decrease/(increase) in prepayments, deposits and other receivables	1,374	(1,553)
Increase in trade receivables	(17,749)	(7,706)
Decrease/(increase) in advance to suppliers	3,479	(1,667)
Increase in bills receivable	(19,850)	(300)
Decrease/(increase) in value added tax recoverable	218	(1,450)
Increase in trade payables	9,111	4,869
Increase in other payables and accruals	952	5,425
Increase in deposits received	4,736	1,536
Decrease in amount due to directors	(538)	(3,935)
Increase/(decrease) in amount due to a related company	11	(4,170)
Increase in bills payable, secured	13,890	1,300
(Decrease)/increase in value added tax payables	(1,395)	1,329
CASH GENERATED FROM OPERATIONS	2,734	4,753
Mainland China enterprise income tax paid	(1,481)	(745)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,253	4,008

	Notes	2006 RMB'000	2005 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,506)	(8,061)
Construction expenditure of property under development		(2,184)	–
Purchase of leasehold land held for own use		–	(5,773)
Interest income		464	107
(Increase)/decrease in restricted bank balances		(1,530)	550
NET CASH USED IN INVESTING ACTIVITIES		(16,756)	(13,177)
FINANCING ACTIVITIES			
Proceeds from issue of share capital		304	45,552
Share issue expenses		–	(12,080)
Investment in an associate		(2,500)	–
Utilization of public welfare fund		(1,153)	(330)
Interest paid		(831)	(866)
Proceeds from new bank loans		14,070	4,553
Repayment of bank loans		(3,000)	–
Repayment of loan from a related party		–	(1,326)
Inception of finance leases		–	165
Capital elements of finance lease rentals paid		(155)	(72)
Interest elements of finance lease rentals paid		(393)	(11)
NET CASH GENERATED FROM FINANCING ACTIVITIES		6,342	35,585
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,161)	26,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		31,194	4,936
Change in foreign exchange fluctuation reserve		(197)	(158)
CASH AND CASH EQUIVALENTS AT END OF YEAR		21,836	31,194
ANALYSIS OF THE BALANCES CASH AND CASH EQUIVALENTS			
Unrestricted cash and bank balances	34	21,836	31,254
Bank overdrafts		–	(60)
		21,836	31,194

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1. CORPORATE INFORMATION

EMER International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and was listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2005.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. The accounting policies of the Group and the Company after the adoption of these new and revised HKFRSs have been summarised below.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 43). The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 Amendment – Net Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKAS 39 and HKFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 and 6 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4 – Determining whether an Arrangement contains a Lease; and
- HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(j)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss relating to the investment in associates recognized for the year (see note 2(j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

(e) Intangible assets

Intangible assets that are acquired by the Group represent purchase cost for the technical knowledge in development and manufacturing of electrical equipment are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives up to ten years.

Both the period and method of amortisation are reviewed annually.

(f) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, revenue is recognized in profit or loss as follows:

(i) sales of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to customers;

(ii) service fee income is recognised when services are rendered;

(iii) rental income is recognised on a straight-line basis over the periods of the respective leases; and

(iv) interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(j)).

(h) Property, plant and equipment

The property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the unexpired term of lease

– Office equipment	20%
– Plant and machinery	10%-20%
– Furniture and fittings	20%
– Leasehold improvements	20%-55%
– Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Property under development

Property under development represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct cost of construction. Property under development is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired.

– interest in leasehold land held for own use under operating leases;
– property, plant and equipment;
– intangible assets; and
– investment in subsidiaries and an associate.

If any such indication exists, the asset's recoverable amount is estimated.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment losses made against goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(m) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary difference associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(n) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(o) Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statements. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are not RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e. RMB) at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries that arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(p) Employee benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Share-based compensation

For share options granted under the share option scheme, the fair value of the employee services received in exchange for the grant of the options is recognized as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in the income statement over the remaining vesting period, with a corresponding adjustment to the employee share-based compensation reserve.

When the options are exercised, the proceeds received are credited to share capital (nominal value) and share premium, and the associated amount in the employee share-based compensation reserve, if any, is transferred to share.

(iii) Termination benefits

Termination benefits are recognized when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Leased assets

(i) Classification of assets leased to the group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h).

Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group's enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings and corporate and financing expenses.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Research and development costs

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the company intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the company, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(i) Foreign exchange risk

The Group mainly operates in mainland China and the United States of America. Most of the Group's transactions, assets and liabilities are dominated in RMB or United States Dollars. RMB is not freely convertible into other foreign currencies.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank borrowings have been disclosed in note 31 to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Credit risk

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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.

(a) Useful lives of fixed assets

The Group management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated provision for impairment of trade and other receivables

The Group makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairments are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

(c) Estimated net realisable value of inventories

The Group makes impairment losses on inventories based on an assessment of the net realizable value of the inventories. Impairments are applied to the inventories where events or changes in circumstances indicates that the net realizable value is less than cost. The determination of net realizable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and impairments for inventory expenses in the period in which such estimate has been charged.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers:

(a) manufacturing and trading of electrical equipment;

(b) manufacturing and trading of expendable parts and accessories; and

(c) consultancy services business.

(a) Business segments

	Electrical equipment		Expendable parts and accessories		Consultancy services		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	106,689	43,464	105,556	63,207	4,204	4,245	216,449	110,916
Other revenue	2,081	3,205	1,264	93	1,043	–	4,388	3,298
	108,770	46,669	106,820	63,300	5,247	4,245	220,837	114,214
Segment results	33,694	9,839	3,749	8,998	5,920	4,398	43,363	23,235
Unallocated costs							(5,081)	(2,095)
Interest income							464	107
Profit from operations							38,746	21,247
Finance costs							(1,224)	(877)
Share of loss of an associate							(8)	–
Profit before taxation							37,514	20,370
Income tax							(3,376)	(1,013)
Profit for the year							34,138	19,357
Segment assets	96,802	51,114	105,794	56,244	2,832	7,134	205,428	114,492
Unallocated assets							8,270	25,762
Total assets							213,698	140,254
Segment liabilities	27,421	10,821	48,105	23,645	601	161	76,127	34,627
Unallocated liabilities							900	3,342
Total liabilities							77,027	37,969
Capital expenditure	3,627	5,734	12,054	7,830	9	270	15,690	13,834
Depreciation	555	437	1,849	571	113	78	2,517	1,086
Amortisation	100	100	81	37	–	–	181	137

(b) Geographical segments

	Turnover		Segment results		Total assets		Capital expenditure	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	–	–	–	–	11,893	33,057	9	228
Mainland China	111,315	46,618	34,668	15,025	143,320	77,476	9,048	13,099
USA	76,932	50,162	5,737	6,047	58,476	29,721	6,633	507
Others (Asia, Europe, Russia etc.)	28,202	14,136	2,958	2,163	–	–	–	–
	216,449	110,916	43,363	23,235	213,689	140,254	15,690	13,834
Interest income			464	107				
Unallocated costs			(5,081)	(2,095)				
Profit from operations			38,746	21,247				
Unallocated assets					9	–	–	–
Total					213,698	140,254	15,690	13,834

6. TURNOVER AND OTHER REVENUE

The principal activities of the Group are manufacturing and trading of electrical equipment and expendable parts and accessories and provision of consultancy services. Turnover represents the sales value of goods supplied to customers net of return, discount and sales tax and revenue from consultancy service.

	2006	**2005**
	RMB'000	*RMB'000*
Turnover		
Sales of electrical equipment	106,689	43,464
Sales of expendable parts and accessories	105,556	63,207
Consultancy services fee income	4,204	4,245
	216,449	110,916
Other revenue		
Interest income	464	107
Rental income	1,261	94
Gain on sales of accessories	2,076	2,061
Reversal of impairment losses on bad and doubtful debts	1,042	1,143
Other income	9	–
	4,852	3,405
Total revenue	221,301	114,321

7. OTHER OPERATING EXPENSES

	2006 *RMB'000*	2005 *RMB'000*
Amortisation of intangible assets	100	100
Exchange loss	1,347	650
Loss on disposals of property, plant and equipment	165	–
Impairment losses on bad and doubtful debts	964	1,699
Others	78	–
	2,654	2,449

8. FINANCE COSTS

	2006 *RMB'000*	2005 *RMB'000*
Interest on bank loans wholly repayable within five years	678	812
Finance charges on obligations under finance leases	393	11
Interest on loan from related parties wholly repayable within five years	–	54
Interest on other loans	153	–
	1,224	877

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2006 *RMB'000*	2005 *RMB'000*
(a) Staff cost# (excluding directors' remuneration)		
Wages, salaries and other benefits	21,114	10,226
Employee share-based payment expenses	299	346
Contributions to retirement benefit schemes	748	472
	22,161	11,044
(b) Other items		
Auditors' remuneration	768	600
Amortisation of leasehold land held for own use#	191	37
Less: Capitalization on amortisation of interests in leasehold land under property under development	(110)	–
	81	37
Depreciation#		
– Owned assets	2,517	972
– Assets held under finance leases	–	114
	2,517	1,086
Minimum lease payments under operating leases in respect of land and buildings	2,007	1,302
Research and development costs	1,367	–
Cost of inventories#	119,394	63,995

Cost of inventories includes RMB4,005,000 (2005: RMB1,904,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 9 (a) for each of these types of expenses.

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2006				
	Directors' fee	**Basic salaries, allowances and other benefits**	**Retirement benefits scheme contribution**	**Employees share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Zhang Menggui	–	2,441	94	306	2,841
Mr. Jiang Bing Hua	–	2,441	94	306	2,841
Mr. Chen Yunqiang	–	1,085	7	199	1,291
Mr. Zhang Hongru	–	1,390	13	184	1,587
Independent Non-executive Directors:					
Mr. Bian Junjiang	124	–	–	–	124
Mr. Chan Ngai Sang, Kenny	149	–	–	–	149
Mr. Guan Zhichuan	124	–	–	–	124
Non-executive Director:					
Mr. Jiang Longsheng	83	–	–	–	83
Total	480	7,357	208	995	9,040

	Year ended 31 December 2005				
	Directors' Fee	**Basic salaries, allowances and other benefits**	**Retirement benefits scheme contribution**	**Employees share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Zhang Menggui	–	711	44	356	1,111
Mr. Jiang Bing Hua	–	685	42	356	1,083
Mr. Chen Yunqiang	–	61	5	231	297
Mr. Zhang Hongru	–	847	13	213	1,073
Independent Non-executive Directors:					
Mr. Bian Junjiang	11	–	–	–	11
Mr. Chan Ngai Sang, Kenny	14	–	–	–	14
Mr. Guan Zhichuan	11	–	–	–	11
Total	36	2,304	104	1,156	3,600

11. INDIVIDUALS WITH HIGHEST PAID

Of the five highest paid individuals of the Group four (2005: three) are directors whose remuneration are disclosed in note 10. Details of remuneration paid to the other one (2005: two) highest paid individuals are as follows:

	2006	2005
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	1,155	1,756
Retirement benefit scheme benefits	61	68
Employee share-based payment expenses	31	35
	1,247	1,859

The remunerations of the one (2005: two) individuals with the highest paid are within the following bands:

	Number of individuals	
	2006	2005
HK$Nil (equivalent to RMBNil) – HK$1,000,000 (equivalent to RMB1,040,000)	–	1
HK$1,000,001 (equivalent to RMB1,040,001) – HK$1,500,000 (equivalent to RMB1,560,000)	1	1

12. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Current tax		
USA income tax	534	779
Mainland China enterprise income tax	1,458	1,355
	1,992	2,134
Over-provision in respect of prior years		
Mainland China enterprise income tax	679	–
Deferred tax		
Reversal of temporary differences *(note 33)*	705	(1,121)
Tax expense	3,376	1,013

青島天時石油機械有限公司 ("青島天時") and 海爾海斯(西安)控制技術有限公司 ("海爾海斯") are wholly owned foreign enterprises located in Industrial Development Zone and High Tech Industrial Development Zone in mainland China respectively. In accordance with the applicable enterprise income tax law of mainland China, they are subject to mainland China enterprise income tax ("EIT") at a rate of 24% and a local tax of 3%. Both companies were exempted from EIT and the local tax for the first two profitable years (i.e. for the years ended 31 December 2003 and 2004) and is entitled to a 50% reduction on the EIT for the following three years of operations after offsetting prior year losses (i.e. started from 1 January 2005) in accordance with Article 8 of Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

In addition, 海爾海斯 was awarded the New and High Technology Enterprise (高新技術企業) certificate on 15 November 2002. Pursuant to the Notice regarding how to apply preferential policy for New and High Technology Enterprise 《關於高新技術企業如何適用稅收優惠政策問題的通知》, the basic EIT rate for 海爾海斯 as a New and High Technology Enterprise can be reduced to 15%. Accordingly, as long as 海爾海斯 remains as a New and High Technology Enterprise with production facilities located at a recognized high-tech industrial zone, 海爾海斯 is entitled to an EIT rate of 7.5% for the next three years beginning from 1 January 2005.

埃謨(北京)油氣裝備技術有限公司 ("埃謨(北京)") is a wholly owned foreign enterprise established in mainland China and is subject to EIT at a tax rate of 30% and a local tax rate of 3%. 埃謨(北京) was operating at a loss since its establishment on 2 February 2005.

Income tax for other overseas subsidiaries is charged at the appropriate rates based on current tax rules and regulations in the relevant countries.

(b) Reconciliation between tax expense and accounting profit applicable tax rates:

	2006	**2005**
	RMB'000	*RMB'000*
Profit before taxation	37,514	20,370
Tax at domestic income tax rate applicable to profits in the countries concerned	5,263	3,653
Tax effect of non-deductible expenses	2,932	3,325
Utilised previously un-recognised tax loss	–	(1)
Under-provision in prior years	465	–
Tax effect of tax exemptions	(2,542)	(1,522)
Tax effect of tax loss not recognized	1,014	584
Tax effect of non-taxable income	(3,756)	(5,026)
Tax expense	3,376	1,013

13. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes profit of RMB18,337,000 (2005: loss of RMB373,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

The directors do not recommend any payment of a cash dividend for 2006 (2005: Nil) but propose for shareholders' approval for a bonus issue of shares as stated in note 41.

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB34,138,000 (2005: RMB19,357,000) and the weighted average number of 240,046,652 (2005: 185,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB34,138,000 (2005: RMB19,357,000) and the weighted average number of 249,333,689 (2005: 193,465,029) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2006	**2005**
	Number of shares	*Number of shares*
Weighted average number of ordinary shares used in calculating basic earnings per share	240,046,652	185,000,000
Effect of dilutive potential shares from the share options scheme	9,287,037	8,465,029
Weighted average number of ordinary shares used in calculating diluted earnings per share	249,333,689	193,465,029

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at cost *RMB'000*	Office equipment *RMB'000*	Plant and machinery *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2005	2,720	689	2,753	118	499	906	7,685
Exchange adjustments	–	(1)	–	(2)	–	–	(3)
Additions	1,895	812	3,169	59	226	1,903	8,064
At 31 December 2005	4,615	1,500	5,922	175	725	2,809	15,746
At 1 January 2006	4,615	1,500	5,922	175	725	2,809	15,746
Exchange adjustments	–	(3)	–	(3)	–	(8)	(14)
Additions	335	1,175	8,907	202	444	2,457	13,520
Disposals	–	(14)	–	(5)	–	(223)	(242)
At 31 December 2006	4,950	2,658	14,829	369	1,169	5,035	29,010
Accumulated depreciation							
At 1 January 2005	–	239	574	25	194	261	1,293
Charge for the year	44	195	351	32	155	309	1,086
At 31 December 2005	44	434	925	57	349	570	2,379
At 1 January 2006	44	434	925	57	349	570	2,379
Charge for the year	127	382	1,030	46	236	696	2,517
Exchange adjustments	–	–	–	–	–	(2)	(2)
Written back on disposals	–	(5)	–	(5)	–	(67)	(77)
At 31 December 2006	171	811	1,955	98	585	1,197	4,817
Net book value							
At 31 December 2006	4,779	1,847	12,874	271	584	3,838	24,193
At 31 December 2005	4,571	1,066	4,997	118	376	2,239	13,367

The Group's buildings held for own use are situated on medium-term leasehold land held for own use under operating leases in mainland China.

17. PROPERTY UNDER DEVELOPMENT

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Construction expenditure	2,184	–
Capitalization on amortisation of interests in leasehold land	110	–
	2,294	–

The property under development is situated on the leasehold land in Xian, mainland China held under a land use right for a period of 50 years up to 10 August 2055.

18. INTANGIBLE ASSETS

The Group

	Technical knowledge
	RMB'000
Cost	
At 1 January 2005, 31 December 2005 and 31 December 2006	1,000
Accumulated amortisation	
At 1 January 2005	342
Charge for the year	100
At 31 December 2005	442
At 1 January 2006	442
Charge for the year	100
At 31 December 2006	542
Net book value	
At 31 December 2006	458
At 31 December 2005	558

The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

19. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	RMB'000
Cost	
At 1 January 2005	3,542
Additions	5,773
At 31 December 2005	9,315
At 1 January 2006	9,315
Additions	–
At 31 December 2006	9,315
Accumulated amortisation	
At 1 January 2005	–
Charge for the year	37
At 31 December 2005	37
At 1 January 2006	37
Charge for the year	191
At 31 December 2006	228
Net book value	
At 31 December 2006	9,087
At 31 December 2005	9,278

	2006	**2005**
	RMB'000	*RMB'000*
Represented by:		
Current portion	201	198
Long-term portion	8,886	9,080
	9,087	9,278

The cost of interest in leasehold land for own use under operating leases located in mainland China is amortised over the lease term period of 50 years on a straight-line basis.

20. INVESTMENT IN SUBSIDIARIES

The Company

	2006 *RMB'000*	2005 *RMB'000*
Unlisted shares, at cost	166	166

Particulars of the subsidiaries as at 31 December 2006 were as follows:

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group Directly	Percentage of equity interest attributable to the Group Indirectly	Principal activities
Oxford Asia Investments Limited	British Virgin Islands	Shares of US$20,000	100%	–	Investment holding
Richie Tunnel Corp.	British Virgin Islands	Shares of US$4	–	100%	Investment holding
Classic Price Inc.	British Virgin Islands	Shares of US$4	–	100%	Investment holding
Thousand Code Limited	British Virgin Islands	Shares of US$4	–	100%	Investment holding
Emer International Limited	Hong Kong	Ordinary shares of HK$2,000,000	–	100%	Investment holding and provision of consultancy services
青島天時石油機械有限公司 *(Note a)*	mainland China	Registered capital of US$800,000	–	100%	Manufacturing of expendable parts and accessories
海爾海斯(西安)控制技術有限公司 *(Note a)*	mainland China	Registered capital of RMB17,000,000	–	100%	Manufacturing and trading of electrical equipment
TSC Manufacturing and Supply, LLC ("TSC (USA)")	United States of America	Shares of US$612,000	–	100%	Trading of expendable parts and accessories
Positive Reflect Consultants Limited	British Virgin Islands	Shares of US$2	–	100%	Provision of consultancy services
FG Manufacturing Limited	Hong Kong	Ordinary shares of HK$100	–	100%	Not yet commenced business
Qingdao EMER Offshore Equipment Co., Ltd *(Note a)*	mainland China	Registered capital of US$210,000	–	100%	Not yet commenced business
埃謨(北京)油氣裝備技術有限公司	mainland China	Registered capital of US$150,000	–	100%	Closed and de-registered in September 2006

Note:

(a) These companies are wholly foreign owned enterprises established in mainland China.

21. INVESTMENT IN AN ASSOCIATE

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Share of net assets	2,492	–

Particulars of the associate as at 31 December 2006 were as follows:

Name of company	**Place of incorporation and operation**	**Issued and fully paid share capital/ registered capital**	**Percentage of equity interest attributable to the Group**		**Principal activity**
			Directly	**Indirectly**	
鄭州富格海洋工程裝備有限公司*	mainland China	Registered capital of RMB10,000,000	–	25%	Not yet commenced business

Summary financial information on the associate

	Assets	**Liabilities**	**Equity**	**Revenue**	**Loss**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2006					
100 per cent	11,025	(1,059)	9,966	–	34
Group's effective interest	2,757	(265)	2,492	–	8

* The company is a joint venture limited company established in mainland China.

22. INVENTORIES

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Raw materials	7,934	4,458
Work-in-progress	18,806	9,138
Finished goods	31,012	10,164
	57,752	23,760

23. DUE FROM A DIRECTOR

The Group
Mr. Zhang Menggui

	2006	2005
	RMB'000	*RMB'000*
Balance at beginning of the year	102	–
Balance at end of the year	100	102
Maximum debit balance during the year	102	102

The amount represented fund advance to the director and was unsecured, non-interest bearing and without pre-determined repayment terms.

24. DUE FROM AN OFFICER

The Group
Mr. Jiang Bingyang

	2006	2005
	RMB'000	*RMB'000*
Balance at beginning of the year	1,333	132
Balance at end of the year	92	1,333
Maximum debit balance during the year	1,333	1,333

Mr. Jiang Bingyang, the deputy general manager of 青島天時, is a brother of a director Mr. Jiang Bing Hua.

The amount represented fund advance to Mr. Jiang Bingyang and was unsecured, non-interest bearing and without pre-determined repayment terms.

25. DUE FROM RELATED COMPANIES

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Balance at beginning of the year		
– Katy Industries Inc.	–	686
– Katy International Inc.	514	–
	514	686
Balance at end of the year		
– Katy Industries Inc.	–	–
– Katy International Inc.	631	514
	631	514
Maximum debit balance during the year		
– Katy Industries Inc.	–	686
– Katy International Inc.	631	514

The amounts represent fund advanced and expenses paid on behalf of Katy Industries Inc. and Katy International Inc. and were unsecured, non-interest bearing and without pre-determined repayment terms.

