Galileo Capital Group Limited
嘉利盈融資集團有限公司

stock code : 8029

Annual Report 2006

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. 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.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), the Securities and Futures Commission (the "SFC") regulates the Company in relation to the listing of its shares on the Stock Exchange. The SFC and the Stock Exchange take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Galileo Capital Group Limited (the "Company") 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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Liu Ka Lim *(Chairman)*
Kan Siu Lun *(Chief Executive Officer)*
Sun Wai Tat, Victor *(Chief Executive Officer)*
Lam So Ying
Sy Wai Shuen

Independent Non-Executive Directors

Shum Kai Wing
Wong Yuk Man, Edmand
Chow Cheuk Lap

AUDIT COMMITTEE

Shum Kai Wing
Wong Yuk Man, Edmand
Chow Cheuk Lap

COMPANY SECRETARY

Sy Wai Shuen

COMPLIANCE OFFICER

Lam So Ying

QUALIFIED ACCOUNTANT

Chan Wai Hung

AUTHORIZED REPRESENTATIVES

Liu Ka Lim
Kan Siu Lun
Sun Wai Tat, Victor

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P. O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19th Floor, Club Lusitano
16 Ice House Street
Central
Hong Kong

AUDITORS

Homan CPA Limited

PRINCIPAL SHARE REGISTRAR AND OFFICE

Butterfield Bank (Cayman) Limited
P.O. Box 705 GT, Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
DBS Bank (Hong Kong) Limited

STOCK CODE

8029

FINANCIAL HIGHLIGHTS

– The Company and its subsidiaries (the "Group") recorded a turnover of HK$2,357,000 for the year ended 31 March 2006.

– Gross profit was HK$1,812,236 for the year ended 31 March 2006.

– Loss attributable to shareholders was HK$1,931,800 for the year ended 31 March 2006.

– The Directors do not recommend the payment of a final dividend for the year ended 31 March 2006.

– As at 31 March 2006, the Group had cash on hand and in banks amounting to HK$330,821.

CHAIRMAN'S STATEMENT

Since the change of controlling shareholder and a new management installed in 2004, the Group has had its main focus on delivering quality financial services to the dynamic state and private enterprises in China. On the one hand, the strong and sustained growth momentum in the PRC economy contributed to an expanding demand for fund-raising and financial advisory activities in the international capital and securities markets. Whereas on the other hand, this stellar performance has created problems such as pressure on currency revaluation and excessive investments in wasteful projects. In the meantime, Hong Kong's economic performance was less dramatic and uneventful partly due to the aftermath of SARS and the slower recovery of the property sector in those days. It was under such uncertain economic and market conditions that the Group adopted a strategy of building bridges to potential clients seeking overseas listings or advisory services while holding a tight rein on managing a lean and effective corporate structure.

For the year ended 31 March 2006, the Group recorded a turnover of HK$2,357,000 which is a respectable increase of 157%. This is mainly a result of our continuous and persistent efforts in pursuing worthwhile business opportunities in an increasingly challenging business environment. The loss attributable to shareholders has continued its downward trend from HK$3,120,815 recorded in 31 March 2005 to HK$1,931,800. Although it would be appropriate to point out that even with the administrative expenses being kept at the same level as last year, the growth in turnover at this level was not sufficient to cover the operating costs of the company, which to a large extent, were made up of fixed items such as rentals and utilities.

Going forward, we remain confident about the prospects of the financial service sector as a whole. However in order to strengthen our position in a tough and competitive market, the Group would explore new ways and means to improve the operation of our business. This may include strategic alliances, diversification, corporate restructuring, or forming joint ventures with other financial service providers or investment banks. Through synergism and the availability of a broader range of investment and financial products, we expect to be able to deliver improved performance and hence, a better return to our shareholders in the near future.

Finally, on behalf of the Directors of the Group, I would like to express our sincere appreciation to the management and staff of the company for their dedication and hard work throughout the year. I am also grateful to the shareholders and business partners as well for their commitment and continuous support.