Mr. Zhang Menggui and Mr. Jiang Bing Hua are directors of and each have 50% beneficial interest in the above companies.

26. TRADE RECEIVABLES

The Group

The credit terms offered by the Group to its customers differ with each business segment. The credit terms offered to customers of expendable parts and other accessories and consultancy services are normally 30 to 90 days. The credit terms offered to customers of electrical equipment are negotiated on a case-by-case basis. For smaller contracts, the whole contract sum would be due for payment on delivery. For larger contracts, deposits ranging from 10% to 30% of the contract sum were required, the balances of 60% to 85% would be payable in 1 to 2 months after delivery and acceptance of electrical systems. The remaining 5% to 10% of the contract sum were the retention money and payable within up to 18 months after delivery of the electrical system or 1 year after the payment of onsite testing, whichever is earlier. The aging analysis of the Group's trade receivables (net of impairment losses for bad and doubtful debts), based on invoice date, is as follows:

	2006	**2005**
	RMB'000	*RMB'000*
0 to 30 days	29,888	17,249
31 to 60 days	13,843	19,967
61 to 90 days	5,494	1,226
91 to 120 days	411	72
121 to 365 days	12,704	6,057
1 to 2 years	964	906
	63,304	45,477
Represented by:		
Gross amount	66,246	48,654
Less: impairment losses on bad and doubtful debts	(2,942)	(3,177)
	63,304	45,477

27. TRADE PAYABLES

The Group

The aging analysis of the trade payables is as follows:

	2006	**2005**
	RMB'000	*RMB'000*
0 to 30 days	10,644	7,441
31 to 60 days	6,435	3,678
61 to 90 days	3,665	1,752
91 to 120 days	1,821	534
121 to 365 days	1,128	1,142
1 to 2 years	45	18
Over 2 years	–	62
	23,738	14,627

28. DUE TO DIRECTORS

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Jiang Bing Hua	–	325	–	186
Mr. Zhang Menggui	–	186	–	186
Mr. Zhang Hongru	–	27	–	27
	–	538	–	399

The amounts represented the expenses paid on behalf of the Group and were unsecured, non-interest bearing and without pre-determined repayment terms.

29. DUE TO A RELATED COMPANY

The Group

The amount was unsecured, non-interest bearing and without pre-determined terms of repayment.

Mr. Zhang Menggui and Mr. Jiang Bing Hua are directors of and each has 50% beneficial interest in the related company.

30. TAX PAYABLES

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Business tax	481	481
Value added tax	414	1,809
Income tax	3,256	2,064
	4,151	4,354

31. BANK LOANS, SECURED

The Group

	2006	**2005**
	RMB'000	*RMB'000*
Bank loans payable within 1 year	18,849	7,779

The bank loans carried interests at rates ranging from 5.022% to 12% per annum (2005: 6.25% to 8.75% per annum) and were secured by:

(i) All assets of a subsidiary namely TSC (USA) to the extent of banking facilities of RMB4,382,000 granted to TSC (USA).

(ii) Personal guarantees given by Mr. Zhang Menggui and Mr. Jiang Bing Hua.

(iii) Life insurance policy of Mr. Zhang Menggui and Mr. Jiang Bing Hua.

(iv) Land lease premium held for own use, buildings and machineries of two subsidiaries namely 青島天時 and 海爾海斯 of RMB9,087,000 RMB4,779,000 and RMB8,128,000 respectively.

(v) Trade receivables of a subsidiary namely 海爾海斯 to the extent of RMB37,799,000 as at 31 December 2006.

32. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2006, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts repayable:				
Within one year	–	53	–	42
In the second year	–	39	–	31
In the third to fifth years, inclusive	–	90	–	82
Total minimum finance lease payments	–	182	–	155
Less: Future finance charges	–	(27)		
Total net finance leases payable	–	155		
Less: Portion classified as current liabilities	–	(42)		
Long-term portion	–	113		

33. DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The Group

The components of deferred tax (assets)/liabilities recognized in the consolidated balance sheet and the movements during the year were as follows:

	Accelerated tax depreciation	Impairment losses on bad and doubtful debts	Impairment losses on inventories	Tax losses	Unrealized profits	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:							
At 1 January 2005	(34)	(440)	(214)	–	(1,301)	346	(1,643)
(Credited)/charged to the consolidated income statement	(41)	167	138	(1,144)	(119)	(122)	(1,121)
At 31 December 2005	(75)	(273)	(76)	(1,144)	(1,420)	224	(2,764)
At 1 January 2006	(75)	(273)	(76)	(1,144)	(1,420)	224	(2,764)
(Credited)/charged to the consolidated income statement	10	(75)	–	1,144	(641)	267	705
At 31 December 2006	(65)	(348)	(76)	–	(2,061)	491	(2,059)

	2006	2005
	RMB'000	*RMB'000*
Represented by:		
Net deferred tax assets recognised on the consolidated balance sheet	(2,328)	(2,789)
Net deferred tax liabilities recognised on the consolidated balance sheet	269	25
	(2,059)	(2,764)

The Company

The deferred tax assets arising from tax loss recognized in the balance sheet and the movements during the year were as follows:

	RMB'000
At 1 January 2005	–
Credited to the income statement	(79)
At 31 December 2005	(79)
At 1 January 2006	(79)
Charged to the income statement	79
At 31 December 2006	–

34. CASH AND BANK BALANCES

The Group

	2006 *RMB'000*	**2005** *RMB'000*
Restricted bank balances	1,530	–
Unrestricted cash and bank balances	21,836	31,254
	23,366	31,254

As at 31 December 2006, the restricted bank balances represented the monies charge over deposits executed by the Group in favour of the bank for general banking facility with the limit of HK$500,000 (equivalent RMB510,000).

35. SHARE CAPITAL

The Group and the Company

	2006		**2005**	
	No. of shares *'000*	*RMB'000*	**No. of shares** *'000*	*RMB'000*
Authorised:				
Ordinary share of HK$0.1 each	1,000,000	104,000	1,000,000	104,000
Ordinary shares, issued and fully paid:				
At 1 January	240,000	24,960	–	–
Shares issued under share option scheme	1,044	106	–	–
Allotment of share	–	–	20	2
Placing	–	–	60,000	6,240
Capitalisation issue	–	–	179,980	18,718
At 31 December	241,044	25,066	240,000	24,960

36. RESERVES

The Group

	Share premium *RMB'000*	Merger reserve *RMB'000* *(Note (a))*	Exchange fluctuation reserve *RMB'000* *(Note (b))*	Employee share-based compensation reserve *RMB'000*	Capital reserve *RMB'000* *(Note (c))*	Statutory surplus reserve *RMB'000* *(Note (d))*	Statutory public welfare fund *RMB'000* *(Note (e))*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2005	–	17,724	–	–	–	1,953	976	27,623	48,276
Issue of share capital	(2)	–	–	–	–	–	–	–	(2)
Employee share-based payment expenses	–	–	–	1,502	–	–	–	–	1,502
Share exchange	166	–	–	–	–	–	–	–	166
Issue of shares on listing	39,312	–	–	–	–	–	–	–	39,312
Capitalisation of share premium	(18,718)	–	–	–	–	–	–	–	(18,718)
Share issue expenses	(12,080)	–	–	–	–	–	–	–	(12,080)
Movement in exchange fluctuation reserve	–	–	(158)	–	–	–	–	–	(158)
Staff welfare expenses	–	–	–	–	–	–	(330)	–	(330)
Profit for the year	–	–	–	–	–	–	–	19,357	19,357
Transferred from retained profits	–	–	–	–	4,138	2,065	1,032	(7,235)	–
At 31 December 2005	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325
At 1 January 2006	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325
Shares issued under share option scheme	198	–	–	–	–	–	–	–	198
Transferred to share premium upon exercise of employee share options	192	–	–	(192)	–	–	–	–	–
Employee share-based payment expenses	–	–	–	1,294	–	–	–	–	1,294
Movement in exchange fluctuation reserve	–	–	(197)	–	–	–	–	–	(197)
Staff welfare expenses	–	–	–	–	–	–	(1,153)	–	(1,153)
Profit for the year	–	–	–	–	–	–	–	34,138	34,138
Transferred from retained profits	–	–	–	–	–	3,064	1,314	(4,378)	–
At 31 December 2006	9.068	17,724	(355)	2,604	4,138	7,082	1,839	69,505	111,605

The Company

	Share premium RMB'000	Employee share-based payment reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2005	–	–	–	–
Issue of share capital	(2)	–	–	(2)
Share exchange	166	–	–	166
Issue of shares on listing	39,312	–	–	39,312
Capitalisation of share premium	(18,718)	–	–	(18,718)
Share issue expenses	(12,080)	–	–	(12,080)
Employee share-based payment expenses	–	1,502	–	1,502
Loss for the year	–	–	(373)	(373)
At 31 December 2005	8,678	1,502	(373)	9,807
At 1 January 2006	8,678	1,502	(373)	9,807
Shares issued under share option scheme	198	–	–	198
Transferred to share premium upon exercise of employee share options	192	(192)	–	–
Employee share-based payment expenses	–	1,294	–	1,294
Profit for the year	–	–	18,337	18,337
At 31 December 2006	9,068	2,604	17,964	29,636

(a) Merger reserve

During the year ended 31 December 2004, Mr. Zhang Menggui and Mr. Jiang Bing Hua entered into three share exchange agreements and plan of reorganizations with Thousand Code Limited ("Thousand Code"), Classic Price Inc. ("Classic Price") and Richie Tunnel Corp. ("Richie Tunnel") pursuant to which the equity interest in 青島天時, TSC (USA) and 海爾海斯 held by Mr. Zhang Menggui and Mr. Jiang Bing Hua were transferred to Thousand Code, Classic Price and Richie Tunnel respectively. The differences between the share capital of 青島天時, TSC (USA) and 海爾海斯 and the share capital of Thousand Code, Classic Price and Richie Tunnel have been credited to the merger reserve.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting polices set out in Note 2(o).

(c) Capital reserve

The capital reserve represents the excess of capital contribution over the nominal value of the registered capital of 青島天時 and 海爾海斯.

(d) Statutory surplus reserve

The Articles of Association of 青島天時 and 海爾海斯 requires the appropriation of 10% of its profit after tax each year, based on its statutory audited accounts, to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve may be capitalized as the paid-in capital of 青島天時 and 海爾海斯.

(e) Statutory public welfare fund

The Articles of Association of 青島天時 and 海爾海斯 requires the allocation from its profit after tax at the rate of 5% and 10% to the statutory public welfare fund, based on its statutory audited accounts. The statutory public welfare fund can only be utilized on capital items for employees' collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation.

(f) Distributability of reserves

The Company's reserve available for cash distribution and/or distribution in specie to shareholders of the Company as at 31 December 2006, as computed in accordance with the Companies Law of the Cayman Islands of approximately of RMB17,964,000 (2005: Nil). The Company's share premium account, with a balance of approximately RMB9,068,000 (2005: RMB8,678,000), may be distributed in the form of fully paid bonus shares.

37. SHARE OPTIONS

Pre-IPO Scheme

Pursuant to written resolutions of all shareholders of the Company on 19 October 2005, the Company adopted a Pre-IPO share option scheme ("Pre-IPO Scheme"). This Pre-IPO Scheme replaced the share option scheme adopted by Oxford Asia on 1 February 2005 ("Oxford Option Scheme").

The purpose of the Pre-IPO Scheme is to recognize the contribution of certain Directors and employees of the Group to the growth of the Group and/or to the listing shares on the GEM.

The subscription price for each share is HK$0.286 which was determined after taking into account the grantees' substantial contributions to the growth and development of the Group.

The total number of shares subject to the Pre-IPO Scheme is 15,210,000 representing approximately 6.34% of the total issued share capital of the Company. No share options under the Pre-IPO Scheme were lapsed since the date of grant and up to 31 December 2005. During the year, 1,044,000 (2005: Nil) number of share options were exercised and the Company had 14,166,000 (2005:15,210,000) share options outstanding as at the balance sheet date.

No further share options will be offered or granted under the Pre-IPO Scheme after the termination date (i.e. the day immediately preceding the date (21 November 2005) of the prospectus).

The options granted under the Pre-IPO Scheme can only be exercised by the grantees after the latter of twelve months following the listing date (i.e. 28 November 2005) or such period as may be required by the Stock Exchange of the options granted under the Pre-IPO Scheme to be subject to lock-up restrictions.

If the grantee maintains continuous status of an employee for every 6 months, an additional 10% of the option granted is vested and exercisable. The accumulated vested portion of this option may not be exercised later than 10 years from the date on which the grantee accepts the options.

Share Option Scheme

In addition, pursuant to the resolutions passed by all the shareholders on 20 October 2005, the Company has conditionally adopted a share option scheme ("Share Option Scheme").

The purpose of the Share Option Scheme is to provide incentives or rewards to the participants (as defined below) there under for their contribution to the Group and/or enable the Group to recruit and retain high-caliber employees and to improve the loyalty of the employees.

The directors may, at their discretion, invite any participant (the "Participants") being any employee, executive directors, non-executive directors, certain consultants, suppliers and customers of the Group who, in the sole discretion of the Boards, have contributed to the Group. Upon acceptance of the option, the grantee shall pay RMB1.04 (equivalent to HK$1) to the Company as consideration for the grant.

The limit on the 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 schemes in force from time to time must not in aggregate exceed 30% of the Share in issue from time to time (the "Scheme Limit").

Subject to the Scheme Limit, the Company may grant options of up to 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The Company may renew the Scheme Mandate Limit at any time subject to the approval of the Shareholders. However, the Scheme Mandate Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Unless approved by the shareholders, the total number of Shares issued and to be issued upon exercise of the options granted to each Participants (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of the limit must be subject to the shareholders' approval with such Participants and his associates abstaining from voting.

The exercise price must be at least the highest of: (a) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

A nominal consideration of RMB1.04 (equivalent to HK$1) is payable by the grantee upon acceptance of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

Since the adoption of the Share Option Scheme on 20 October 2005, no options have been granted.

(a) Details of the movements in the number of share options during the year under the Pre-IPO Scheme are as follows:

	2006		**2005**	
	Exercise price	**Number of options** *'000*	**Exercise price**	**Number of options** *'000*
Options granted to directors:				
Outstanding at the beginning of the year	HK$0.286	11,700	–	–
Granted during the year	–	–	HK$0.286	11,700
Exercise during the year	HK$0.286	(432)	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	HK$0.286	11,268	HK$0.286	11,700
Options granted to employees:				
Outstanding at the beginning of the year	HK$0.286	3,510	–	–
Granted during the year	–	–	HK$0.286	3,510
Exercise during the year	HK$0.286	(612)	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	HK$0.286	2,898	HK$0.286	3,510

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.286 (2005: not applicable).

(b) Fair value of share options and assumptions:

The estimated fair value of the options granted on 1 February 2005 (Oxford Share Option) was HK$2,814.20 per share. The fair value was calculated using the Binomial Model on 1 February 2005. The inputs into the model were as follows:

Share price	HK$4,878
Exercise price	HK$2,574
Expected volatility	51%
Expected life	10 years
Risk-free rate	3.647%
Expected dividends	Nil

Subsequent to the replacement of the Oxford Option Scheme by the Pre-IPO Scheme, an indicative valuation on the Oxford Option Scheme was carried out on 15 November 2005.

The revised estimated fair value of the Oxford Option Scheme replaced by the Pre-IPO Scheme is five cents per share. The inputs into the calculation were as follows:

Share price	HK$0.73
Exercise price	HK$0.286
Expected volatility	51%
Expected life	10 years
Risk-free rate	4.58%
Expected dividends	Nil

The expected volatility of the above calculations are based on the historical volatility of the stock returns the ordinary shares of comparative publicly listed company in the oil and gas equipment industry in Hong Kong. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

38. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the labour regulations of mainland China, the Group participates in various defined contribution retirement plans organised by municipal and provincial government for its employees employed in the mainland China. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 25% of the eligible employees' salaries. The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by an independent trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The Group also required to make 6.2% of salaries as social security contributions for a subsidiary under the relevant federal laws of USA.

39. COMMITMENTS

(a) Capital commitments

The capital commitments outstanding at 31 December 2006 of the Group not provided for in the financial statements were as follows:

	2006	2005
	RMB'000	*RMB'000*
Contracted for	8,453	7,174

(b) Operating lease commitments

At 31 December 2006, the Group's total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2006	2005
	RMB'000	*RMB'000*
Within one year	1,441	2,237
Between one year and five years	1,537	2,395
After five years	328	465
	3,306	5,097

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following related party transactions:

	2006	2005
	RMB'000	*RMB'000*
Key management personnel remuneration	3,764	2,650
Purchases of parts for electrical equipment	–	160
Rental income	–	95
Sales of expendable parts	145	–

41. NON-ADJUSTING POST BALANCE SHEET EVENTS

In the Directors' meeting held on 26 March 2007, the Directors did not recommend any payment of cash dividend for 2006 but proposed for shareholders' approval for a bonus issue of shares to those shareholders whose names appear on the register of members of the Company on 7 May 2007 on the basis of one bonus share for every five existing shares held. The bonus shares will rank pari passu in all respect with the existing issued shares.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 DECEMBER 2006

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The director of the company anticipates that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transations[6]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 March 2006

[3] Effective for annual periods beginning on or after 1 May 2006

[4] Effective for annual periods beginning on or after 1 June 2006

[5] Effective for annual periods beginning on or after 1 November 2006

[6] Effective for annual periods beginning on or after 1 March 2007

1. ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION OF THE GME GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix IV to this circular, a copy of this report is available for inspection.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 February 2008

The Directors
TSC Offshore Group Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Global Marine Energy Plc ("GME") and its subsidiaries (hereinafter collectively referred to as the "GME Group"), for each of the years ended 31 March 2005, 31 March 2006 and 31 March 2007 and the six months ended 30 September 2007 (collectively the "Relevant Period") for inclusion in the circular dated 29 February 2008 issued by TSC Offshore Group Limited (formerly known as EMER International Group Limited) in connection with the proposed acquisition of all the issued shares of GME (the "Circular").

GME is a public limited company incorporated and domiciled in England and Wales. As at the date of this report, details of the subsidiaries comprising the GME Group are set out in note 32 of section II below.

During the Relevant Period, the statutory financial statements of the following entities of the GME Group, were prepared in accordance with the relevant accounting rules and regulations applicable to entities in which they were incorporated (note 32 of section II referred) and were audited by the following certified public accountants.

Name of entity	Financial period	Name of auditors
GME	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Patriot Mechanical Handling Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Ansell Jones Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Ansell Jones (Cranes) Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Patriot Mechanical Handling Inc	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Patriot Mechanical Handling Pte Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly
	For the year ended 31 March 2007	PricewaterhouseCoopers
Patriot Mechanical Handling Industria Comercio E Servicos Limiteda	For the three years ended 31 March 2005, 2006 and 2007	Domingues E Pinho
NIM Engineering Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly
Ansell Jones (Paisley) Limited	For the two years ended 31 March 2005 and 2006	Baker Tilly

Other than the above, no statutory financial statements have been prepared for the remaining entities of the GME Group as there was no statutory requirement for these companies.

Basis of preparation

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the GME Group for the Relevant Period and the consolidated balance sheets of the GME Group and the balance sheets of GME as at 31 March 2005, 31 March 2006 and 31 March 2007 and 30 September 2007, together with the notes thereto as set out on pages 78 to 126 (the "Financial Information") have been prepared by the directors of the GME based on the audited financial statements or, where appropriate, unaudited management accounts of the GME Group, on the basis set out in note 1 of section II of the Financial Information after making such adjustments as are appropriate. All adjustments as we considered necessary have been made for the purpose of this report to restate those financial statements or management accounts to conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. HKFRSs include Hong Kong Accounting Standards and Interpretations.

Respective responsibilities of directors and reporting accountants

The directors of GME are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and we have carried out additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the reporting accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the GME Group in respect of any periods subsequent to 30 September 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of GME in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the GME Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. However, the evidence available to us was limited in respect of inventories, trade receivables and trade and other payables included in the consolidated balance sheets as at 31 March 2005 and 2006. Subsequent to 31 March 2007, the directors of GME identified that in respect of the financial statements of a subsidiary company a significant amount of costs relating to construction contracts which had been regarded as complete or substantially complete prior to 31 March 2007 have not been recorded. However, there was inadequate trail to explain their nature or the accounting periods in which they should be recorded. Consequently, these costs were included in the consolidated income statement for the year ended 31 March 2007. The comparative amounts in respect of inventories, trade receivables and trade and other payables as shown in the consolidated balance sheets as at 31 March 2005 and 2006 have not been restated for any consequential effects. It has not been possible or practical for us to obtain all the evidence that we require to determine in which accounting periods these costs should be recorded and consequently whether the comparative amounts in respect of inventories, trade receivables and trade and other payables as shown in the consolidated balance sheets as at 31 March 2005 and 2006 should be restated.

In view of the operating losses incurred by the same subsidiary referred to above, GME has recognised full impairment loss in the company balance sheet against the amount owed by that subsidiary to GME as at 31 March 2007 to reduce its carrying value to GBPNil. However, sufficient financial information in connection with the amount owed by that subsidiary was not made available to us and therefore it has not been possible for us to determine in which accounting periods such impairment losses should be recognised and consequently whether the comparative amount in respect of the amounts owed by the subsidiary undertakings included within trade and other receivables as at 31 March 2005 and 2006 should be restated.

As set out in note 10 of section II of the Financial Information, two subsidiaries of the GME Group have been put into administration since 20 March 2007. The accounting records of these subsidiaries have not been maintained by the GME Group and were not made available to us to carry out the audit procedures that we considered necessary in respect of disclosures of discontinued operations relating to these two subsidiaries. This limitation of scope affected our audit of the amounts in respect of these two subsidiaries included in the consolidated balance sheets as at 31 March 2005 and 2006 involving inventories, trade receivables and trade and other payables and consequently the results of these two subsidiaries for the years ended 31 March 2005, 2006 and 2007 included in the consolidated income statements.

The auditor's report dated 28 September 2007 in respect of the consolidated financial statements of the GME Group for the year ended 31 March 2007 issued by the auditors of GME expresses a disclaimer of opinion on the consolidated income statement, consolidated cash flow statement and consolidated changes in equity and related notes for the year ended 31 March 2007 and a qualified opinion on the consolidated balance sheet and the company balance sheet as at 31 March 2007 relating to the same matters set out above.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Information. We believe that our work provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of section II of the Financial Information concerning the use of the going concern basis on which the Financial Information has been prepared. As at 30 September 2007, the GME Group had net current liabilities of GBP6,393,320 and net liabilities of GBP6,083,201. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the GME Group to continue as a going concern. The Financial Information has been prepared on a going concern basis as the GME Group has obtained working capital facilities from Spring Capital Resources Inc. and expects to generate sufficient cash flows from future operations to cover the GME Group's operating costs and to meet its financing commitments. The Financial Information does not include any adjustments that would result from the failure of such measures. We consider that adequate disclosures have been made and our opinion is not qualified in this respect.

Disclaimer of opinion on view given by the Financial Information for the years ended 31 March 2005 and 31 March 2006

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of GME and of the GME Group as at 31 March 2005 and 2006 and of the GME Group's results and cash flows for the years then ended.

Disclaimer of opinion on view given by the Financial Information in respect of the GME Group's results and cash flows for the year ended 31 March 2007 and qualified opinion arising from limitation of audit scope in respect of GME and the GME Group's state of affairs as at 31 March 2007

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the GME Group's results and cash flows for the year ended 31 March 2007.

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the opening balances of inventories, trade and other receivables and trade and other payables as at 1 April 2006 as described in the basis of opinion paragraph, in our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of GME and of the GME Group as at 31 March 2007.

Opinion in respect of the Financial Information for the six months ended 30 September 2007

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of GME and of the GME Group as at 30 September 2007 and of the GME Group's results and cash flows for the period then ended.

Comparative financial information in respect of the six months ended 30 September 2006

For the purpose of this report, we have also reviewed the unaudited comparative financial information of the GME Group which includes the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2006, together with the notes thereon (the "30 September 2006 Corresponding Information"). The 30 September 2006 Corresponding Information is the responsibility of the directors of GME. Our responsibility is to form a conclusion, based on our review, on the 30 September 2006 Corresponding Information. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the 30 September 2006 Corresponding Information is free of material misstatement. A review is limited to inquiries of group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the 30 September 2006 Corresponding Information.

In respect of the limitation of scope as described in the basis of opinion paragraph above, the costs relating to construction contracts which had been regarded as complete or substantially complete prior to 31 March 2007 identified by the directors of GME were included in the consolidated income statement for the six months ended 31 March 2007 (i.e. not included in the six months ended 30 September 2006). It has not been possible or practical for us to obtain all the evidence that we require to determine in which accounting periods these costs should be recorded and whether any of these costs should be recognised in the 30 September 2006 Corresponding Information.

Because of the significance of the matters as described above, we do not provide any assurance on the 30 September 2006 Corresponding Information.

I FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March			Six months ended 30 September	
		2005	2006	2007	2006	2007
	Note	£	£	£	£ (unaudited)	£
Continuing operations	*3,4*					
Revenue		2,103,999	5,776,589	10,495,964	4,661,121	14,547,494
Cost of sales		(1,336,516)	(5,045,802)	(10,891,078)	(4,625,421)	(13,157,673)
Gross profit/(loss)		767,483	730,787	(395,114)	35,700	1,389,821
Selling and administrative expenses		(2,611,310)	(3,470,419)	(6,815,279)	(1,659,113)	(3,976,257)
Other operating expenses (net)	*5*	(214,678)	–	(1,039,137)	–	(372,717)
Loss from continuing operations	*6*	(2,058,505)	(2,739,632)	(8,249,530)	(1,623,413)	(2,959,153)
Net finance (expense)/income	*11*	(120,700)	(142,946)	(6,476)	13,337	33,225
Loss from continuing operations before taxation		(2,179,205)	(2,882,578)	(8,256,006)	(1,610,076)	(2,925,928)
Taxation	*12*	(3,121)	–	(47,613)	–	–
Loss for the year/period from continuing operations		(2,182,326)	(2,882,578)	(8,303,619)	(1,610,076)	(2,925,928)
Discontinued operations						
Loss after tax from discontinued operations	*10*	(597,255)	(884,406)	(1,580,971)	(968,511)	–
Loss for the year/period		(2,779,581)	(3,766,984)	(9,884,590)	(2,578,587)	(2,925,928)
Attributable to:						
Equity holders of the parent		(2,780,976)	(3,765,589)	(9,884,590)	(2,578,587)	(2,925,928)
Minority interests		1,395	(1,395)	–	–	–
		(2,779,581)	(3,766,984)	(9,884,590)	(2,578,587)	(2,925,928)

		Year ended 31 March			Six months ended 30 September	
		2005	**2006**	**2007**	**2006**	**2007**
	Note	*Pence*	*Pence*	*Pence*	*Pence*	*Pence*
Loss per ordinary share	*13*					
Continuing operations						
Basic loss per share		(29.6)	(13.2)	(12.7)	(2.8)	(4.0)
Diluted loss per share		(29.6)	(13.2)	(12.7)	(2.8)	(4.0)
All operations						
Basic loss per share		(37.7)	(17.2)	(15.2)	(4.4)	(4.0)
Diluted loss per share		(37.7)	(17.2)	(15.2)	(4.4)	(4.0)

CONSOLIDATED BALANCE SHEETS

		As at 31 March			As at 30 September
		2005	2006	2007	2007
	Note	£	£	£	£
Non-current assets					
Intangible assets – Goodwill	*14*	221,553	221,553	–	–
Intangible assets – Other	*14*	–	15,461	28,752	21,307
Property, plant and equipment	*15*	169,671	433,974	276,411	288,812
		391,224	670,988	305,163	310,119
Current assets					
Inventories	*17*	1,562,184	4,187,488	773,078	1,883,478
Trade and other receivables	*18*	1,893,162	4,744,984	4,670,267	13,472,456
Cash and cash equivalents	*19*	331,643	621,523	3,378,312	876,920
		3,786,989	9,553,995	8,821,657	16,232,854
Current liabilities					
Trade and other payables	*20*	(2,877,111)	(6,080,810)	(11,166,577)	(19,258,011)
Financial liabilities	*21*	(906,020)	(1,190,433)	(302,415)	(250,381)
Provisions	*23*	–	–	(1,046,652)	(3,117,782)
		(3,783,131)	(7,271,243)	(12,515,644)	(22,626,174)
Net current assets/(liabilities)		3,858	2,282,752	(3,693,987)	(6,393,320)
Total assets less current liabilities		395,082	2,953,740	(3,388,824)	(6,083,201)
Non-current liabilities					
Other payables	*20*	(107,758)	–	–	–
Financial liabilities	*21*	(325,000)	–	(37,747)	–
		(432,758)	–	(37,747)	–
Net (liabilities)/assets		(37,676)	2,953,740	(3,426,571)	(6,083,201)

		As at 31 March			As at 30 September
		2005	**2006**	**2007**	**2007**
	Note	*£*	*£*	*£*	*£*
Capital and reserves					
Called up share capital	*26*	254,346	1,119,752	1,794,752	1,807,342
Share premium		5,008,103	10,769,511	13,805,176	13,865,466
Foreign exchange reserves		–	10,925	(213,880)	(83,712)
Other reserves		87,377	208,038	226,457	292,707
Accumulated losses		(5,388,897)	(9,154,486)	(19,039,076)	(21,965,004)
Total equity attributable to equity holders of the parent		(39,071)	2,953,740	(3,426,571)	(6,083,201)
Minority interests		1,395	–	–	–
Total equity		(37,676)	2,953,740	(3,426,571)	(6,083,201)

BALANCE SHEETS

			As at 31 March		As at 30 September
		2005	2006	2007	2007
	Note	£	£	£	£
Non-current assets					
Property, plant and equipment	*15*	43,705	27,291	13,816	7,098
Investments in subsidiaries	*32*	736,804	161,804	–	–
		780,509	189,095	13,816	7,098
Current assets					
Trade and other receivables	*18*	2,051,108	4,738,095	2,844,464	1,135,737
Cash at bank and in hand		52,238	224,533	6,848	28,345
		2,103,346	4,962,628	2,851,312	1,164,082
Current liabilities					
Trade and other payables	*20*	(655,944)	(419,499)	(1,992,375)	(1,310,863)
Financial liabilities	*21*	(567,647)	(400,000)	(275,000)	(202,250)
		(1,223,591)	(819,499)	(2,267,375)	(1,513,113)
Net current assets/(liabilities)		879,755	4,143,129	583,937	(349,031)
Total assets less current liabilities		1,660,264	4,332,224	597,753	(341,933)
Non-current liabilities					
Other payables	*20*	(107,758)	–	–	–
Financial liabilities	*21*	(325,000)	–	–	–
		(432,758)	–	–	–
Net assets/(liabilities)		1,227,506	4,332,224	597,753	(341,933)
Capital and reserves					
Called up share capital	*26*	254,346	1,119,752	1,794,752	1,807,342
Share premium		5,008,103	10,769,511	13,805,176	13,865,466
Other reserves		87,377	208,038	226,457	292,707
Accumulated losses		(4,122,320)	(7,765,077)	(15,228,632)	(16,307,448)
Total equity		1,227,506	4,332,224	597,753	(341,933)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Called up share capital £	Share premium £	Foreign exchange reserves £	Other reserves £	Accumulated losses £	Total £	Minority interests £	Total equity £
Balance at 1 April 2004	124,003	2,558,157	–	(99)	(2,607,921)	74,140	–	74,140
Share-based payments	–	–	–	87,476	–	87,476	–	87,476
Loss for the year	–	–	–	–	(2,780,976)	(2,780,976)	1,395	(2,779,581)
Total recognised income/(expense) for the year	–	–	–	87,476	(2,780,976)	(2,693,500)	1,395	(2,692,105)
Shares issued *(Note a)*	130,343	2,449,946	–	–	–	2,580,289	–	2,580,289
Balance at 31 March 2005	254,346	5,008,103	–	87,377	(5,388,897)	(39,071)	1,395	(37,676)
Balance at 1 April 2005	254,346	5,008,103	–	87,377	(5,388,897)	(39,071)	1,395	(37,676)
Currency translation differences	–	–	10,925	–	–	10,925	–	10,925
Share-based payments	–	–	–	120,661	–	120,661	–	120,661
Loss for the year	–	–	–	–	(3,765,589)	(3,765,589)	(1,395)	(3,766,984)
Total recognised income/(expense) for the year	–	–	10,925	120,661	(3,765,589)	(3,634,003)	(1,395)	(3,635,398)
Shares issued *(Note b)*	865,406	5,761,408	–	–		6,626,814	–	6,626,814
Balance at 31 March 2006	1,119,752	10,769,511	10,925	208,038	(9,154,486)	2,953,740	–	2,953,740
Balance at 1 April 2006	1,119,752	10,769,511	10,925	208,038	(9,154,486)	2,953,740	–	2,953,740
Loss for the period	–	–	–	–	(2,578,587)	(2,578,587)	–	(2,578,587)
Total recognised income/(expense) for the period	–	–	–	–	(2,578,587)	(2,578,587)	–	(2,578,587)
Shares issued *(Note c)*	675,000	3,040,567	–	–	–	3,715,567	–	3,715,567
Balance at 30 September 2006 (unaudited)	1,794,752	13,810,078	10,925	208,038	(11,733,073)	4,090,720	–	4,090,720

	Attributable to equity holders of the parent							
	Called up share capital	Share premium	Foreign exchange reserves	Other reserves	Accumulated losses	Total	Minority interests	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 April 2006	1,119,752	10,769,511	10,925	208,038	(9,154,486)	2,953,740	–	2,953,740
Currency translation differences	–	–	(224,805)	–	–	(224,805)	–	(224,805)
Share-based payments	–	–	–	18,419	–	18,419	–	18,419
Loss for the year	–	–	–	–	(9,884,590)	(9,884,590)	–	(9,884,590)
Total recognised income/(expense) for the year	–	–	(224,805)	18,419	(9,884,590)	(10,090,976)	–	(10,090,976)
Shares issued *(Note d)*	675,000	3,035,665	–	–	–	3,710,665	–	3,710,665
Balance at 31 March 2007	1,794,752	13,805,176	(213,880)	226,457	(19,039,076)	(3,426,571)	–	(3,426,571)
Balance at 1 April 2007	1,794,752	13,805,176	(213,880)	226,457	(19,039,076)	(3,426,571)	–	(3,426,571)
Currency translation differences	–	–	130,168	–	–	130,168	–	130,168
Share-based payments	–	–	–	66,250	–	66,250	–	66,250
Loss for the period	–	–	–	–	(2,925,928)	(2,925,928)	–	(2,925,928)
Total recognised income/(expense) for the period	–	–	130,168	66,250	(2,925,928)	(2,729,510)	–	(2,729,510)
Shares issued *(Note e)*	12,590	60,290	–	–	–	72,880	–	72,880
Balance at 30 September 2007	1,807,342	13,865,466	(83,712)	292,707	(21,965,004)	(6,083,201)	–	(6,083,201)

Notes:

(a) Share premium is recorded net of share issue expenses of £165,086.

(b) Share premium is recorded net of share issue expenses of £506,443.

(c) Share premium is recorded net of share issue expenses of £334,433.

(d) Share premium is recorded net of share issue expenses of £339,335.

(e) Share premium is recorded net of share issue expenses of £2,661.

STATEMENTS OF CHANGES IN EQUITY

	Called up share capital £	Share premium £	Other reserves £	Accumulated losses £	Total equity £
Balance at 1 April 2004	124,003	2,558,157	(99)	(2,950,831)	(268,770)
Share-based payments	–	–	87,476	–	87,476
Loss for the year	–	–	–	(1,171,489)	(1,171,489)
Total recognised income/(expense) for the year	–	–	87,476	(1,171,489)	(1,084,013)
Shares issued *(Note a)*	130,343	2,449,946	–	–	2,580,289
Balance at 31 March 2005	254,346	5,008,103	87,377	(4,122,320)	1,227,506
Balance at 1 April 2005	254,346	5,008,103	87,377	(4,122,320)	1,227,506
Share-based payments	–	–	120,661	–	120,661
Loss for the year	–	–	–	(3,642,757)	(3,642,757)
Total recognised income/(expense) for the year	–	–	120,661	(3,642,757)	(3,522,096)
Shares issued *(Note b)*	865,406	5,761,408	–	–	6,626,814
Balance at 31 March 2006	1,119,752	10,769,511	208,038	(7,765,077)	4,332,224
Balance at 1 April 2006	1,119,752	10,769,511	208,038	(7,765,077)	4,332,224
Share-based payments	–	–	18,419	–	18,419
Loss for the year	–	–	–	(7,463,555)	(7,463,555)
Total recognised income/(expense) for the year	–	–	18,419	(7,463,555)	(7,445,136)
Shares issued *(Note c)*	675,000	3,035,665	–	–	3,710,665
Balance at 31 March 2007	1,794,752	13,805,176	226,457	(15,228,632)	597,753

	Called up share capital £	Share premium £	Other reserves £	Accumulated losses £	Total equity £
Balance at 1 April 2007	1,794,752	13,805,176	226,457	(15,228,632)	597,753
Share-based payments	–	–	66,250	–	66,250
Loss for the period	–	–	–	(1,078,816)	(1,078,816)
Total recognised income/(expense) for the period	–	–	66,250	(1,078,816)	(1,012,566)
Shares issued *(Note d)*	12,590	60,290	–	–	72,880
Balance at 30 September 2007	1,807,342	13,865,466	292,707	(16,307,448)	(341,933)

Notes:

(a) Share premium is recorded net of share issue expenses of £165,086.

(b) Share premium is recorded net of share issue expenses of £506,443.

(c) Share premium is recorded net of share issue expenses of £339,335.

(d) Share premium is recorded net of share issue expenses of £2,661.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Operating activities					
Loss before taxation	(2,776,460)	(3,766,984)	(9,836,977)	(2,578,587)	(2,925,928)
Adjustments for:					
Net finance expense/(income)	120,700	142,946	6,476	(13,337)	(33,225)
(Gain)/loss on disposal of property, plant and equipment	(69,215)	1,200	32,016	–	(14,331)
Depreciation	54,849	58,552	226,289	104,463	49,942
Amortisation and impairment of intangibles assets	–	6,137	236,600	6,006	9,559
Equity-settled share-based payments	87,476	120,661	18,419	–	66,250
Operating loss before changes in working capital	(2,582,650)	(3,437,488)	(9,317,177)	(2,481,455)	(2,847,733)
(Increase)/decrease in inventories	(665,176)	(2,625,304)	3,414,410	1,466,902	(1,110,400)
(Increase)/decrease in trade and other receivables	(1,110,183)	(2,851,822)	74,717	656,038	(8,802,189)
Increase/(decrease) in trade and other payables	2,046,708	3,203,699	5,008,017	(1,874,017)	8,031,087
Increase in provisions	–	–	1,046,652	–	2,071,130
Cash (used in)/generated from operations	(2,311,301)	(5,710,915)	226,619	(2,232,532)	(2,658,105)
Income tax paid	–	–	(47,613)	–	–
Net cash (used in)/generated from operating activities	(2,311,301)	(5,710,915)	179,006	(2,232,532)	(2,658,105)
Investing activities					
Interest received	5,546	10,636	30,389	19,032	33,246
Payment for the acquisition of subsidiaries	(266,203)	–	–	–	–
Proceeds from sale of property, plant and equipment	69,430	7,293	161,635	–	15,337
Payment for purchase of property, plant and equipment	(110,124)	(331,348)	(191,742)	–	(63,349)
Payment for the purchase of intangible assets	–	(21,598)	(28,338)	(13,861)	(2,114)
Net cash (used in)/generated from investing activities	(301,351)	(335,017)	(28,056)	5,171	(16,880)

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Financing activities					
Interest paid	(126,246)	(153,582)	(36,865)	(5,695)	(21)
Proceeds from issue of share capital	2,369,914	6,513,176	3,710,665	3,715,567	72,880
Repayment of borrowings	–	(42,220)	(125,000)	–	(72,750)
Repayment of hire purchase contracts	(5,132)	–	(9,227)	–	(13,277)
Net cash generated from/(used in) financing activities	2,238,536	6,317,374	3,539,573	3,709,872	(13,168)
Net (decrease)/increase in cash and cash equivalents	(374,116)	271,442	3,690,523	1,482,511	(2,688,153)
Cash and cash equivalents at beginning of the year/period	(83,041)	(457,157)	(168,910)	(168,910)	3,374,558
Effect of foreign exchange rate changes	–	16,805	(147,055)	(13,566)	190,515
Cash and cash equivalents at end of the year/period	(457,157)	(168,910)	3,374,558	1,300,035	876,920

Analysis of cash and cash equivalents

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Cash at bank and in hand	331,643	621,523	3,378,312	1,510,201	876,920
Overdrafts	(788,800)	(790,433)	(3,754)	(210,166)	–
	(457,157)	(168,910)	3,374,558	1,300,035	876,920

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Global Marine Energy Plc ("GME") is a public limited company incorporated and domiciled in England and Wales.

The principal activity of GME is that of an investment holding company. The principal activities of its subsidiaries (which together with GME are collectively referred to as the "GME Group") are that of the design and manufacture of mechanical handling equipment.

Statement of compliance

The Financial Information has been initially prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation

The Financial Information has been initially prepared based on the audited financial statements of the GME Group prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") for the three years ended 31 March 2007 and the unaudited interim financial information for the six months ended 30 September 2006, which have been restated to HKFRSs as they apply to the GME Group, and the audited results for the six months ended 30 September 2007 prepared under HKFRSs.

The Financial Information has been prepared on a historical cost basis and is presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

As at 30 September 2007, the GME Group had net current liabilities of GBP6,393,320 and net liabilities of GBP6,083,201. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the GME Group's ability to continue as a going concern.

The Financial Information has been prepared on a going concern basis. GME entered into an agreement with Spring Capital Resources Inc. in October 2007 which gives GME a USD14 million working capital facility. Based on cash flow projections drawn up, the board of directors of GME are of the opinion that this facility, together with sufficient cash flows from future operations to cover the GME Group's operating costs, should enable the business to meet its financial obligations for the next 12 months.

The Financial Information is the GME Group's first HKFRS financial information and HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards has been applied. The reconciliations to HKFRSs from the previously published UK GAAP financial statements are summarised in note 33. The significant accounting policies below set out those policies which are expected to apply in preparing the financial statements of the GME Group for the year ending 31 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information consolidates the financial information of GME and the entities it controls (its subsidiaries) drawn up to each balance sheet dates.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the GME Group obtains control, and continues to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial information of subsidiaries used in the preparation of the Financial Information are prepared for the same reporting period as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the GME Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

In the GME's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill, the estimation of share-based payment expenses and the estimation of costs to complete on contracts.

The estimation of share-based payment expenses requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.

Costs to complete and the respective stage of completion is calculated at each reporting date on a contract by contract basis and is a key driver of revenue and profit recognition. The estimation of the quantum of costs to complete on contracts requires management to assess future third party liabilities to be incurred, the estimation of delivery dates and the estimation of time costs of own staff employed in delivering the contracts.