Liu Ka Lim
Chairman

Hong Kong
23 June 2006

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded a turnover of HK$2,357,000 for the year ended 31 March 2006, representing a strong increase of 157% over last year's turnover of HK$916,054. The increase was mainly due to the fact that many of the deals under negotiation throughout the two years ended 31 March 2006 were completed during this fiscal year. The income generated was therefore recognised after these transactions had been concluded successfully.

The cost of services for the whole year had gone up to HK$544,764 from HK$171,143 recorded during last year. This might appear to be a dramatic increase but in reality, the cost of service at less than 25% of turnover was still considered manageable and as pointed out last year, the increase was in line with a higher turnover as anticipated.

Administrative and general expenses together with other operating expenses made a small but useful reduction of 2.5% to HK$3,744,815 compared to HK$3,839,082 in 2005. Again this was in line with our projection made last year on the scope of reduction anticipated since much of the expenses were fixed items such as rentals and utilities.

The net loss for the year ended 31 March 2006 was HK$1,931,800, a decrease of HK$1,189,015 or more than 38%. Since all cost and expenditure items were kept current, the lower loss figure mainly reflected a higher turnover recorded for the year with the bulk of the revenue due from clients recognised in the current financial period when the deals were successfully brought to a conclusion.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2006, the Group had a negative net tangible assets amounted to HK$3,711,000 and a net current liabilities amounted to HK$4,243,140. Net tangible assets continued to be negative because the amount due to a director had gone up from approximately HK$2.8 million to nearly HK$4.4 million. This advance was unsecured and carried interest at 1.5% per annum which for the year under review was waived. The Group had HK$330,821 cash on hand and bank balances as of 31 March 2006 which was a decline of nearly 39% due to further loss incurred in the year.

GEARING RATIO

For the year ended 31 March 2006, the Group had gearing ratio (which is defined as total debts net of payables under ordinary course of business over total assets) of approximately 338% (2005: approximately 201%).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the year.

EMPLOYEES INFORMATION

The total number of employees was 13 as at 31 March 2006 (31 March 2005: 16), and the total remuneration for the year 2006 was about HK$2,074,000 (2005: HK$1,672,000). The remuneration policy of the Group was reviewed and approved by the Board and the Remuneration Committee. Discretionary bonus was linked to performance of the individual specific to each case.

CHARGES ON GROUP ASSETS

During the years ended 31 March 2006 and 2005, none of the Group's assets was charged.

CONTINGENT LIABILITIES

On 12 November 2004, Galileo Asset Management Limited ("GAML"), a wholly owned subsidiary of the Company, entered into a consultancy agreement (the "Consultancy Agreement") with a client (the "Client"). On 7 January 2006, the Client lodged a claim with GAML for RMB800,000.

In the opinion of an independent legal advisor, the Client had been in breach of the Consultancy Agreement as it was repeatedly in default of making payment as agreed under the Consultancy Agreement. In view of the above, it is advised that GAML is not obliged to return to the Client. Accordingly, the Directors consider the RMB800,000 to be non-refundable upfront fee payable under the Consultancy Agreement, and no liability has been assumed and accordingly, amount of RMB800,000 has not been accounted for in the income statement.

The Directors consider that the outcome of the claim referred above will not have a material adverse effect on the financial position of the Group.

SEGMENTAL 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 services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group had only one business segment for both years ended 31 March 2006 and 2005 which were business consultancy services segment. The business consultancy services segment provides services to assist clients on various business or management issues.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 March 2006.

BUSINESS REVIEW

2005 saw the unmistakable sign of the local economy continuing its strong recovery. Business activities in the capital and securities markets have both picked up considerably in tandem with China's growing needs for overseas fund-raising. Through cooperation with other investment banks and financial service providers, we have been involved in the protracted negotiations with a number of promising clients in China's mainland for placement and listing as well as finalising credit facilities. The better than expected increase in turnover has been generated from financial advisory assignments due to our strong in-house structuring expertise.

Whenever possible, the Group has been active in building bridges to second-tier cities in China. This is a sustained long term process to establish a strong delivery platform for our financial and investment products to corporate clients. We hope to position ourselves as the premier financial service provider in the Greater China region in the years to come.