Long term contracts/revenue recognition

Long term contracts are assessed on a contract by contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses, and where the GME Group has met its contractual obligations. Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to once the design phase has been fully completed and when the outcome of the contract can be assessed with reasonable certainty. Stage of completion is determined with reference to the proportion of contract cost incurred for work performed to date compared to the estimated total contract costs. Full provision is made for all known or expected losses on individual contracts immediately such losses are foreseen. Variations in contract work, claims and incentive payments are included to the extent that it is probable they will result in revenue.

Pre contract costs are expensed to the income statement and not included as part of contract costs since prior to that point the GME Group is not able to determine with sufficient probability that the contract will be obtained.

Goodwill

Business combinations are accounted for under HKFRS 3 using the purchase method. Any excess of cost of the business combination over the GME Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the consolidated balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost.

Following initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computer software	33 to 50% per annum

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold property	16 to 33% per annum
Plant and equipment	20 to 30% per annum

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Impairment of assets

Impairment of trade and other receivables

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the GME Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the GME Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statements.

Impairment of other assets

The GME Group assesses at each reporting date whether there is an indication that the following assets may be impaired:

- Intangible assets;
- Property, plant and equipment;
- Investments in subsidiaries; and
- Goodwill.

If any such indication exists, or when annual impairment testing for an asset is required, the GME Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

With the exception of goodwill, where impairments are not reversible, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished stocks and work in progress includes all costs incurred in bringing each product to its present location and condition including the overheads appropriate to the state of manufacture.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the year in which the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency transactions

The Financial Information is presented in Sterling which is GME's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except for differences on monetary assets and liabilities that form part of the GME Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Pensions

The GME Group operates a defined contribution pension scheme whose assets are held separately from those of the GME Group in an independently administered fund. Contributions are charged to the income statement as they become payable.

Leases

Assets held under finance leases, which transfer to the GME Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Impairment (see note above) is recognised when there is objective evidence that the GME Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the balance sheets comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Convertible loan notes

At initial recognition the derivative component of the convertible loan notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated income statement.

The derivative component is subsequently remeasured in fair value. The liability component is subsequently carried at amortised cost. The interest expense recognised in the consolidated income statement on the liability component is calculated using the effective interest method.

If the convertible loan notes are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible loan notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the consolidated income statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised costs unless the effect of discounting would be immaterial, in which case they are stated at cost.

Provisions

A provision is recognised when the GME Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Provision for loss making contracts is recognised for the amount by which costs exceeds revenue based on the best estimate of the expenditure required to settle the GME Group's liability.

Share-based payments

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002 that had not vested by 1 April 2004, is measured by reference to the fair value at the date on which they are granted.

No expense is recognised for awards that will not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Borrowing costs

Borrowing costs are not capitalised as part of assets under the course of construction. Borrowing costs are recognised as an expense in the period in which they are incurred.

Related parties

For the purposes of these Financial Information, a party is considered to be related to the GME Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the GME Group or exercise significant influence over the GME Group in making financial and operating policy decisions, or has joint control over the GME Group;

(ii) the GME Group and the party are subject to common control;

(iii) the party is an associate of the GME Group or a joint venture in which the GME Group is a venturer;

(iv) the party is a member of key management personnel of the GME Group or the GME Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the GME Group or of any entity that is a related party of the GME Group.

Close family member of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Segment reporting

A segment is a distinguishable component of the GME Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the GME Group's financial reporting system, the GME Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purpose of the Financial Information.

Segment revenue, expenses, results, assets and liabilities include items directly to that segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

New standards and interpretations not yet effective

Up to date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 March 2008 and which have not been adopted in the Financial Information.

		Effective date
HKFRSs		
HKFRS 8	Operating Segments	1 January 2009
Revised HKAS 1	Presentation of Financial Statements	1 January 2009
Revised HKAS 23	Borrowing Costs	1 January 2009
HK(IFRIC) Interpretations		
HK(IFRIC) 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Management of the GME Group has not completed its review of the possible impact on the GME Group of the above standards and interpretations.

3. TURNOVER

The GME Group's turnover and loss before taxation were all derived from its principal activities, the design and manufacture of mechanical handling equipment, which were undertaken around the world.

4. SEGMENT INFORMATION

Primary reporting segment – Geographic segments

The following figures are based upon the country of origin (which is the same as destination).

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£ (unaudited)	£
(a) Revenue by geographic region					
– United Kingdom	4,633,052	8,302,398	9,267,286	4,240,982	6,503,096
– Americas	424,682	2,981,144	7,141,271	3,142,096	9,256,139
– Asia	–	1,597,369	2,237,225	226,547	4,032,177
	5,057,734	12,880,911	18,645,782	7,609,625	19,791,412
Discontinued operations	(2,507,711)	(5,122,110)	(2,995,039)	(1,390,858)	–
Adjustments and eliminations	(446,024)	(1,982,212)	(5,154,779)	(1,557,646)	(5,243,918)
	2,103,999	5,776,589	10,495,964	4,661,121	14,547,494
(b) Segment results					
– United Kingdom	(2,400,563)	(1,878,583)	(1,097,431)	(1,119,667)	(979,295)
– Americas	(203,848)	(1,707,493)	(5,429,899)	(1,405,555)	(320,849)
– Asia	–	(48,279)	1,698	(53,317)	(1,178,765)
	(2,604,411)	(3,634,355)	(6,525,632)	(2,578,539)	(2,478,909)
Discontinued operations	597,255	884,406	1,580,971	968,511	–
Adjustments and eliminations	(175,170)	(132,629)	(3,358,958)	(48)	(447,019)
	(2,182,326)	(2,882,578)	(8,303,619)	(1,610,076)	(2,925,928)

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
(c) Segment assets				
– United Kingdom	6,635,426	13,958,538	7,918,342	12,441,616
– Americas	782,359	3,629,989	7,079,658	11,306,243
– Asia	–	1,588,546	4,335,996	7,519,334
	7,417,785	19,177,073	19,333,996	31,267,193
Adjustments and eliminations	(3,239,572)	(8,952,090)	(10,207,176)	(14,724,220)
	4,178,213	10,224,983	9,126,820	16,542,973

		As at 31 March			As at 30 September
		2005	2006	2007	2007
		£	£	£	£
(d)	**Segment liabilities**				
	– United Kingdom	(5,532,728)	(8,224,246)	(4,844,474)	(10,020,777)
	– Americas	(1,144,067)	(5,584,706)	(14,320,394)	(18,713,152)
	– Asia	–	(1,636,824)	(4,327,035)	(8,751,939)
		(6,676,795)	(15,445,776)	(23,491,903)	(37,485,868)
	Adjustments and eliminations	2,460,906	8,174,533	10,938,512	14,859,694
		(4,215,889)	(7,271,243)	(12,553,391)	(22,626,174)

		Year ended 31 March			Six months ended 30 September	
		2005	2006	2007	2006	2007
		£	£	£	£	£
					(unaudited)	
(e)	**Segment capital expenditure**					
	– United Kingdom	97,769	83,024	236,547	118,273	44,564
	– Americas	12,690	264,305	20,029	10,015	–
	– Asia	–	5,617	34,139	17,070	20,899
		110,459	352,946	290,715	145,358	65,463
	Discontinued operations	(52,754)	(61,744)	(63,715)	(31,858)	–
		57,705	291,202	227,000	113,500	65,463
(f)	**Segment depreciation and amortisation**					
	– United Kingdom	54,849	63,811	101,210	63,256	52,700
	– Americas	–	–	132,096	43,198	1,391
	– Asia	–	878	8,030	4,015	5,410
		54,849	64,689	241,336	110,469	59,501
	Discontinued operations	(43,266)	(46,510)	(57,492)	(28,746)	–
		11,583	18,179	183,844	81,723	59,501

The adjustments and eliminations remove inter-segment trading results and outstanding balances.

For the goodwill impairment of £221,553 during the year ended 31 March 2007, £183,132 related to the Americas segment and £38,421 related to the United Kingdom segment. For the trade receivables impairment of £214,410 during the year ended 31 March 2007, £40,000 related to the United Kingdom segment and £174,410 related to the Americas segment.

Secondary reporting segment

The GME Group now operates in one business segment ie, building cranes for oil exploration industry. Prior to 31 March 2007, it also had another business segment in respect of the manufacture of watertight doors for submarines and large winches. These operations were discontinued during the year ended 31 March 2007 and disclosures of the results and cashflows of these operations are set out in Note 10.

5. OTHER OPERATING EXPENSES (NET)

Other operating expenses (net) for the six months ended 30 September 2007 relate to legal and professional costs relating to the bids for GME by IDM Group Limited and TSC Offshore Group Limited.

On 20 March 2007, the GME Group's subsidiaries NIM Engineering Limited and Ansell Jones (Paisley) Limited were put into administration. The respective businesses were either sold or closed by the administrators. For the year ended 31 March 2007, the GME Group recognised a total cost of £1,039,137 as other operating expenses (net) in relation to the administration of these companies. This cost included the write off of inter-company receivables.

For the year ended 31 March 2005 the following costs/gain were recognised as other operating expenses (net) in relation to a group re-organisation.

	£
Write off of inter-company debt relating to subsidiaries in liquidation	121,196
Redundancy costs	162,697
Gain on disposal of property, plant and equipment	(69,215)
	214,678

6. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting):

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£ (unaudited)	£
Depreciation					
– owned assets	54,849	58,552	217,068	104,463	40,285
– assets held under finance leases	–	–	9,221	–	9,657
Amortisation of intangible assets	–	6,137	15,047	6,006	9,559
Impairment of intangible assets	–	–	221,553	–	–
Operating lease rentals					
– property	55,846	162,859	305,481	152,740	109,963
– plant and machinery	8,683	55,052	–	–	–
Auditors' remuneration *(note 7)*	59,286	115,804	150,000	–	18,000
Net foreign exchange loss	2,429	11,363	103,647	132,452	58,033
(Gain)/loss on disposal of property, plant and equipment	(69,215)	1,200	32,016	–	(14,331)
Cost of inventories	1,336,516	5,045,802	10,891,078	4,625,421	13,157,673

7. AUDITORS' REMUNERATION

The GME Group paid the following amounts to its auditors in respect of the audit and other services provided to the GME Group:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£ (unaudited)	£
Current auditors					
Audit of the financial statements	–	–	150,000	–	–
Other services	–	–	–	–	18,000
	–	–	150,000	–	18,000
Prior auditors					
Audit of the financial statements	39,036	61,724	–	–	–
Other services	20,250	54,080	–	–	–
	59,286	115,804	–	–	–

8. EMPLOYEE COSTS

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£ (unaudited)	£
Wages and salaries	3,194,318	3,570,330	4,773,623	2,630,261	2,372,237
Social security costs	256,713	285,825	359,057	158,931	154,753
Other pension costs	43,671	33,523	23,793	15,716	25,412
	3,494,702	3,889,678	5,156,473	2,804,908	2,552,402
Share-based payment expenses	87,476	120,661	18,419	–	66,250
	3,582,178	4,010,339	5,174,892	2,804,908	2,618,652

The GME Group offers certain individuals contributions into contribution pension schemes. The rate of contribution varies depending upon the individuals service contract. All contributions vest to the individuals when paid but are subject to appropriate pension legislation in the country in which the individual resides. In addition the GME Group also makes contributions to mandatory state sponsored pension schemes where appropriate.

The share-based payments expense arises from equity-settled share-based payment transactions. The GME Group operates a defined contribution pension scheme contributions are charged to the income statement as they become payable.

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Directors' remuneration

Year ended 31 March 2005

	Salary	Bonus	Fees	Benefits in kind	Pension scheme contributions	Subtotal	Share-based payments	Total
	£	£	£	£	£	£	£	£
P P Wood	–	20,000	65,666	–	–	85,666	23,722	109,388
N B Fitzpatrick	–	–	16,667	–	–	16,667	3,558	20,225
S N Wild	70,447	20,000	–	–	2,400	92,847	23,722	116,569
W B Parkinson	–	–	8,000	–	–	8,000	–	8,000
G S Pearson	–	–	11,917	–	–	11,917	–	11,917
T Shuttleworth	25,000	–	–	561	1,000	26,561	–	26,561
K Osbourne	29,167	–	–	763	1,000	30,930	–	30,930
	124,614	40,000	102,250	1,324	4,400	272,588	51,002	323,590

Year ended 31 March 2006

	Salary	Bonus	Fees	Benefits in kind	Pension scheme contributions	Subtotal	Share-based payments	Total
	£	£	£	£	£	£	£	£
P Findlay	97,765	–	–	–	–	97,765	2,160	99,925
P P Wood	–	–	103,000	–	–	103,000	20,333	123,333
N B Fitzpatrick	–	–	12,000	–	–	12,000	3,050	15,050
S N Wild	73,780	–	–	–	2,400	76,180	20,333	96,513
W B Parkinson	–	–	12,334	–	–	12,334	–	12,334
G S Pearson	–	–	6,250	–	–	6,250	–	6,250
A C Gibson	9,712	–	–	–	–	9,712	1,504	11,216
G Nicholas	–	–	14,167	–	–	14,167	–	14,167
	181,257	–	147,751	–	2,400	331,408	47,380	378,788

Year ended 31 March 2007

	Salary	Bonus	Fees	Benefits in kind	Pension scheme contributions	Subtotal	Share-based payments	Total
	£	£	£	£	£	£	£	£
P Findlay	137,914	15,000	–	–	–	152,914	2,160	155,074
P P Wood	–	–	149,500	–	–	149,500	20,333	169,833
N B Fitzpatrick	–	–	14,250	–	–	14,250	3,050	17,300
S N Wild	10,853	–	–	–	–	10,853	–	10,853
W B Parkinson	–	–	9,162	–	–	9,162	–	9,162
A C Gibson	108,333	15,000	–	–	6,563	129,896	5,587	135,483
G Nicholas	–	–	20,000	–	–	20,000	–	20,000
	257,100	30,000	192,912	–	6,563	486,575	31,130	517,705

Six months ended 30 September 2006

	Salary	Bonus	Fees	Benefits in kind	Pension scheme contributions	Subtotal	Share-based payments	Total
	£	£	£	£	£	£	£	£
P Findlay	73,644	15,000	–	–	–	88,644	2,160	90,804
P P Wood	–	–	81,000	–	–	81,000	20,333	101,333
N B Fitzpatrick	–	–	5,750	–	–	5,750	3,050	8,800
S N Wild	19,684	–	–	–	–	19,684	–	19,684
W B Parkinson	–	–	5,004	–	–	5,004	–	5,004
A C Gibson	50,833	15,000	–	–	–	65,833	5,587	71,420
G Nicholas	–	–	10,000	–	–	10,000	–	10,000
	144,161	30,000	101,754	–	–	275,915	31,130	307,045

Six months ended 30 September 2007

	Salary	Bonus	Fees	Benefits in kind	Pension scheme contributions	Subtotal	Share-based payments	Total
	£	£	£	£	£	£	£	£
P Findlay	73,644	–	–	–	–	73,644	900	74,544
P P Wood *(Note)*	–	–	104,683	–	–	104,683	–	104,683
N B Fitzpatrick	–	–	21,000	–	–	21,000	1,271	22,271
A C Gibson	57,500	–	–	–	7,875	65,375	2,041	67,416
G Nicholas	–	–	10,000	–	–	10,000	–	10,000
	131,144	–	135,683	–	7,875	274,702	4,212	278,914

Note: Fees of PP Wood for the six months ended 30 September 2007 include £66,000 in respect of the compensation for loss of office.

Individuals with highest emoluments

An analysis of the five individuals with the highest emoluments between directors and other individuals is provided below:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
Directors	3	3	3	3	3
Other individuals	2	2	2	2	2
	5	5	5	5	5

Directors' emoluments are disclosed above. The aggregate of the emoluments in respect of the other two individuals (who are not directors) are as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
Salaries and other emoluments	130,000	190,833	159,737	114,233	112,374

The emoluments of the individuals with the highest emoluments (who are not directors) are within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
Nil – HK$1,000,000 (equivalent to £65,400)	1	–	–	1	2
HK$1,000,001 (equivalent to £65,400) – HK$1,500,000 (equivalent to £98,100)	1	2	2	1	–

10. DISCONTINUED OPERATIONS

On 20 March 2007 the GME Group's subsidiaries NIM Engineering Limited and Ansell Jones (Paisley) Limited were put into administration in the United Kingdom. The respective businesses were either sold or closed by the administrators. The overall cost to the GME Group of £1,039,137 includes the write off of inter-company receivables, has been included in other operating expenses (net) and is in respect of discontinued operations for the year ended 31 March 2007. These subsidiaries have been treated as discontinued operations that have been abandoned.

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Revenue	2,507,711	5,122,110	2,995,039	1,390,858	–
Expenses	(3,096,780)	(5,994,335)	(4,550,944)	(2,325,537)	–
Operating loss	(589,069)	(872,225)	(1,555,905)	(934,679)	–
Net finance expense	(8,186)	(12,181)	(25,066)	(33,832)	–
Loss before tax from discontinued operations	(597,255)	(884,406)	(1,580,971)	(968,511)	–
Taxation	–	–	–	–	–
Loss for the year/period from discontinued operations	(597,255)	(884,406)	(1,580,971)	(968,511)	–
Cashflows from discontinued operations:					
Cash (used in)/generated from operating activities	(137,756)	196,688	83,019	98,344	–
Cash used in investing activities	(52,754)	(62,944)	(63,715)	(31,472)	–
Cash used in financing activities	(5,449)	(12,181)	(25,066)	(6,090)	–

11. NET FINANCE (EXPENSE)/INCOME

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Bank interest income	5,546	10,636	30,389	19,032	33,246
Bank interest expense	(39,589)	(58,832)	(8,353)	(5,695)	–
Other interest expense	(86,657)	(94,750)	(28,512)	–	(21)
Net finance (expense)/income	(120,700)	(142,946)	(6,476)	13,337	33,225

Bank interest payable and other interest payable relate to borrowing wholly repayable within five years.

12. TAXATION

(a) The major components of income tax expense for the year/period are:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£	£
				(unaudited)	
Current tax					
Corporation tax – continuing operations	–	–	47,613	–	–
Deferred tax					
Origination and reversal of temporary differences	3,121	–	–	–	–
	3,121	–	47,613	–	–

United Kingdom and America corporation taxes are calculated at 30% and 35% of the estimated assessable profit for all periods presented respectively. Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) The income tax expense for the year/period can be reconciled to the loss for the year/period before taxation per the consolidated income statement as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
£	£	£	£	£ (unaudited)	£
Loss for the year/period before taxation	(2,179,205)	(2,882,578)	(8,256,006)	(1,610,076)	(2,925,928)
Loss for the year/period before taxation multiplied by the standard rate of corporation tax in the countries concerned	(653,762)	(864,773)	(2,488,705)	(483,023)	(877,778)
Effects of:					
Expenses not deductible for tax purposes	68,445	38,978	488,337	19,489	40,000
Capital allowances in excess of depreciation	4,951	(3,614)	(10,146)	(1,807)	–
Tax losses not relieved	781,322	1,094,531	2,112,293	755,894	877,778
Non-taxable income	(18,658)	–	–	–	–
Losses on discontinued activities	(179,177)	(265,322)	(474,291)	(290,553)	–
Other short term timing differences	–	200	420,125	–	(40,000)
Actual tax expenses	3,121	–	47,613	–	–

(c) Unrecognised tax losses

The GME Group has an unprovided deferred tax asset in respect of cumulative tax losses available to carry forward at 30 September 2007 of approximately £7 million (31 March 2007: £6.1 million; 2006: £5.9 million; 2005: £4.8 million). No deferred tax asset has been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

13. LOSS PER ORDINARY SHARE

Basic loss per share amounts are calculated by dividing loss for the year/period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year/period.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year/period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the results and shares data used in the basic, diluted and adjusted loss per share computations:

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	£	£	£	£ (unaudited)	£
Amounts attributable to equity holders of the parent					
Loss – continuing operations	2,183,721	2,881,183	8,303,619	1,610,076	2,925,928
Loss – discontinued operations	597,255	884,406	1,580,971	968,511	–
Loss for the year/period	2,780,976	3,765,589	9,884,590	2,578,587	2,925,928
	Number	*Number*	*Number*	*Number*	*Number*
Basic weighted average number of ordinary shares	7,379,344	21,866,834	65,206,532	58,419,507	72,288,198
Diluted weighted average number of ordinary shares	7,379,344	21,866,834	65,206,532	58,419,507	72,288,198

Potential ordinary shares resulting from share options and convertible loan notes were excluded from the calculation of diluted loss per share because they are anti-dilutive.

Loss per share for the discontinued operations is derived from the net loss attributable to equity holders of the parent from discontinuing operations divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

14. INTANGIBLE ASSETS

The GME Group

	Goodwill £	Software £	Total £
Cost			
At 1 April 2004	–	–	–
Acquisition of subsidiaries *(note 16)*	221,553	–	221,553
At 31 March 2005	221,553	–	221,553
At 1 April 2005	221,553	–	221,553
Additions	–	21,598	21,598
At 31 March 2006	221,553	21,598	243,151
At 1 April 2006	221,553	21,598	243,151
Additions	–	28,338	28,338
At 31 March 2007	221,553	49,936	271,489
At 1 April 2007	221,553	49,936	271,489
Additions	–	2,114	2,114
At 30 September 2007	221,553	52,050	273,603
Amortisation			
At 1 April 2004	–	–	–
Amortisation	–	–	–
At 31 March 2005	–	–	–
At 1 April 2005	–	–	–
Amortisation	–	(6,137)	(6,137)
At 31 March 2006	–	(6,137)	(6,137)
At 1 April 2006	–	(6,137)	(6,137)
Amortisation	–	(15,047)	(15,047)
Impairment	(221,553)	–	(221,553)
At 31 March 2007	(221,553)	(21,184)	(242,737)
At 1 April 2007	(221,553)	(21,184)	(242,737)
Amortisation	–	(9,559)	(9,559)
At 30 September 2007	(221,553)	(30,743)	(252,296)
Net book value			
At 31 March 2005	221,553	–	221,553
At 31 March 2006	221,553	15,461	237,014
At 31 March 2007	–	28,752	28,752
At 30 September 2007	–	21,307	21,307

Software which is not an integral part of the related hardware, is treated as an intangible asset and is amortised over 2 to 3 years.

Goodwill relates to the acquisition of Ansell Jones Limited Walsall Division, Ansell Jones Limited Paisley Division and Patriot Cranes Inc. during year ended 31 March 2005. The impairment loss of £221,553 during the year ended 31 March 2007 represented the write-down of the goodwill recognised in relation to the acquisition of these businesses.

Goodwill acquired through business combinations has been allocated to the statutory entities to which the goodwill relates for impairment testing purposes. These statutory entities represent the cash generating units at the lowest level within the GME Group at which goodwill is monitored for internal management purposes.

The recoverable amount of these cash generating units has been determined by way of a value in use calculation using cash flow projections based on financial budgets approved by the board covering a four year period. The discount rate applied to cash flow projections is 9%.

During the year ended 31 March 2007 it was determined that the recoverable amount of these cash generating units was less than the carrying value of their assets. This resulted in the write down of the goodwill balance. The Patriot Crane Inc. goodwill impairment of £183,132 is allocated to the Americas geographical segment, the Ansell Jones Limited Walsall Division and Ansell Jones Limited Paisley Division goodwill impairments of £19,211 and £19,210 are allocated to the United Kingdom geographical segment.

15. PROPERTY, PLANT AND EQUIPMENT

The GME Group

	Leasehold property £	Plant and equipment £	Total £
Cost			
At 1 April 2004	47,815	395,818	443,633
Additions	–	110,459	110,459
Disposals	–	(860)	(860)
At 31 March 2005	47,815	505,417	553,232
At 1 April 2005	47,815	505,417	553,232
Additions	–	331,348	331,348
Disposals	–	(8,493)	(8,493)
At 31 March 2006	47,815	828,272	876,087
At 1 April 2006	47,815	828,272	876,087
Additions	24,073	238,304	262,377
Disposals	(43,951)	(640,297)	(684,248)
At 31 March 2007	27,937	426,279	454,216
At 1 April 2007	27,937	426,279	454,216
Additions	–	63,349	63,349
Disposals	–	(1,006)	(1,006)
At 30 September 2007	27,937	488,622	516,559
Depreciation			
At 1 April 2004	(43,951)	(285,406)	(329,357)
Charge for the year	(3,864)	(50,985)	(54,849)
Disposals	–	645	645
At 31 March 2005	(47,815)	(335,746)	(383,561)
At 1 April 2005	(47,815)	(335,746)	(383,561)
Charge for the year	–	(58,552)	(58,552)
At 31 March 2006	(47,815)	(394,298)	(442,113)
At 1 April 2006	(47,815)	(394,298)	(442,113)
Charge for the year	(10,564)	(215,725)	(226,289)
Disposals	43,951	446,646	490,597
At 31 March 2007	(14,428)	(163,377)	(177,805)
At 1 April 2007	(14,428)	(163,377)	(177,805)
Charge for the period	(4,029)	(45,913)	(49,942)
At 30 September 2007	(18,457)	(209,290)	(227,747)

	Leasehold property £	Plant and equipment £	Total £
Net book value			
At 31 March 2005	–	169,671	169,671
At 31 March 2006	–	433,974	433,974
At 31 March 2007	13,509	262,902	276,411
At 30 September 2007	9,480	279,332	288,812

Included in plant and equipment above are motor vehicles held under finance leases or hire purchase contracts as follows:

	Net book value £	Depreciation charged in year/period £
At 31 March 2005	–	–
At 31 March 2006	–	–
At 31 March 2007	68,031	9,221
At 30 September 2007	58,374	9,657

GME

	Leasehold property £	Plant and equipment £	Total £
Cost			
At 1 April 2004	47,815	287,217	335,032
Additions	–	42,197	42,197
Disposals	–	(860)	(860)
At 31 March 2005	47,815	328,554	376,369
At 1 April 2005	47,815	328,554	376,369
Additions	–	1,225	1,225
Disposals	–	(7,293)	(7,293)
At 31 March 2006	47,815	322,486	370,301
At 1 April 2006	47,815	322,486	370,301
Additions	–	40,313	40,313
Disposals	(43,951)	(322,486)	(366,437)
At 31 March 2007	3,864	40,313	44,177
At 1 April 2007	3,864	40,313	44,177
Additions	–	–	–
Disposals	–	–	–
At 30 September 2007	3,864	40,313	44,177
Depreciation			
At 1 April 2004	43,951	280,062	324,013
Charge for the year	3,864	5,432	9,296
Disposals	–	(645)	(645)
At 31 March 2005	47,815	284,849	332,664
At 1 April 2005	47,815	284,849	332,664
Charge for the year	–	13,025	13,025
Disposals	–	(2,679)	(2,679)
At 31 March 2006	47,815	295,195	343,010
At 1 April 2006	47,815	295,195	343,010
Charge for the year	–	26,497	26,497
Disposals	(43,951)	(295,195)	(339,146)
At 31 March 2007	3,864	26,497	30,361
At 1 April 2007	3,864	26,497	30,361
Charge for the period	–	6,718	6,718
At 30 September 2007	3,864	33,215	37,079

	Leasehold property £	Plant and equipment £	Total £
Net book value			
At 31 March 2005	–	43,705	43,705
At 31 March 2006	–	27,291	27,291
At 31 March 2007	–	13,816	13,816
At 30 September 2007	–	7,098	7,098

GME has no assets held under finance leases or hire purchase contracts.

16. BUSINESS COMBINATIONS

On 11 July 2004 the GME Group via its subsidiary Ansell Jones Limited (formerly LUPFAW 160 Limited) purchased the trade and assets of the Walsall division of Ansell Jones Limited, a company in administration, resulting in goodwill of £19,211.

On the same date the GME Group via its subsidiary Ansell Jones (Paisley) Limited (formerly LUPFAW 161 Limited) purchased the trade and assets of the Paisley division of Ansell Jones Limited resulting in goodwill of £19,210.

Book and fair values of the identifiable assets and liabilities at date of acquisition were as follows:

Ansell Jones Limited Walsall Division

	Book value £	Fair value adjustments £	Fair value £
Inventory and work in progress	130,049	–	130,049
	130,049	–	130,049
Goodwill arising on acquisition			19,211
Consideration			149,260
Discharged by cash			149,260
Cash outflow on acquisition:			
Net cash acquired with the subsidiary			–
Cash paid			149,260
Net cash outflow			149,260

From the date of acquisition, Ansell Jones Limited Walsall Division contributed a loss of £523,440 to the net loss of the GME Group. If the combination had taken place at the beginning of the year ended 31 March 2005, the loss after tax for the GME Group for the year would have been £2,954,581.

The goodwill of £19,211 comprises the fair value of expected synergies arising from the acquisition.

Ansell Jones Limited Paisley Division

	Book value	Fair Value adjustments	Fair value
	£	£	£
Inventory and work in progress	88,379	–	88,379
	88,379	–	88,379
Goodwill arising on acquisition			19,210
Consideration			107,589
Discharged by cash			107,589
Cash outflow on acquisition:			
Net cash acquired with the subsidiary			–
Cash paid			107,589
Net cash outflow			107,589

From the date of acquisition, Ansell Jones Limited Paisley Division contributed a loss of £330,742 to the net loss of the GME Group. If the combination had taken place at the beginning of the year ended 31 March 2005, the loss after tax for the GME Group for the year would have been £2,879,581.

The goodwill of £19,210 comprises the fair value of expected synergies arising from the acquisition.

On 11 November 2004 the GME Group's 90% owned US subsidiary Patriot Mechanical Handling Inc, acquired 100% of the trade and assets of Patriot Cranes Inc. resulting in goodwill of £183,132.

Patriot Cranes Inc.

	Book value	Fair value adjustments	Fair value
	£	£	£
Property, plant and equipment	335	–	335
Inventory and work in progress	89,028	–	89,028
Trade and other receivables	102,102	–	102,102
Cash at bank and in hand	9,823	–	9,823
Trade and other payables	(313,788)	–	(313,788)
	(112,500)	–	(112,500)
Goodwill arising on acquisition			183,132
Consideration			70,632
Discharged by:			
Shares issued			51,455
Cash			19,177
			70,632
Cash outflow on acquisition:			
Net cash acquired with the subsidiary			9,823
Cash paid			(19,177)
Net cash outflow			9,354

The GME Group issued 6,431,583 ordinary shares with a fair value of 0.8p each, being the published price of the shares at the date of exchange.

From the date of acquisition, Patriot Cranes Inc. contributed a profit of £122,307 to the net loss of the GME Group. If the combination had taken place at the beginning of the year ended 31 March 2005, the loss after tax for the GME Group for the year would have been £2,779,581.

The goodwill of £183,132 comprises the fair value of expected synergies arising from the acquisition.

17. INVENTORIES

The GME Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Raw materials	393,434	962,327	–	1,232
Work in progress	1,083,783	3,188,411	772,540	1,882,246
Finished goods	84,967	36,750	538	–
	1,562,184	4,187,488	773,078	1,883,478

All the inventories are stated at cost.

18. TRADE AND OTHER RECEIVABLES

The GME Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Trade receivables	1,478,653	3,265,946	3,237,774	8,004,929
Amounts due from customers under construction contracts *(note 24)*	–	1,002,234	1,267,784	4,645,589
Less allowance for doubtful debts	–	–	(214,410)	(214,410)
	1,478,653	4,268,180	4,291,148	12,436,108
Prepayments and accrued income	262,346	256,755	36,280	26,596
Other taxation and social security	55,744	24,260	205,480	664,520
Other receivables	96,419	195,789	137,359	345,232
	1,893,162	4,744,984	4,670,267	13,472,456

Trade receivables are non-interest bearing and are generally on 30-45 day terms depending on the geographical territory in which the sales are generated. The carrying value of trade and other receivables also represents their fair value.

During the six months ended 30 September 2007, provision for impairment of £nil (year ended 31 March 2005: £nil; 2006: £nil; 2007: £214,410 and six months ended 30 September 2006: £nil) was recognised in selling and administrative expenses.

Before accepting new customers a review of the credit worthiness and general stability of the client was performed. Where necessary group corporate guarantees or letters of credit are used to ensure payment.

As at 30 September 2007, included in the GME Group's trade receivable balance are debtors with a carrying amount of £4,356,799 (31 March 2007: £1,374,090; 2006: £1,116,009; 2005: £571,426) which are past due at the reporting date for which the GME Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The GME Group does not hold any collateral over these balances.

As at 30 September 2007, trade receivables at nominal value of £214,410 (31 March 2007: £214,410; 2006: £nil; 2005: £nil) were impaired and fully provided for.

There were no movements in the provision other than its creation during the year ended 31 March 2007.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days
	£	£	£	£	£	£	£
30-Sep-07	7,790,519	3,433,720	3,521,677	395,215	439,907	–	–
31-Mar-07	3,023,364	1,649,274	476,548	843,460	54,082	–	–
31-Mar-06	3,265,946	2,149,937	606,085	235,241	159,531	115,152	–
31-Mar-05	1,478,653	907,227	363,755	142,015	65,656	–	–

GME

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Trade receivables	–	–	99,164	–
Less allowance for doubtful debts	–	–	–	–
	–	–	99,164	–
Amounts owed by subsidiary undertakings	1,907,678	4,658,447	2,506,346	993,947
Prepayments and accrued income	9,948	19,155	13,000	–
Other taxation and social security	51,767	17,903	99,164	–
Other receivables	81,715	42,590	126,790	141,790
	2,051,108	4,738,095	2,844,464	1,135,737

19. CASH AND CASH EQUIVALENTS

The GME Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Cash at bank and in hand	331,643	621,523	3,378,312	876,920

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the GME Group, and earn interest at the respective short-term deposit rates.

20. TRADE AND OTHER PAYABLES

The GME Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Trade payables	1,320,740	2,394,663	2,392,890	7,252,901
Amounts due to customers under construction contracts *(note 24)*	96,774	362,615	7,714,672	10,771,753
Other tax and social security	497,573	383,444	62,122	303,890
Accrued liabilities and other payables	962,024	2,940,088	996,893	929,467
	2,877,111	6,080,810	11,166,577	19,258,011
Non-current				
Other payables	107,758	–	–	–

Trade payables are non-interest bearing and are normally settled on 30 day terms or as otherwise agreed with suppliers.

GME

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Trade payables	128,112	81,858	199,569	286,694
Amounts owed to subsidiary undertakings	104,877	103,945	1,522,280	340,097
Other tax and social security	83,067	8,691	6,134	132,840
Accrued liabilities and other payables	339,888	225,005	264,392	551,232
	655,944	419,499	1,992,375	1,310,863
Non-current				
Other payables	107,758	–	–	–

21. FINANCIAL LIABILITIES

The GME Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Bank loans	117,220	75,000	–	–
Overdrafts	788,800	790,433	3,754	–
Convertible loan notes	–	325,000	275,000	202,250
Current obligations under hire purchase contracts *(note 22)*	–	–	23,661	48,131
	906,020	1,190,433	302,415	250,381
Non-current				
Convertible loan notes	325,000	–	–	–
Non-current obligations under hire purchase contracts *(note 22)*	–	–	37,747	–
	325,000	–	37,747	–

Financial liabilities are carried at amounts not materially different from their fair values.

The bank loans and overdrafts are secured by a fixed and floating charge over all the assets of the GME Group. All group companies are party to a corporate cross guarantee. The obligations under hire purchase contracts are secured against the assets to which they relate.

The loan notes were issued to LGH Limited on the acquisition of NIM Engineering Limited in January 2004 and are convertible by the note holder into ordinary shares after the first anniversary of their issue. They are convertible into ordinary shares at the greater of £1 per share and 90% of the mid market price. The loan notes were redeemable at par in January 2007, and could be redeemed earlier by GME giving 20 days notice. Interest of 5% accrues on the loan notes. The equity element of these compound financial instruments calculated under HKAS 39 is not material and therefore has not been shown separately. The outstanding loan notes at 30 September 2007 were converted into ordinary shares in November 2007.

GME

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Current				
Bank loans and overdrafts	567,647	75,000	–	–
Convertible loan notes	–	325,000	275,000	202,250
	567,647	400,000	275,000	202,250
Non-current				
Convertible loan notes	325,000	–	–	–

22. OBLIGATIONS UNDER LEASE ARRANGEMENTS

Hire purchase contracts

The GME Group has entered into commercial leases on certain motor vehicles. These leases have an average life of 3 years. Future minimum lease payments under hire purchase contracts together with the present value of the minimum lease payments are as follows:

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Future minimum lease payments due:				
Not later than one year	–	–	26,556	55,826
After one year but not more than five years	–	–	42,547	–
	–	–	69,103	55,826
Less finance charges allocated to future periods	–	–	(7,695)	(7,695)
Present value of the minimum lease payments	–	–	61,408	48,131
Present value of the minimum lease payments is analysed as follows:				
Not later than one year	–	–	23,661	48,131
After one year but not more than five years	–	–	37,747	–
	–	–	61,408	48,131

Operating lease agreements where the GME Group is lessee

The GME Group has rented commercial properties in different geographical locations under lease agreements with a maximum term of 5 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	£	£	£	£
Not later than one year	22,117	15,470	219,274	212,375
After one year but not more than five years	50,000	170,655	459,307	462,402
After five years	–	78,573	23,945	4,581
	72,117	264,698	702,526	679,358

23. PROVISIONS

Provision for loss making contracts is recognised for the amount by which costs exceeds revenue based on the best estimate of the expenditure required to settle the GME Group's liability under long term contracts. These provisions will be utilised over the next 12 months.

24. CONSTRUCTION CONTRACTS

The GME Group

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	£	£	£	£
Recognised and included in the Financial Information as amounts due:				
From customers under construction contracts *(note 18)*	–	1,002,234	1,267,784	4,645,589
To customers under construction contracts *(note 20)*	(96,774)	(362,615)	(7,714,672)	(10,771,753)
	(96,774)	639,619	(6,446,888)	(6,126,164)

At 30 September 2007, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included the amounts due from customers under construction contracts, is £22,311,000 (31 March 2007: £13,723,000).

25. FINANCIAL RISK MANAGEMENT

The GME Group's principal financial instruments comprise borrowings, cash, trade receivables and payables that arise directly from the GME Group's operations. All are considered to be stated at their fair value due to their short maturity profile.

Treasury policy and financial risk management

Financial risk management is conducted at a group level, applying treasury policies which have been approved by the board of directors. The main financial risks to which the GME Group is exposed relate to liquidity risk and movements in foreign currency exchange rates. The latter is mitigated by the fact that a proportion of trade receivables and payables are paid in the same currency. It is, and has been throughout the period under review, the GME Group's policy that no speculative use of derivatives, currency or other instruments is undertaken.

The directors review and agree policies for managing each of these risks as summarised below. These policies have remained unchanged from previous years.

Credit risk

The GME Group's principal financial assets are cash and bank deposits and trade and other receivables.

The GME Group's credit risk is primarily attributable to its trade receivables. The GME Group only trades with recognised and creditworthy third parties. In order to manage credit risk it is the GME Group's policy that all customers who wish to pay on credit terms are subject to credit verification procedures. Credit limits are set for customers based on a combination of payment history and third party credit references. These limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Trade receivables are generally due within 30-45 days from the date of billing.

The amounts presented in the balance sheets are net of allowance for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The GME Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties, geographical markets and currencies.

With respect to cash and deposits, the GME Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets. To mitigate this risk, cash and deposits are only held with reputable banking institutions.

Liquidity risk

The GME Group prepares budgets annually in advance which enables the GME Group's operating cash flow requirements to be anticipated and to ensure sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets safely and profitably.

The GME Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and hire purchase contracts.

As at 30 September 2007, the GME Group had net current liabilities of GBP6,393,320 and net liabilities of GBP6,083,201. In October 2007, GME entered into an agreement with Spring Capital Resources Inc. which gives GME a USD14 million working capital facility to meet its financial obligations for the next 12 months.

The table below summarises the maturity profile of the GME Group's financial liabilities based on contractual undiscounted payments:

The GME Group

	On demand	< 3 months	3 – 12 months	1 – 5 years	Total
	£	£	£	£	£
30 September 2007					
Bank loans and overdrafts	–	–	–	–	–
Convertible loan notes	202,250	–	–	–	202,250
Hire purchase obligations	–	12,032	36,099	–	48,131
Amount due to customers under construction contracts	10,771,753	–	–	–	10,771,753
Trade payables	–	7,252,901	–	–	7,252,901
Other liabilities	–	1,233,357	–	–	1,233,357
	10,974,003	8,498,290	36,099	–	19,508,392
31 March 2007					
Bank loans and overdrafts	3,754	–	–	–	3,754
Convertible loan notes	275,000	–	–	–	275,000
Hire purchase obligations	–	5,915	17,746	37,747	61,408
Amount due to customers under construction contracts	7,714,672	–	–	–	7,714,672
Trade payables	–	2,392,890	–	–	2,392,890
Other liabilities	–	1,059,015	–	–	1,059,015
	7,993,426	3,457,820	17,746	37,747	11,506,739
31 March 2006					
Bank loans and overdrafts	865,433	–	–	–	865,433
Convertible loan notes	–	–	325,000	–	325,000
Hire purchase obligations	–	–	–	–	–
Amount due to customers under construction contracts	362,615	–	–	–	362,615
Trade payables	–	2,394,663	–	–	2,394,663
Other liabilities	–	3,323,532	–	–	3,323,532
	1,228,048	5,718,195	325,000	–	7,271,243
31 March 2005					
Bank loans and overdrafts	906,020	–	–	–	906,020
Convertible loan notes	–	–	–	325,000	325,000
Hire purchase obligations	–	–	–	–	–
Amount due to customers under construction contracts	96,774	–	–	–	96,774
Trade payables	–	1,320,740	–	–	1,320,740
Other liabilities	–	1,459,597	–	107,758	1,567,355
	1,002,794	2,780,337	–	432,758	4,215,889

Market risk

The principle market risk to which the GME Group faces is foreign currency risk.

Foreign currency risk

The GME Group is exposed to translation and transaction foreign exchange risk. Several other currencies in addition to the reporting currency of Sterling are used for trading globally, including US dollars. The GME Group experiences currency exchange differences arising upon retranslation of monetary items, which are recognised in the consolidated income statement in the period the retranslation occurs. The GME Group endeavours to match the cash inflows and outflows in the various currencies; the GME Group typically invoices its customers in their local currency, and typically pays its local expenses in local currency as a means to mitigate this risk. The GME Group is also exposed to exchange differences arising from the translation of its subsidiaries' financial information to the GME Group's reporting currency of the Sterling with the corresponding exchange differences taken directly to reserves.

The following table demonstrates the sensitivity to changes in US dollar exchange rates with all other variables held constant of the GME Group's loss before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the GME Group's equity.

	Increase/decrease in US dollar exchange rate	**Decrease/ (increase) in loss before tax** £
30 September 2007	+5%	66,187
	–5%	(73,154)
31 March 2007	+5%	333,953
	–5%	(375,272)
31 March 2006	+5%	7,694
	–5%	(8,504)
31 March 2005	+5%	7,694
	–5%	(8,504)

Interest rate risk

At 30 September 2007, the GME Group was not exposed to significant interest rate risk. During the Relevant Period, the bank loans and overdrafts were secured by a fixed and floating charge over the GME Group's undertakings and assets. The overdrafts were repayable on demand and bear interest based on the bank's base rate fluctuating from time to time.

Capital management

The GME Group's primary objective when managing capital are to safeguard the GME Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the GME Group consists of cash and cash equivalents as disclosed in note 19, equity attributable to equity holders of the parent, comprising issued capital, convertible loan notes, debt and reserves as disclosed in notes 21, 26 and the statement of changes in equity.

The GME Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The GME Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the board of directors, the GME Group will balance its overall capital structure through new share issues, debt and share buy-backs.

No changes were made in the GME Group's objectives, policies or processes during the years ended 31 March 2005, 2006 and 2007 and the six months ended 30 September 2006 and 2007.

26. ISSUED CAPITAL

	31 March							
	2005		2006		2007		30 September 2007	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
	'000	*£*	*'000*	*£*	*'000*	*£*	*'000*	*£*
Authorised								
Ordinary shares of 0.025p	1,600,000	400,000	–	–	–	–	–	–
Ordinary shares of 2.5p	–	–	100,000	2,500,000	100,000	2,500,000	100,000	2,500,000
Issued and fully paid								
Ordinary shares of 0.025p								
At beginning of the year/period	496,012	124,003	1,017,384	254,346	–	–	–	–
Issue of ordinary shares	521,372	130,343	3,279,954	819,989	–	–	–	–
Ordinary shares issued under convertible loan notes	–	–	140,941	35,235	–	–	–	–
Consolidation of par value from 0.025p to 2.5p each	–	–	(4,438,279)	(1,109,570)	–	–	–	–
At end of the year/period	1,017,384	254,346	–	–	–	–	–	–
Ordinary shares of 2.5p								
At beginning of the year/period	–	–	–	–	44,790	1,119,752	71,790	1,794,752
Consolidation of par value from 0.025p to 2.5p each	–	–	44,383	1,109,570	–	–	–	–
Issue of ordinary shares	–	–	407	10,182	27,000	675,000	504	12,590
At end of the year/period	–	–	44,790	1,119,752	71,790	1,794,752	72,294	1,807,342
Total		254,346		1,119,752		1,794,752		1,807,342

On 23 December 2005, every 100 ordinary shares of GME of 0.025p each were consolidated into one ordinary share of 2.5p each.

Nature and purpose of reserves

Other reserves represent employee equity benefits reserve. This reserve is used to record the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Foreign exchange reserves are used to record exchange differences arising from the translation of the financial information of foreign subsidiaries.

Share options

All options are stated at values revised following the share consolidation during the year ended 31 March 2006.

Corporate Synergy has an option to subscribe for 72,394 ordinary shares exercisable at 400p each between 23 August 2001 and 23 August 2011.

On 22 August 2001 share options totalling 56,250 ordinary shares were granted to certain employees of the GME Group. These are exercisable at 400p per share between 23 August 2004 and 23 August 2011.

On 31 August 2004 share options were granted to employees of the GME Group. These are exercisable at 72.5p per share between 1 September 2007 and 1 September 2014.

On 31 August 2004 174,138 share options were granted to R L Watts, a consultant. These options are exercisable at 72.5p per share between 1 September 2007 and 1 September 2014.

On 28 December 2005 1,150,000 share options were granted to P Findlay, P P Wood and S N Wild, directors of GME. These options are exercisable at 17p per share between 29 December 2008 and 29 December 2015.

On 1 March 2006 200,000 share options were granted to A C Gibson, director of GME. These options are exercisable at 24.8p per share between 10 October 2009 and 10 October 2016.

On 26 March 2007 1,750,000 share options were granted to employees. These options are exercisable at 17.7p per share between 26 March 2010 and 26 March 2020.

27. DIVIDENDS

No dividends have been paid or proposed in any periods presented.

28. SHARE-BASED PAYMENTS

The GME Group has a Share Option Plan which allows the GME Group to grant options to directors and senior employees. The contractual life of the options is 10 years. The options become exercisable on the third anniversary of the date of the grant. Exercise of an option is subject to continued employment.

The options are treated as equity-settled and were valued using the Black-Scholes option pricing model. In accordance with transitional provisions of HKFRS 2 'Share-based Payment', the recognition and measurement provisions of HKFRS 2 have not been applied to options granted or shares awarded prior to 7 November 2002.

The expense recognised for share-based payments in respect of employee services received during the six months ended 30 September 2007 was £66,250 (year ended 31 March 2007: £18,419; 2006: £120,661; 2005: £87,476), all of which arises from equity-settled share-based payment transactions.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year/period.

The following table lists the inputs to the Black-Scholes model:

Grant date	**26 March 2007**	**1 March 2006**	**28 December 2005**	**31 August 2004**
Weighted average fair value (at measurement date)	10.4p	16.8p	32.0p	61.0p
Share price at grant date	17.7p	24.8p	17.0p	72.5p
Exercise price	17.7p	24.8p	17.0p	72.5p
Number of employees	16	1	3	22
Shares under option ('000)	1,750	200	1,150	623
Vesting period (years)	3	3.5	3	3
Expected volatility	65%	91%	109%	120%
Option life (years)	10	10	10	10
Expected life (years)	5	5	5	5
Risk-free rate	4.76%	4.08%	4.13%	5.01%
Expected dividends expressed as dividend yield	–	–	–	–
Fair value per option	10.4p	16.8p	32.0p	61.0p

The expected share price volatility is based on historic volatility. The expected option life is the average expected period in exercise. The assumed dividend yield is zero. The risk-free rate of return is the yield on the Bank of England short term gilts, of a term consistent with the assumed option life. The number and weighted average exercise price of the share options are as follows:

	Year ended 31 March						**Six months ended 30 September**	
	2005 Options	**2005 WAEP** *(pence)*	**2006 Options**	**2006 WAEP** *(pence)*	**2007 Options**	**2007 WAEP** *(pence)*	**2007 Options**	**2007 WAEP** *(pence)*
Outstanding at beginning of the year/period	128,644	400.0	751,144	128.6	2,101,144	57.6	3,463,213	37.1
Awarded	622,500	72.5	1,350,000	18.2	1,750,000	17.7	–	–
Forfeited	–	–	–	–	(387,931)	60.6	(837,931)	26.5
Outstanding at end of the year/period	751,144	128.6	2,101,144	57.6	3,463,213	37.1	2,625,282	40.5

29. MATERIAL RELATED PARTY TRANSACTIONS

Compensation of key management is covered in note 9 and other related party transactions are covered below.

WB Parkinson, a director of GME, has a controlling interest in the LGH Group. During the six months ended 30 September 2007, the GME Group paid rent and related property costs of £nil (year ended 31 March 2007: £85,992; 2006: £78,573; 2005: £39,266 and six months ended 30 September 2006: £42,996) to the LGH Group.

In addition, LGH Limited held a convertible loan note which is referred to in note 21. £50,000 of the loan notes was redeemed for cash during the year ended 31 March 2007, £72,750 of the loan notes was redeemed for cash during the six months ended 30 September 2007 and £202,250 was converted into shares after 30 September 2007 for 781,250 ordinary shares.

PP Wood, a director, provided GME with a £300,000 loan on 24 November 2005. This was subsequently converted into 177,268,332 ordinary shares at 0.17p per share.

During the six months ended 30 September 2007 N B Fitzpatrick, a non-executive Director, was paid a fee of £6,000 (year ended 31 December 2007: £11,001; 2006: £8,000; 2005: £nil and six months ended 30 September 2006: £5,500) in his role as company secretary.

30. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitment

At 30 September 2007 the GME Group has capital commitment authorised but not contracted for amounted £2 million.

Guarantees and liquidated damages

GME is part of a group cross guarantee arrangement with its bankers. The bank has a fixed and floating charge over the assets of the companies to secure the overdraft of GME and its subsidiaries. The maximum potential liability at the period end was £nil.

At 30 September 2007 the GME Group had outstanding performance bonds in place totalling approximately £4.9 million (31 March 2007: £4.7 million; 2006: £3.3 million; 2005: £nil).

At 30 September 2007 the GME Group had potential maximum exposure to liquidated damages of £4.3 million should all the incomplete contracts on hand are subsequently delayed in despatch. There is no history of customers levying liquidated damages against the GME Group and as such the directors assess the likelihood of a liability crystallising in this respect to be remote. As such no provision has been booked.

31. POST BALANCE SHEET EVENTS

In October 2007, Spring Capital Resources, Inc. of the British Virgin Islands entered into an agreement to provide a working capital facilities to the GME Group of USD14 million repayable after 12 months. This should provide the GME Group with sufficient working capital to fulfil its needs during the period.

In November 2007 a total of 781,250 new ordinary shares of 2.5p each were issued at 17.6p per share, pursuant to a conversion notice served to GME in connection with a convertible loan note agreement entered into between LGH Limited and GME.

32. INVESTMENTS IN SUBSIDIARIES

GME

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	£	£	£	£
Unlisted shares, at cost	786,606	786,606	786,606	786,606
Less impairment loss	(49,802)	(624,802)	(786,606)	(786,606)
	736,804	161,804	–	–

Details of the principal subsidiaries are set out below:

Name of entity	Country of registration or incorporation	Class of shares	% held by the GME Group	% held by GME	Principal activity
Patriot Mechanical Handling Limited	England and Wales	Ordinary	100%	100%	Design and manufacture of mechanical handling equipment
Ansell Jones Limited	England and Wales	Ordinary	100%	100%	Design and manufacture of mechanical handling equipment
Ansell Jones (Cranes) Limited	England and Wales	Ordinary	100%	100%	Design and manufacture of mechanical handling equipment
Patriot Mechanical Handling Pte Limited	Singapore	Ordinary	100%	100%	Design and manufacture of mechanical handling equipment
Patriot Mechanical Handing Inc	USA	Ordinary	100%	100%	Design and manufacture of mechanical handling equipment
Patriot Mechanical Handling Industria Comercio E Servicos Limiteda	Brazil	Ordinary	100%	–	Design and manufacture of mechanical handling equipment
NIM Engineering Limited *(note)*	England and Wales	Ordinary	100%	100%	Manufacture and sale of winching, lifting and other industrial equipment
Ansell Jones (Paisley) Limited *(note)*	England and Wales	Ordinary	100%	100%	Design and manufacture of lifting, mooring and other equipment

Note: On 20 March 2007, NIM Engineering Limited and Ansell Jones (Paisley) Limited were put into administration (note 10).

33. TRANSITION TO HKFRSs

For all periods up to and including the year ended 31 March 2007, the GME Group prepared its financial statements in accordance with UK GAAP. Financial statements for the year ending 31 March 2008 will be the first the GME Group is required to prepare in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). IFRSs adopted by the GME Group are materially consistent with those of the HKFRSs presently adopted by TSC Offshore Group Limited.

In preparing the Financial Information, the GME Group has started from an opening balance sheet as at 1 April 2004 and made those changes in accounting policies and other restatements required by HKFRSs. This note explains the principal adjustments made by the GME Group in restating its UK GAAP balance sheet as at 1 April 2004 and its previously published UK GAAP financial statements. The adjustments to HKFRSs are classified below under three headings: 'reclassifications', 'remeasurements' and 'restatements'.

The significant accounting policies are described in Note 2 to the Financial Information.

The GME Group reconciliation of equity as at 1 April 2004

	Note	UK GAAP	Reclassifi-cations	Remeasure-ments	HKFRSs
		£	£	£	£
Non-current assets					
Intangible assets – Goodwill	*e*	(24,701)	–	24,701	–
Intangible assets – Other		–	–	–	–
Property, plant and equipment		114,276	–	–	114,276
Deferred tax asset	*d*	–	3,121	–	3,121
		89,575	3,121	24,701	117,397
Current assets					
Inventories		589,552	–	–	589,552
Trade and other receivables	*d*	683,998	(3,121)	–	680,877
Cash and cash equivalents		292,910	–	–	292,910
		1,566,460	(3,121)	–	1,563,339
Current liabilities					
Trade and other payables	*f*	(779,538)	–	(3,755)	(783,293)
Financial liabilities		(498,303)	–	–	(498,303)
Provisions		–	–	–	–
		(1,277,841)	–	(3,755)	(1,281,596)
Net current assets		288,619	(3,121)	(3,755)	281,743
Total assets less current liabilities		378,194	–	20,946	399,140
Non-current liabilities					
Other payables		–	–	–	–
Financial liabilities		(325,000)	–	–	(325,000)
		(325,000)	–	–	(325,000)
Net assets		53,194	–	20,946	74,140
Capital and reserves					
Called up share capital		124,003	–	–	124,003
Share premium		2,558,157	–	–	2,558,157
Foreign exchange reserves		–	–	–	–
Other reserves		(99)	–	–	(99)
Accumulated losses	*e, f*	(2,628,867)	–	20,946	(2,607,921)
Total equity attributable to equity holders of the parent		53,194	–	20,946	74,140
Minority interests		–	–	–	–
Total equity		53,194	–	20,946	74,140

The GME Group reconciliation of equity as at 31 March 2005

	Note	UK GAAP £	Reclassifi-cations £	Remeasure-ments £	Restate-ments £	HKFRSs £
Non-current assets						
Intangible assets – Goodwill	*e, h*	534,608	–	61,517	(374,572)	221,553
Intangible assets – Other		–	–	–	–	–
Property, plant and equipment		169,671	–	–	–	169,671
		704,279	–	61,517	(374,572)	391,224
Current assets						
Inventories		1,562,184	–	–	–	1,562,184
Trade and other receivables	*h*	1,718,976	–	–	174,186	1,893,162
Cash and cash equivalents		331,643	–	–	–	331,643
		3,612,803	–	–	174,186	3,786,989
Current liabilities						
Trade and other payables	*b, f*	(2,748,078)	(107,759)	(21,274)	–	(2,877,111)
Financial liabilities		(906,020)	–	–	–	(906,020)
Provisions		–	–	–	–	–
		(3,654,098)	(107,759)	(21,274)	–	(3,783,131)
Net current (liabilities)/assets		(41,295)	(107,759)	(21,274)	174,186	3,858
Total assets less current liabilities		662,984	(107,759)	40,243	(200,386)	395,082
Non-current liabilities						
Other payables	*b*	–	(107,758)	–	–	(107,758)
Financial liabilities		(325,000)	–	–	–	(325,000)
		(325,000)	(107,758)	–	–	(432,758)
Net assets/(liabilities)		337,984	(215,517)	40,243	(200,386)	(37,676)
Capital and reserves						
Called up share capital		254,346	–	–	–	254,346
Share premium	*h*	5,058,867	–	–	(50,764)	5,008,103
Foreign exchange reserves		–	–	–	–	–
Other reserves	*b, g*	215,418	(215,517)	87,476	–	87,377
Accumulated losses	*e, f, g, h*	(5,192,042)	–	(47,233)	(149,622)	(5,388,897)
Total equity attributable to equity holders of the parent		336,589	(215,517)	40,243	(200,386)	(39,071)
Minority interests		1,395	–	–	–	1,395
Total equity		337,984	(215,517)	40,243	(200,386)	(37,676)

The GME Group reconciliation of income statement for the year ended 31 March 2005

	Note	**UK GAAP** £	**Remeasure-ments** £	**Restate-ments** £	**HKFRSs** £
Continuing operations					
Revenue		2,103,999	–	–	2,103,999
Cost of sales		(1,336,516)	–	–	(1,336,516)
Gross profit		767,483	–	–	767,483
Selling and administrative expenses	*e, f, g, h*	(2,393,509)	(68,179)	(149,622)	(2,611,310)
Other operating expenses (net)		(214,678)	–	–	(214,678)
Loss from continuing operations		(1,840,704)	(68,179)	(149,622)	(2,058,505)
Net finance expense		(120,700)	–	–	(120,700)
Loss from continuing operations before taxation		(1,961,404)	(68,179)	(149,622)	(2,179,205)
Taxation		(3,121)	–	–	(3,121)
Loss for the year from continuing operations		(1,964,525)	(68,179)	(149,622)	(2,182,326)
Discontinued operations					
Loss after tax from discontinued operations		(597,255)	–	–	(597,255)
Loss for the year		(2,561,780)	(68,179)	(149,622)	(2,779,581)
Attributable to:					
Equity holders of the parent		(2,563,175)	(68,179)	(149,622)	(2,780,976)
Minority interests		1,395	–	–	1,395
		(2,561,780)	(68,179)	(149,622)	(2,779,581)

The GME Group reconciliation of equity as at 31 March 2006

	Note	UK GAAP £	Reclassifications £	Remeasurements £	Restatements £	HKFRSs £
Non-current assets						
Intangible assets – Goodwill	*e, h*	455,459	–	140,666	(374,572)	221,553
Intangible assets – Other	*a*	–	15,461	–	–	15,461
Property, plant and equipment	*a*	449,435	(15,461)	–	–	433,974
		904,894	–	140,666	(374,572)	670,988
Current assets						
Inventories		4,187,488	–	–	–	4,187,488
Trade and other receivables	*h*	5,113,079	–	–	(368,095)	4,744,984
Cash and cash equivalents		621,523	–	–	–	621,523
		9,922,090	–	–	(368,095)	9,553,995
Current liabilities						
Trade and other payables	*b, f, h*	(4,874,875)	(107,759)	(24,419)	(1,073,757)	(6,080,810)
Financial liabilities		(1,190,433)	–	–	–	(1,190,433)
Provisions		–	–	–	–	–
		(6,065,308)	(107,759)	(24,419)	(1,073,757)	(7,271,243)
Net current assets		3,856,782	(107,759)	(24,419)	(1,441,852)	2,282,752
Total assets less current liabilities		4,761,676	(107,759)	116,247	(1,816,424)	2,953,740
Non-current liabilities						
Other payables		–	–	–	–	–
Financial liabilities		–	–	–	–	–
		–	–	–	–	–
Net assets		4,761,676	(107,759)	116,247	(1,816,424)	2,953,740
Capital and reserves						
Called up share capital		1,119,752	–	–	–	1,119,752
Share premium	*h*	10,820,275	–	–	(50,764)	10,769,511
Foreign exchange reserves	*c*	–	10,925	–	–	10,925
Other reserves	*b, g*	222,442	(101,880)	87,476	–	208,038
Accumulated losses	*b, c, e, f, g, h*	(7,400,793)	(16,804)	28,771	(1,765,660)	(9,154,486)
Total equity attributable to equity holders of the parent		4,761,676	(107,759)	116,247	(1,816,424)	2,953,740
Minority interests		–	–	–	–	–
Total equity		4,761,676	(107,759)	116,247	(1,816,424)	2,953,740

The GME Group reconciliation of income statement for the year ended 31 March 2006

	Note	UK GAAP	Reclassifications	Remeasurements	Restatements	HKFRSs
		£	£	£	£	£
Continuing operations						
Revenue	*h*	6,096,293	–	–	(319,704)	5,776,589
Cost of sales	*h*	(3,981,288)	–	–	(1,064,514)	(5,045,802)
Gross profit		2,115,005	–	–	(1,384,218)	730,787
Selling and administrative expenses	*b, e, f, h*	(3,308,724)	(5,879)	76,004	(231,820)	(3,470,419)
Other operating expenses (net)		–	–	–	–	–
Loss from continuing operations		(1,193,719)	(5,879)	76,004	(1,616,038)	(2,739,632)
Net finance expense		(142,946)	–	–	–	(142,946)
Loss from continuing operations before taxation		(1,336,665)	(5,879)	76,004	(1,616,038)	(2,882,578)
Taxation		–	–	–	–	–
Loss for the year from continuing operations		(1,336,665)	(5,879)	76,004	(1,616,038)	(2,882,578)
Discontinued operations						
Loss after tax from discontinued operations		(884,406)	–	–	–	(884,406)
Loss for the year		(2,221,071)	(5,879)	76,004	(1,616,038)	(3,766,984)
Attributable to:						
Equity holders of the parent		(2,219,676)	(5,879)	76,004	(1,616,038)	(3,765,589)
Minority interests		(1,395)	–	–	–	(1,395)
		(2,221,071)	(5,879)	76,004	(1,616,038)	(3,766,984)

The GME Group reconciliation of equity as at 31 March 2007

	Note	UK GAAP £	Reclassifi-cations £	Remeasure-ments £	Restate-ments £	HKFRSs £
Non-current assets						
Intangible assets – Goodwill		–	–	–	–	–
Intangible assets – Other	*a*	–	28,752	–	–	28,752
Property, plant and equipment	*a*	305,163	(28,752)	–	–	276,411
		305,163	–	–	–	305,163
Current assets						
Inventories		773,078	–	–	–	773,078
Trade and other receivables		4,670,267	–	–	–	4,670,267
Cash and cash equivalents		3,378,312	–	–	–	3,378,312
		8,821,657	–	–	–	8,821,657
Current liabilities						
Trade and other payables	*b, f*	(11,149,748)	(5,879)	(10,950)	–	(11,166,577)
Financial liabilities		(302,415)	–	–	–	(302,415)
Provisions		(1,046,652)	–	–	–	(1,046,652)
		(12,498,815)	(5,879)	(10,950)	–	(12,515,644)
Net current liabilities		(3,677,158)	(5,879)	(10,950)	–	(3,693,987)
Total assets less current liabilities		(3,371,995)	(5,879)	(10,950)	–	(3,388,824)
Non-current liabilities						
Other payables		–	–	–	–	–
Financial liabilities		(37,747)	–	–	–	(37,747)
		(37,747)	–	–	–	(37,747)
Net liabilities		(3,409,742)	(5,879)	(10,950)	–	(3,426,571)
Capital and reserves						
Called up share capital		1,794,752	–	–	–	1,794,752
Share premium	*h*	13,855,940	–	–	(50,764)	13,805,176
Foreign exchange reserves	*c*	–	(213,880)	–	–	(213,880)
Other reserves	*g*	138,981	–	87,476	–	226,457
Accumulated losses	*b, c, e, f, g, h*	(19,199,415)	208,001	(98,426)	50,764	(19,039,076)
Total equity attributable to equity holders of the parent		(3,409,742)	(5,879)	(10,950)	–	(3,426,571)
Minority interests		–	–	–	–	–
Total equity		(3,409,742)	(5,879)	(10,950)	–	(3,426,571)

The GME Group reconciliation of income statement for the year ended 31 March 2007

	Note	UK GAAP £	Remeasure-ments £	Restate-ments £	HKFRSs £
Continuing operations					
Revenue	*h*	10,176,260	–	319,704	10,495,964
Cost of sales	*h*	(11,933,888)	–	1,042,810	(10,891,078)
Gross loss		(1,757,628)	–	1,362,514	(395,114)
Selling and administrative expenses	*e, f, h*	(7,141,992)	(127,198)	453,911	(6,815,279)
Other operating expenses (net)		(1,039,137)	–	–	(1,039,137)
Loss from continuing operations		(9,938,757)	(127,198)	1,816,425	(8,249,530)
Net finance expense		(6,476)	–	–	(6,476)
Loss from continuing operations before taxation		(9,945,233)	(127,198)	1,816,425	(8,256,006)
Taxation		(47,613)	–	–	(47,613)
Loss for the year from continuing operations		(9,992,846)	(127,198)	1,816,425	(8,303,619)
Discontinued operations					
Loss after tax from discontinued operations		(1,580,971)	–	–	(1,580,971)
Loss for the year		(11,573,817)	(127,198)	1,816,425	(9,884,590)
Attributable to:					
Equity holders of the parent		(11,573,817)	(127,198)	1,816,425	(9,884,590)
Minority interests		–	–	–	–
		(11,573,817)	(127,198)	1,816,425	(9,884,590)

The GME Group reconciliation of income statement for the six months ended 30 September 2006 (unaudited)

	Note	UK GAAP	Remeasure-ments	Restate-ments	HKFRSs
		£	£	£	£
Continuing operations					
Revenue	*h*	4,341,417	–	319,704	4,661,121
Cost of sales	*h*	(5,498,446)	–	873,025	(4,625,421)
Gross (loss)/profit		(1,157,029)	–	1,192,729	35,700
Selling and administrative expenses	*e, f, h*	(1,801,904)	59,856	82,935	(1,659,113)
Other operating expenses (net)		–	–	–	–
Loss from continuing operations		(2,958,933)	59,856	1,275,664	(1,623,413)
Net finance income		13,337	–	–	13,337
Loss from continuing operations before taxation		(2,945,596)	59,856	1,275,664	(1,610,076)
Taxation		–	–	–	–
Loss for the period from continuing operations		(2,945,596)	59,856	1,275,664	(1,610,076)
Discontinued operations					
Loss after tax from discontinued operations		(968,511)	–	–	(968,511)
Loss for the period		(3,914,107)	59,856	1,275,664	(2,578,587)
Attributable to:					
Equity holders of the parent		(3,914,107)	59,856	1,275,664	(2,578,587)
Minority interests		–	–	–	–
		(3,914,107)	59,856	1,275,664	(2,578,587)

The following changes to accounting policies and presentation resulted from the transition to HKFRSs:

Reclassifications

(a) Intangible assets

HKAS 38 – *Intangible Assets* requires that software costs which are not integral to the operation of the piece of machinery be classified as intangible assets. The costs and depreciation relating to expenditure on software which is not integral to the operation of machinery has been reclassified from property, plant and equipment to intangible assets.

(b) Shares to be issued

HKAS 32 – *Financial Instruments: Disclosure and Presentation* states that where a contract is settled in an entity's own equity and the entity is required to deliver a variable number of shares whose value equals a fixed amount then the contract is not an equity instrument, but is a financial asset or a financial liability. Shares to be issued have been reclassified as liabilities in other payables in accordance with HKAS 32. Exchange differences arising on the liability within the balance sheet are recognised in the income statement in the period in which they arise.

(c) Foreign exchange reserve

HKAS 21 – *The Effect of Changes in Foreign Exchange Rates* states that in consolidated financial statements that exchange differences arising on investments in foreign operations shall be recognised initially in a separate component of equity. The amounts were previously recognised in the accumulated losses under UK GAAP and have been reclassified to the foreign exchange reserves under HKFRSs.

(d) Deferred tax assets

HKAS 12 – *Income Taxes* requires that an entity should not classify deferred tax assets and liabilities as current assets and liabilities. Accordingly, the deferred tax asset of £3,121 at 1 April 2004 has been reclassified to non-current assets.

Remeasurements

(e) Goodwill

Under UK GAAP, the GME Group amortised goodwill over its useful economic life. HKFRS 3 – *Business Combinations* requires that goodwill is not amortised but is subject to an annual impairment review instead. Impairment tests performed in accordance with HKAS 36 at 31 March 2007 resulted in the impairment of the goodwill balance in full.

The remeasurement adjustments made to the GME Group balance sheet reverse the amortisation of goodwill charged under UK GAAP since 1 April 2004 as follows:

	Amortisation
	£
Amortisation charged during the year ended 31 March 2005	61,517
Amortisation charged during the year ended 31 March 2006	79,149
Amortisation charged during the six months ended 30 September 2006	42,877
Amortisation charged during the year ended 31 March 2007	48,078

In some business combinations, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the combination. Under UK GAAP, any such excess was recognised as 'negative goodwill'.

Where 'negative goodwill' arises, HKFRS 3 requires the acquirer to reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Having undertaken that reassessment, the standard then requires that any excess remaining after that reassessment shall be recognised immediately in profit or loss.

Negative goodwill of £24,701 arose on the acquisition of NIM Engineering Limited on 30 January 2004. Under UK GAAP, this balance was written off during the year ended 31 March 2005. Under HKFRS 3, the balance was recognised within accumulated losses at 1 April 2004.

(f) Holiday pay accrual

HKAS 19 – *Employee Benefits* requires that where an entity compensates employees for holiday, an accrual be recognised to the extent that accumulated untaken entitlement can be carried forward and taken or paid in a future period. Holiday pay accruals were not recognised by the GME Group under UK GAAP. The following accruals were made in accordance with HKAS 19.

	Accrual
	£
1 April 2004	3,755
31 March 2005	21,274
31 March 2006	24,419
30 September 2006	7,440
31 March 2007	10,950

(g) Share-based payments

HKFRS 2 – *Share-based Payment* requires the fair value of options which ultimately vest to be charged to the income statement over the vesting of performance period. The fair value is determined at the date of the grant using an appropriate pricing model. The GME Group has taken the exemption available under HKFRSs not to calculate the share-based payment expenses for any equity instruments that were granted on or before 7 November 2002.

The cost of share options issued subsequent to this date totalling £87,476 that was not recognised under UK GAAP has been recognised in the year ended 31 March 2005.

Effects of HKFRSs remeasurements on the loss reported under UK GAAP

	Year ended 31 March		**Six months ended 30 September**	**Year ended 31 March**
	2005	**2006**	**2006**	**2007**
	£	£	£	£
Reversal of goodwill amortisation	61,517	79,149	42,877	48,078
Reversal of negative goodwill write off	(24,701)	–	–	–
Impairment of goodwill	–	–	–	(188,744)
Movement in holiday pay accrual	(17,519)	(3,145)	16,979	13,468
Share-based payment expense	(87,476)	–	–	–
(Increase)/decrease in reported loss for the year/period	(68,179)	76,004	59,856	(127,198)

Effects of HKFRSs remeasurements on the equity reported under UK GAAP

	As at 1 April 2004	As at 31 March 2005	As at 31 March 2006	As at 30 September 2006	As at 31 March 2007
	£	£	£	£	£
Reversal of goodwill amortisation	–	61,517	140,666	183,543	188,744
Reversal of negative goodwill write off	24,701	–	–	–	–
Impairment of goodwill	–	–	–	–	(188,744)
Recognition of holiday pay accrual	(3,755)	(21,274)	(24,419)	(7,440)	(10,950)
Increase/(decrease) in reported equity	20,946	40,243	116,247	176,103	(10,950)

Restatements

(h) HKAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* requires that material prior period errors be corrected retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Subsequent to 31 March 2007, it came to light that a significant amount of costs relating to construction contracts which had been regarded as complete or substantially complete prior to 31 March 2007 have not been recorded. However, there was inadequate trail to explain their nature or the accounting periods in which they should be recorded. Consequently, these costs were included in the consolidated income statement for the year ended 31 March 2007.

During the six months ended 30 September 2007, part of the significant costs mentioned above were able to be allocated by management of GME to the relevant accounting periods. The GME Group has restated the prior period results for errors which were not considered fundamental under UK GAAP, but which should be corrected through prior period adjustments in accordance with HKAS 8. For the other majority part of the significant costs, these costs remained and included in the consolidated income statement for the year ended 31 March 2007 as mentioned in the above paragraph.

Restatement of cash flow statement from UK GAAP to HKFRSs

The transition from UK GAAP to HKFRSs has no effect upon the reported cash flows by the GME Group. The HKFRSs cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the HKFRSs presentation have no net impact on the cash flows generated.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the GME Group, GME or any of the companies comprising the GME Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,
KPMG
Hong Kong
Certified Public Accountants

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GME GROUP

(i) For the year ended 31 March 2005

(a) Business Review

For the year ended 31 March 2005, the GME Group recorded a revenue of approximately GBP2.1 million (equivalent to approximately HK$32.1 million) and a loss of approximately GBP2.8 million (equivalent to approximately HK$42.8 million) comprising of a loss after tax from discontinued operations of approximately GBP0.6 million (equivalent to approximately HK$9.2 million). Gross profit margin was approximately 36%. The loss for the year was mainly attributed to the costs of transferring the manufacturing facilities of Ansell Jones Limited ("Ansell Jones") based at Paisley and Walsall to the existing manufacturing facilities of the GME Group in the UK, details of which are set out in the section headed "Material acquisitions and disposals" below. No payment of dividend was recommended.

(b) Financial Position

Liquidity and financial resources

As at 31 March 2005, the GME Group's both current assets and current liabilities were approximately GBP3.8 million (equivalent to approximately HK$58.1 million). The current ratio (being current assets over current liabilities) of the GME Group was approximately 100%.

Non-current liabilities as at 31 March 2005 amounted to approximately GBP0.4 million (equivalent to HK$6.1 million) consisting of convertible loan notes and other non-current payables of approximately GBP0.3 million (equivalent to approximately HK$4.6 million) and GBP0.1 million (equivalent to approximately HK$1.5 million) respectively.

As at 31 March 2005, the gearing ratio of the GME Group was approximately 100%, which was based on total liabilities of approximately GBP4.2 million (equivalent to approximately HK$64.3 million) divided by total assets of approximately GBP4.2 million (equivalent to approximately HK$64.3 million).

Capital structure

GME had issued and fully paid share capital of approximately GBP0.3 million (equivalent to approximately HK$4.6 million) as at 31 March 2005. Details are set out in the section headed "Issued capital" of the accountants' report of the GME Group set out in this appendix.

The GME Group has a share option plan which allows the GME Group to grant options to its employees and directors. Details are set out in the section headed "Share-based payments" of the accountants' report of the GME Group set out in this appendix.

Charge on assets

As at 31 March 2005, all assets of the GME Group were pledged to secure banking facilities. Details are set out in the section headed "Financial liabilities" of the accountants' report of the GME Group set out in this appendix.

Material acquisitions and disposals

On 11 July 2004, the GME Group entered into an agreement to acquire all the manufacturing facilities of the Walsall and Paisley divisions of Ansell Jones for a total consideration of approximately GBP0.3 million (equivalent to approximately HK$4.6 million). Ansell Jones was principally engaged in the design, manufacturing and sale of water tight doors and lifting equipment to the offshore oil and gas industry.

On 11 November 2004, Patriot entered into an agreement to acquire all the trade and assets of Patriot Cranes Inc. for a consideration of approximately GBP71,000 (equivalent to approximately HK$1.1 million). Patriot Cranes Inc. was principally engaged in the design, manufacture and sale of cranes to the offshore oil and gas industry.

Save as disclosed above, the GME Group did not have any other material acquisitions or disposals during the year ended 31 March 2005.

Exchange risk

The GME Group was not materially exposed to exchange rate fluctuation risk although part of its business operations was carried out in the US and other countries.

The GME Group did not enter into any foreign forward contracts to hedge against exchange rate fluctuation during the year ended 31 March 2005.

Capital commitments and contingent liabilities

The GME Group had no capital commitments and contingent liabilities as at 31 March 2005.

(c) Employee and Remuneration Policy

During the year ended 31 March 2005, the average monthly number of staff including directors employed by the GME Group was 143 persons. The GME Group's remuneration policy was determined with reference to the relevant market terms and the performance of individual employees. The remuneration arrangements for executive directors were determined by GME's remuneration committee. The GME Group also provided contributory pension funds to its employees.

(ii) For the year ended 31 March 2006

(a) Business Review

The GME Group's revenue increased by about 176% from approximately GBP2.1 million (equivalent to approximately HK$32.1 million) for the year ended 31 March 2005 to approximately GBP5.8 million (equivalent to approximately HK$88.7 million) for the year ended 31 March 2006. The increase in revenue was mainly attributed to the growth of the order book and completion of orders on schedule. Despite the increase in revenue, the gross profit margin dropped to approximately 13% (2005: approximately 36%) mainly due to (i) higher production costs incurred as a result of the transfer of Ansell Jones' manufacturing facilities was not carried out efficiently by the GME Group; and (ii) certain loss-making contracts were entered into by the GME Group in order to capture market share.

For the year ended 31 March 2006, the GME Group recorded a loss of approximately GBP3.8 million (equivalent to approximately HK$58.1 million) (2005: GBP2.8 million, equivalent to approximately HK$42.8 million) comprising a loss after tax from discontinued operations of approximately GBP0.9 million (equivalent to approximately HK$13.8 million) (2005: GBP0.6 million, equivalent to approximately HK$9.2 million). The increase in loss for the year was mainly attributed to the closure and redundancy costs of closing the manufacturing facilities of Ansell Jones based at Walsall in July 2005. No payment of dividend was recommended.

(b) Financial Position

Liquidity and financial resources

As at 31 March 2006, the GME Group's current assets and current liabilities were approximately GBP9.6 million (equivalent to approximately HK$146.9 million) and GBP7.3 million (equivalent to approximately HK$111.7 million) respectively. The current ratio of the GME Group was about 132%.

The GME Group had no non-current liabilities as at 31 March 2006.

As at 31 March 2006, the gearing ratio of the GME Group was approximately 72%, which was based on total liabilities of approximately GBP7.3 million (equivalent to approximately HK$111.7 million) divided by total assets of approximately GBP10.2 million (equivalent to approximately HK$156.1 million).

Capital structure

During the year ended 31 March 2006, GME issued shares of approximately GBP0.8 million (equivalent to approximately HK$12.2 million). GME had issued and fully paid share capital of approximately GBP1.1 million (equivalent to approximately HK$16.8 million) as at 31 March 2006. Details are set out in the section headed "Issued capital" of the accountants' report of the GME Group set out in this appendix.

The GME Group has a share option plan which allows the GME Group to grant options to its employees and directors. Details are set out in the section headed "Share-based payments" of the accountants' report of the GME Group set out in this appendix.

Charge on assets

As at 31 March 2006, all assets of the GME Group were pledged to secure banking facilities. Details are set out in the section headed "Financial liabilities" of the accountants' report of the GME Group set out in this appendix.

Material acquisitions and disposals

The GME Group had no material acquisitions or disposals during the year ended 31 March 2006.

Exchange risk

The GME Group was not materially exposed to exchange rate fluctuation risk although part of its business operations was carried out in the US and other countries.

The GME Group did not enter into any foreign forward contracts to hedge against exchange rate fluctuation during the year ended 31 March 2006.

Capital commitments and contingent liabilities

The GME Group had no capital commitments as at 31 March 2006.

As at 31 March 2006, the GME Group had outstanding performance bonds amounting to approximately GBP3.3 million (equivalent to approximately HK$50.5 million) in aggregate. Details are set out in the section headed "Commitments and contingent liabilities" of the accountants' report of the GME Group set out in this appendix.

(c) Employee and Remuneration Policy

During the year ended 31 March 2006, the average monthly number of staff including directors employed by the GME Group was 175 persons. The GME Group's remuneration policy was determined with reference to the relevant market terms and the performance of individual employees. The remuneration arrangements for executive directors were determined by GME's remuneration committee. The GME Group also provided contributory pension funds to its employees.

(iii) For the year ended 31 March 2007

(a) Business Review

The GME Group's revenue increased by about 81% from approximately GBP5.8 million (equivalent to approximately HK$88.7 million) for the year ended 31 March 2006 to approximately GBP10.5 million (equivalent to approximately HK$160.7 million) for the year ended 31 March 2007. The increase in revenue was mainly attributed to the continual growth of the order book by obtaining new contracts and clients during the year. The GME Group had gross loss margin of approximately 4% (2006: gross profit margin of approximately 13%). The decrease in gross margin was mainly resulted from lack of profitable sales and inefficient cost controls.

For the year ended 31 March 2007, the GME Group's loss for the year amounted to approximately GBP9.9 million (equivalent to approximately HK$151.5 million) (2006: GBP3.8 million, equivalent to approximately HK$58.1 million) comprising of a loss after tax from discontinued operations of approximately GBP1.6 million (equivalent to approximately HK$24.5 million) (2006: GBP0.9 million, equivalent to approximately HK$13.8 million). The increase in loss for the year was mainly attributed to (i) certain loss-making contracts were entered into by the GME Group as a result of building a large order book in order to capture market share; and (ii) the closure costs of two subsidiaries of GME, NIM Engineering Limited and Ansell Jones Paisley Limited, which were put into voluntary administration on 20 March 2007. No payment of dividend was recommended.

(b) Financial Position

Liquidity and financial resources

As at 31 March 2007, the GME Group's current assets and current liabilities were approximately GBP8.8 million (equivalent to approximately HK$134.6 million) and GBP12.5 million (equivalent to approximately HK$191.3 million) respectively. The current ratio of the GME Group was about 70%.

As at 31 March 2007, the GME Group had non-current liabilities of approximately GBP38,000 (equivalent to approximately HK$0.6 million).

As at 31 March 2007, the gearing ratio of the GME Group was approximately 138%, which was based on total liabilities of approximately GBP12.6 million (equivalent to approximately HK$192.8 million) divided by total assets of approximately GBP9.1 million (equivalent to approximately HK$139.2 million).

Capital structure

During the year ended 31 March 2007, GME issued shares of approximately GBP0.7 million (equivalent to approximately HK$10.7 million). GME had issued and fully paid share capital of approximately GBP1.8 million (equivalent to approximately HK$27.5

million) as at 31 March 2007. Details are set out in the section headed "Issued capital" of the accountants' report of the GME Group set out in this appendix.

The GME Group has a share option plan which allows the GME Group to grant options to its employees and directors. Details are set out in the section headed "Share-based payments" of the accountants' report of the GME Group set out in this appendix.

Charge on assets

As at 31 March 2007, all assets of the GME Group were pledged to secure banking facilities while certain assets were pledged to secure the obligations under hire purchase contracts to which they relate. Details are set out in the section headed "Financial liabilities" of the accountants' report of the GME Group set out in this appendix.

Material acquisitions and disposals

On 20 March 2007, GME's wholly-owned subsidiaries, NIM Engineering Limited and Ansell Jones Paisley Limited, were put into voluntary administration.

Save as disclosed above, the GME Group had no other material acquisitions or disposals during the year ended 31 March 2007.

Exchange risk

The GME Group was not materially exposed to exchange rate fluctuation risk although part of its business operations was carried out in the US and other countries.

The GME Group did not enter into any foreign forward contracts to hedge against exchange rate fluctuation during the year ended 31 March 2007.

Capital commitments and contingent liabilities

The GME Group had no capital commitments as at 31 March 2007.

As at 31 March 2007, the GME Group had outstanding performance bonds of approximately GBP4.7 million (equivalent to approximately HK$71.9 million) in aggregate. Details are set out in the section headed "Commitments and contingent liabilities" of the accountants' report of the GME Group set out in this appendix.

(c) Employee and Remuneration Policy

During the year ended 31 March 2007, the average monthly number of staff including directors employed by the GME Group was 186 persons. The GME Group's remuneration policy was determined with reference to the relevant market terms and the performance of individual employees. The remuneration arrangements for executive directors were determined by GME's remuneration committee. The GME Group also provided contributory pension funds to its employees.

(iv) For the six months ended 30 September 2007

(a) Business Review

The GME Group's revenue for the six months ended 30 September 2007 increased by about 209% to approximately GBP14.5 million (equivalent to approximately HK$221.9 million) compared to the same period in the previous year (2006: GBP4.7 million, equivalent to HK$71.9 million). The increase in revenue was mainly attributed to the rapid growth of the order book of Patriot, the GME Group's primary subsidiary principally engaged in the manufacturing and sale of comprehensive engineering solutions for mechanical handling to the offshore oil and gas industry. The gross profit margin improved to approximately 10% (2006: approximately 1%) which was mainly attributed to higher utilisation of production capacity, better average selling price and economies of scale.

For the six months ended 30 September 2007, the GME Group's loss for the period amounted to approximately GBP2.9 million (equivalent to approximately HK$44.4 million) (2006: GBP2.6 million, equivalent to approximately HK$39.8 million). The increase in loss for the period was mainly resulted from the provisions for losses on certain future crane contracts amounted to approximately GBP1.6 million (equivalent to approximately HK$24.5 million). No payment of any interim dividend was recommended.

(b) Financial Position

Liquidity and financial resources

As at 30 September 2007, the GME Group's current assets and current liabilities were approximately GBP16.2 million (equivalent to approximately HK$247.9 million) and GBP22.6 million (equivalent to approximately HK$345.8 million) respectively. The current ratio of the GME Group was about 72%.

The GME Group had no non-current liabilities as at 30 September 2007.

As at 30 September 2007, the gearing ratio of the GME Group was 137%, which was based on total liabilities of approximately GBP22.6 million (equivalent to approximately HK$345.8 million) divided by total assets of approximately GBP16.5 million (equivalent to approximately HK$252.5 million).

Capital structure

During the six months ended 30 September 2007, GME issued shares of approximately GBP13,000 (equivalent to approximately HK$199,000). GME had issued and fully paid share capital of GBP1.8 million (equivalent to approximately HK$27.5 million) as at 30 September 2007. Details are set out in the section headed "Issued capital" of the accountants' report of the GME Group set out in this appendix.

The GME Group has a share option plan which allows the GME Group to grant options to its employees and directors. Details are set out in the section headed "Share-based payments" of the accountants' report of the GME Group set out in this appendix.

Charge on assets

As at 30 September 2007, all assets of the GME Group were pledged to secure banking facilities while certain assets were pledged to secure the obligations under hire purchase contracts to which they relate. Details are set out in the section headed "Financial liabilities" of the accountants' report of the GME Group set out in this appendix.

Material acquisitions and disposals

The GME Group had no material acquisitions or disposals during the six months ended 30 September 2007.

Exchange risk

The GME Group was not materially exposed to exchange rate fluctuation risk although part of its business operations was carried out in the US and other countries.

The GME Group did not enter into any foreign forward contracts to hedge against exchange rate fluctuation.

Capital commitments and contingent liabilities

As at 30 September 2007, the GME Group had capital commitment authorised but not contracted for amounted GBP2 million (equivalent to approximately HK$30.6 million).

The GME Group also had outstanding performance bonds of approximately GBP4.9 million (equivalent to approximately HK$75 million) in aggregate and potential maximum exposure to liquidated damages of approximately GBP4.3 million (equivalent to approximately HK$65.8 million). Details are set out in the section headed "Commitment and contingent liabilities" of the accountants' report of the GME Group set out in this appendix.

(c) Employee and Remuneration Policy

During the six months ended 30 September 2007, the average monthly number of staff including directors employed by the GME Group was 145 persons. The GME Group's remuneration policy was determined with reference to the relevant market terms and the performance of individual employees. The remuneration arrangements for executive directors were determined by GME's remuneration committee. The GME Group also provided contributory pension funds to its employees.

1. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix IV to this circular, a copy of this report is available for inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 February 2008

The Directors
TSC Offshore Group Limited

Dear Sirs,

TSC Offshore Group Limited (the "Company")
(formerly known as EMER International Group Limited)

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages 137 to 139 in Appendix III of the investment circular dated 29 February 2008 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of all the issued shares in Global Marine Energy Plc ("GME") might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out on page 137 of the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31 of the GEM Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group and GME had the acquisition of the entire shares in GME actually completed on 30 June 2007 or any future date.

Opinion

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
KPMG
Hong Kong
Certified Public Accountants

2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of TSC Offshore Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of all the issued shares in Global Marine Energy Plc ("GME") (the "Acquisition"), as if it had taken place on 30 June 2007.

This unaudited pro forma statement of assets and liabilities of the Group and GME and its subsidiaries (the "GME Group") (collectively referred to as the "Enlarged Group") as at 30 June 2007 has been prepared using the accounting policies materially consistent with that of the Group and based on the unaudited consolidated balance sheet of the Group as at 30 June 2007 as extracted from the Group's published interim financial report for the six months ended 30 June 2007 and the audited consolidated balance sheet of the GME Group as at 30 September 2007 as set out in Appendix II to this circular, after making certain pro forma adjustments as set out in the notes below. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarized in the notes below.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2007 or any future date. Further, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of GME as set out in Appendix II to this circular and other financial information included in elsewhere of this circular.

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2007	Audited consolidated statement of assets and liabilities of the GME Group as at 30 September 2007	Audited consolidated statement of assets and liabilities of the GME Group as at 30 September 2007	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000	*GBP'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1	*Note 2*	*Note 3*		*Note*	
NON-CURRENT ASSETS						
Property, plant and equipment	23,730	289	4,404	–		28,134
Properties under development	12,243	–	–	–		12,243
Lease prepayments	8,844	–	–	–		8,844
Intangible assets	408	21	320	143,985	4(a)	144,713
Goodwill	–	–	–	146,149	4(c)	146,149
Interest in associate	2,492	–	–	–		2,492
Deferred tax assets	3,564	–	–	–		3,564
	51,281	310	4,724	290,134		346,139
CURRENT ASSETS						
Lease prepayments	201	–	–	–		201
Inventories	92,194	1,884	28,712	–		120,906
Trade and other receivables	73,416	13,472	205,313	–		278,729
Bills receivable	23,500	–	–	–		23,500
Amounts due from directors	330	–	–	–		330
Amounts due from related companies	1,524	–	–	–		1,524
Cash and bank balances	38,138	877	13,365	(176,650)	4(d)	(125,147)
	229,303	16,233	247,390	(176,650)		300,043
CURRENT LIABILITIES						
Trade and other payables	33,598	19,258	293,491	9,600	4(e)	336,689
Bills payable, secured	25,500	–	–	–		25,500
Amount due to a related company	11	–	–	–		11
Current taxation	2,576	–	–	–		2,576
Financial liabilities	–	250	3,810	–		3,810
Short-term borrowings	22,688	–	–	–		22,688
Provisions	–	3,118	47,518	–		47,518
	84,373	22,626	344,819	9,600		438,792
NET CURRENT ASSETS/(LIABILITIES)	144,930	(6,393)	(97,429)	(186,250)		(138,749)
TOTAL ASSETS LESS CURRENT LIABILITIES	196,211	(6,083)	(92,705)	103,884		207,390
NON CURRENT LIABILITY						
Deferred tax liabilities	269	–	–	43,195	4(a)	11,448
				(32,016)	4(b)	
	269	–	–	11,179		11,448
NET ASSETS/(LIABILITIES)	195,942	(6,083)	(92,705)	92,705		195,942

Notes to the unaudited pro forma financial information:

1. The balances of the assets and liabilities of the Group are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2007 as included in the published interim financial report of the Group for the six months ended 30 June 2007.

2. The balances are extracted from the audited consolidated balance sheet of the GME Group as at 30 September 2007 as set out in Appendix II of this circular.

3. For the purpose of the pro forma statement of assets and liabilities of the Enlarged Group, the audited consolidated statement of assets and liabilities of the GME Group as at 30 September 2007 has been translated into Renminbi at an exchange rate of GBP1 to RMB15.24 which is the prevailing exchange rate as at 30 September 2007.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of the GME Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting. The adjustments represent:

   (a) the recognition of intangible assets of RMB143,985,000 representing the fair value of customer contracts and relationships, order backlog and technology-based assets and the related deferred tax liabilities of RMB43,195,000 estimated by the directors with reference to the valuation performed by an independent firm of professional valuer as referred to in note 4(c) below. Since the fair value of the intangible assets at the date of completion of the Acquisition may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of intangible assets to be recognition in connection with the Acquisition will be different from the estimated value stated herein.

   (b) the recognition of the deferred tax assets of RMB32,016,000 in respect of cumulative tax losses of the GME Group as at 30 September 2007. These tax losses have not been recognised by the GME Group as at 30 September 2007. The directors expect it is probable that future taxable profits against which the losses can be utilised upon the completion of the Acquisition.

   (c) the recognition of goodwill of RMB146,149,000 arising from the Acquisition being the excess of the total consideration of RMB186,250,000, including transaction costs directly attributable to the Acquisition of RMB9,600,000 as referred to in note (e) below, over the Group's interest in the fair value of the net identifiable assets of the GME Group of RMB40,101,000. For the purpose of purchase price allocation, the fair value of the net identifiable assets of the GME Group as referred to in note 4(a) above estimated by the directors with reference to the valuation performed by an independent firm of professional valuer, Globalview Advisors Limited, as at 30 September 2007 are applied in the calculation of the estimated goodwill arising from the Acquisition. Since the fair value of the net identifiable assets of the GME Group at the date of completion of the Acquisition may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of goodwill to be recognised in connection with the Acquisition will be different from the estimated goodwill stated herein.

   (d) the payment of cash consideration of GBP11,587,000 (equivalent to approximately RMB176,650,000). On 31 July 2007, 53,468,000 shares in the Company were issued at HK$5.8 each. Details of the issuance of shares in the Company were disclosed in the announcement of the Company dated 1 August 2007. The issuance of 53,468,000 shares in the Company is not directly attributable to the Acquisition and therefore has not been incorporated in the pro forma adjustments. Proceeds (before issue expenses) from the issue of 53,468,000 shares in the Company amounted HK$310,114,000. The proceeds will increase the cash balance of the Group and sufficient funds will be available to settle the consideration for the Acquisition.

   (e) the accrual of professional service fee of RMB9,600,000.

5. No adjustment has been made to reflect any trading result or other transaction of the Group and the GME Group entered into subsequent to 30 June 2007 and 30 September 2007 respectively.

3. INDEBTEDNESS

As at the close of business on 31 December 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	RMB'000
Bank loans	
– secured	40,743
– unsecured	7,900
Other loans	
– secured	29,656
– unsecured	4,754
Obligation under finance leases	2,773
	85,826

At 31 December 2007, the bank loans, unsecured other loans and the obligation under finance leases were payable as follows:

	RMB'000
Within one year	52,473
After one year but within two years	12,030
After two years but within five years	21,323
	85,826

At 31 December 2007, certain property, plant and equipment and bank deposits have been pledged to secure bank loans of the Enlarged Group.

Contingent liabilities

At 31 December 2007, the Enlarged Group had outstanding performance bonds in place and potential maximum exposure to liquidated damages of RMB68,992,000 and RMB29,522,000 respectively.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the appropriate rates of exchange prevailing at the close of business on 31 December 2007.

Save as disclosed above and apart from intra-group liabilities, as at the close of business on 31 December 2007, the Enlarged Group did not have any outstanding mortgages, charges, pledges, debentures, loan capitals, bank loan and overdrafts, debt securities or similar indebtedness, finance leases on hire purchase commitments, acceptance credits, any guarantees or other material contingent liabilities.

The Directors are not aware of any material changes in the Enlarged Group's indebtedness or contingent liabilities since 31 December 2007.

4. WORKING CAPITAL

The Directors are of the opinion that, following the acquisition of all the issued GME Shares, taking into account the financial resources available to the Enlarged Group, including the internally generated funds and the present available banking facilities, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Given that the oil and gas drilling activities maintain active worldwide, the demand for drilling products expendables is expected to continue to be strong in the years to come, especially for offshore drilling equipment. The Group will continue to implement its high growth strategy, seek ways to offer benefits to its customers and focus on its core business of serving the global oil and gas drilling industry.

If the Offer becomes unconditional, the management of the Group intends to relocate the GME Group's certain existing high-cost production facilities in the US and UK for the manufacturing of mechanical handling equipment to the Group's manufacturing base in the PRC. This is expected to reduce production costs and improve profitability of the GME Group. In addition, the Group's international sales and distribution network will be strengthened by leveraging on GME's global presence.

With the Group's competitive advantages in respect of its lower-cost manufacturing base in the PRC and international sales and distribution network as well as GME's strong customers base, design and brand presence, the Enlarged Group is well positioned to become a global company that offers complete turnkey packages. The Enlarged Group will continue to strive to increase its market share of the international offshore oil and gas drilling industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

Interests in Shares

	Number of Shares held (long position)					
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of the Company's issued share capital
Mr. Zhang Menggui *(Note 1)*	864,000	–	136,871,200	–	137,735,200	34.97%
Mr. Jiang Bing Hua *(Note 1)*	864,000	–	136,871,200	–	137,735,200	34.97%
Mr. Zhang Hongru *(Note 2)*	4,690,800	–	16,228,800	–	20,919,600	5.31%
Mr. Chen Yunqiang	1,123,200	–	–	–	1,123,200	0.29%

Notes:

1. The 136,871,200 Shares of corporate interests are held through Global Energy Investors, LLC, which is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 136,871,200 Shares.

2. The 16,228,800 Shares of corporate interests are held through Osbeck Investments Limited, a company wholly-owned by Mr. Zhang Hongru.

Interests in underlying shares through equity derivatives

Name of Director	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options
Mr. Zhang Menggui	19 October 2005	29 November 2005 to 18 October 2015	0.2383	2,592,000
Mr. Jiang Bing Hua	19 October 2005	29 November 2005 to 18 October 2015	0.2383	2,592,000
Mr. Chen Yunqiang	19 October 2005	29 November 2005 to 18 October 2015	0.2383	1,684,800
Mr. Zhang Hongru	19 October 2005	29 November 2005 to 18 October 2015	0.2383	1,555,200

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the directors and chief executive of the Company, the following entities or persons (other than directors or chief executive of the Company) had, or were taken or deemed to have, an 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 Part XV of the SFO or who were expected, directly or indirectly, to be interested in 10% 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 member of the Group:

Name	Capacity and nature of interest	Number of Shares/ underlying shares held	Approximate % of the Company's issued share capital
Global Energy Investors, LLC *(Note 1)*	Corporate	136,871,200 Shares	34.75%
Madam Chen Fengying *(Note 2)*	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
Madam Zhang Jiuli *(Note 3)*	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
YRS Investments Limited *(Note 4)*	Corporate	42,800,000 Shares	10.87%
YRS *(Note 4)*	Corporate	42,800,000 Shares	10.87%
Mr. Brian Chang *(Note 4)*	Interest in controlled entities	58,872,800 Shares	14.95%
Keywise Greater China Opportunities Master Fund *(Note 5)*	Corporate	41,488,000 Shares	10.53%
Keywise Capital Management (HK) Limited *(Note 5)*	Corporate	41,488,000 Shares	10.53%
DnB NOR Asset Management (Asia) Limited	Corporate	23,048,000 Shares	5.85%
NESTOR Fernost Fonds *(Note 6)*	Corporate	22,828,000 Shares	5.80%
NESTOR Investment Management S.A. *(Note 6)*	Corporate	22,828,000 Shares	5.80%
Madam Gao Haiping *(Note 7)*	Interest of the spouse	20,919,600 Shares and 1,555,200 share options	5.71%

Notes:

1. This interest represents the same block of corporate interest held by Mr. Zhang Menggui and Mr. Jiang Bing Hua as shown in the above section headed "Interests of the directors and chief executive of the Company.

2. These interests represent the same block of Shares and share options held by Mr. Zhang Menggui as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

3. These interests represent the same block of Shares and share options held by Mr. Jiang Bing Hua as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

4. YRS Investments Limited is ultimately wholly-owned by YRS, a company incorporated in Singapore and the shares of which are traded on the Oslo Over-the-Counter Market. Accordingly, YRS is deemed to be interested in 42,800,000 Shares held by YRS Investments Limited.

   YRS is owned as to approximately 45% by Mr. Brian Chang and his associates. Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by YRS Investment Limited as he holds more than one-third interest of the issued share capital of YRS Investment Limited. Mr. Brian Chang is also deemed to be interested in 16,072,800 Shares held by his wholly-owned company, Asian Infrastructure Limited.

5. Keywise Greater China Opportunities Master Fund is an investment fund registered in the Cayman Islands and is wholly-owned by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong.

6. NESTOR Investment Management S.A. held the 22,828,000 Shares on behalf of NESTOR Fernost Fonds, an undertaking for collection investments under the laws of the Grand Duchy von Luxembourg.

7. These interests represent the same block of Shares and share options held by Mr. Zhang Hongru as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam Gao Haiping is the spouse of Mr. Zhang Hongru, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

Save as disclosed above, the directors and chief executive of the Company were not aware of any entities or persons (other than directors or chief executive of the Company) who had, or were taken or deemed to have, an 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 Part XV of the SFO or who were expected, 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 meetings of any member of the Group as at the Latest Practicable Date.

3. COMPETING BUSINESS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited consolidated financial statements of the Group were made.

6. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory obligations).

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had, or has had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Company were made.

8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, were entered into by the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are, or may be material:

(a) the placing agreement dated 9 June 2006 in respect of the placing of 27,000,000 GME Shares at 15 pence (equivalent to approximately HK$2.30) each;

(b) the construction contract dated 25 December 2006 in respect of the construction of a workshop and a laboratory building in Xian, the PRC;

(c) the placing agreement dated 30 March 2007 in respect of the issue and allotment of new Shares to Keywise Greater China Opportunities Master Fund;

(d) the supplementary construction contract dated 12 June 2007 in respect of revising the contract value of the agreement referred to in point (b) above;

(e) the sale and purchase agreement dated 8 July 2007 in respect of the acquisition of the entire issued share capital of and the assignment of all the shareholders' loan and advances owed by Top Sino Industrial Limited to Yearport International Limited, a wholly-owned subsidiary of the Company;

(f) the subscription agreement dated 19 July 2007 in respect of the subscription of new Shares by Global Energy Investors, LLC;

(g) the sale and purchase agreement dated 20 September 2007 in relation to the acquisition of an equity interest in Goldman Offshore Design LLC;

(h) the facility agreement in respect of the LR Loan Facility;

(i) the facility agreement in respect of the SC Loan Facility;

(j) the leasing agreement dated 1 November 2007 entered into by Patriot in respect of a ten year lease of a manufacturing facility in Houston, Harris Country, Texas, the US;

(k) the agreement dated 1 November 2007 entered into by a limited liability company which is 99%-owned by Patriot to acquire and lease the manufacturing facility referred to in point (j) above; and

(l) the contract note dated 18 December 2007 in respect of the Share Acquisition.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Names	**Qualifications**
KPMG	Certified public accountants
Globalview Advisors Limited	Professional intangible asset valuer

As at the Latest Practicable Date, KPMG and Globalview Advisors Limited did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of KPMG and Globalview Advisors Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and report and/or references to its name in the form and context in which they are included.

Each of KPMG and Globalview Advisors Limited does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made.

10. GENERAL

(a) The company secretary of the Company is Ms. Cheung Wai Sze, Candy, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The qualified accountant of the Company is Mr. Wong Kin Ming, Terry, who is a Certified Practising Accountant (Australia) and an associate member of the Hong Kong Institute of Certified Public Accountants.

(c) The compliance officer of the Company is Mr. Zhang Hongru.

(d) The Company has established an audit committee which is responsible for reviewing and supervising the financial reporting process and internal control systems of the Group. The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the committee), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. Set out below are the biographical details of these Directors:

Mr. Chan Ngai Sang, Kenny, aged 42, was appointed as an independent non-executive Director in October 2005. Mr. Chan holds a bachelor degree in commerce from the University of New South Wales in Australia and is a member of the Institute of Chartered Accountants of New Zealand, the Association of International Accountants, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan currently also serves as a committee member of the Association of International Accountants Hong Kong Branch. He is a partner and founder of Kenny Chan & Co., a Certified Public Accountants firm and an independent non-executive director of Golding Soft Limited, a company listed on GEM.

Mr. Bian Junjiang, aged 64, was appointed as an independent non-executive Director in October 2005. Mr. Bian presently serves as the chairman of CGC Overseas Construction Company Limited (中地海外建設有限公司責任公司) and an independent director of CITIC Securities Co., Ltd. (中信證券股份有限公司). He has many years of working experience in accounting and economic analysis in petroleum organisations.

Mr. Guan Zhichuan, aged 48, was appointed as an independent non-executive Director in October 2005. Mr. Guan obtained a doctorate degree in engineering from the University of Petroleum (Beijing) (石油大學) in 1995 and pursued his research in the field of oil and gas drilling engineering and fluid mechanic. He presently serves as the vice president of the College of Petroleum Engineering of the China University of Petroleum (中國石油大學石油工程學院).

(e) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

(f) The share registrar and transfer office of the Company in the Cayman Islands is Bank of Bermuda (Cayman) Limited, P.O. Box 513 GT, Strathale House, North Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 26th Floor Tesbury Centre, 28 Queen's Road East, Hong Kong.

(g) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSEPCTION

Copies of the following documents will be available for inspection at the principal office of the Company at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 17 March 2008:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three years ended 31 December 2006;

(c) the accountants' report of the GME Group for the three years ended 31 March 2007 and the six months ended 30 September 2007, the text of which is set out in Appendix II to this circular;

(d) the letter on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the material contracts referred to in the section headed "Material contracts" in this appendix;

(f) the written consents referred to in the section headed "Experts and consents" in this appendix; and

(g) all the circulars of the Company issued pursuant to the requirements set out in Chapter 19 and/or Chapter 20 of the GEM Listing Rules which have been issued since the date of the latest published audited accounts of the Company, being 31 December 2006.

TSC Offshore Group Limited

TSC海 洋 集 團 有 限 公 司*

(Formerly known as EMER International Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of TSC Offshore Group Limited (the "Company") will be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Monday, 17 March 2008 at 10:00 a.m. to consider and, if thought fit, to pass, with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

    (a) the making of a voluntary conditional cash offer by the Company to acquire all the ordinary shares (the "GME Shares") with par value of 2.5 pence each in the capital of Global Marine Energy Plc (other than those already owned by the Company) (the "Offer"), and the transactions contemplated thereunder be and are hereby approved; and

    (b) the directors of the Company (the "Directors") be and are hereby authorised to do all acts and execute all documents they consider necessary or expedient to give effect to the transactions contemplated under the Offer."

2. "**THAT**:

    (a) the acquisition of the GME Shares (other than those already owned by the Company) from shareholders of GME by way of making the Offer to such shareholders of GME in accordance with the City Code on Takeovers and Mergers (the "Acquisition"), and the transactions contemplated thereunder be and are hereby approved; and

* *For identification purposes only*

(b) the Directors be and are hereby authorised to do all acts and execute all documents they consider necessary or expedient to give effect to the transactions contemplated under the Acquisition."

By order of the Board
TSC Offshore Group Limited
Jiang Bing Hua
Executive Chairman

Hong Kong, 29 February 2008

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the Meeting in person to represent you.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the principal place of business of the Company in Hong Kong at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting.

3. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the Meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares of the Company, any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such shares of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.