OUTLOOK AND DEVELOPMENT

For the foreseeable future, China's economy will continue to be a major source of concern for the leaders in Beijing. For the external sector, the government is facing the pressure of the interest rate hikes, currency revaluation, record trade surpluses and fluctuating commodities and oil prices. The problems from the domestic front including rising inflation rate, flooding of money supply and overheating in the property sector are equally daunting. It is anticipated that stronger measures may be required to cool down the economy. The major challenge facing the leadership is how to prevent a hard-landing by reining in excessive production and export while stimulating internal demand. Whatever policies they will adopt in the coming months will have an impact on Hong Kong which is not only a major source of capital but also the service provider for much of China's international business and trade.

The Chinese leaders are taking steps in guiding the economy onto a more manageable track. The result of their efforts would not be apparent until some time in the near future. We remain optimistic that given the closer integration into the world economy and the liberalisation of the banking sector under WTO protocol in 2007, there will be a strong demand for financial and investment products. Service providers with close links to China will be the first to benefit when the market is ready. In the meantime, the Group would aim to build up contacts and client-base among the listed companies in Hong Kong which have a strong and growing presence in China's mainland. This would be an effective springboard to providing corporate finance services to the mainland enterprises when the time is ripe to explore such business opportunities.

DIRECTORS AND STAFF

EXECUTIVE DIRECTORS

Mr. Liu Ka Lim, aged 50, joined the Group in January 2004 as the Chairman of the Company. He has over 18 years of professional experience in the fields of finance and accounting. Mr. Liu is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of a public company in Hong Kong.

Mr. Kan Siu Lun, aged 51, is the Chief Executive Officer of the Company. Mr. Kan has over 21 years of experience in the commercial field. Currently, he is a senior adviser to the board of directors of a listed company in Hong Kong. Prior to joining the Group in 2000, Mr. Kan held senior management position with the First Pacific Bank, HSBC, and Compaq Computer Limited where he served various clients of the Greater China region.

Mr. Kan obtained his MBA from the Henley Management College, Brunel University, UK. Mr. Kan also holds Fellow Membership of The Chartered Institute of Management (FCIM) and Institute of Management Services (FMS) UK.

Mr. Sun Wai Tat, Victor, aged 53, is the Chief Executive Officer of the Company. Mr. Sun has extensive experience in banking and China business. Prior to joining the Group in April 2004, Mr. Sun had been a Senior Consultant in Fiducia Limited in Hong Kong for 2 years. From 1977 to 2002, he served the HSBC Group in various senior capacities both in their investment and commercial banking divisions. Before returning to Hong Kong in 2001, Mr. Sun was the Adviser of China Affairs of HSBC Holdings plc in London.

Mr. Sun obtained his BA degree in Financial Management from the University of Oregon and his MBA degree from University of Michigan.

Miss Lam So Ying, aged 33, joined the Company in May 2004 as its Chief Operating Officer and its subsidiary, Galileo Capital Limited as License Representative. Miss Lam graduated from Hong Kong Baptist University in Business Management in 1996 and is a member of the Association of Business Executives (ABE) in the United Kingdom. She has more than 10 years of management and administration experience in the commercial sector.

Miss Sy Wai Shuen, aged 34, joined the Company in August 2004 as its Corporate Finance Manager and its subsidiary, Galileo Capital Limited as License Representative. Miss Sy is a Certified Practising Accountant (Australia). She holds a Bachelor Degree in Commerce. She has over 10 years of professional experience in the fields of corporate finance and accounting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shum Kai Wing, aged 41, joined the Group as an independent non-executive director on 13 January 2004. He graduated from City University of Hong Kong with a Bachelor's degree of Accountancy in 1992. Mr. Shum is a fellow member of Chartered Association of Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants and has over 14 years' accounting experience in commercial sectors.

Mr. Wong Yuk Man, Edmand, aged 49, joined the Group as an independent non-executive director on 13 January 2004. Mr. Wong is a holder of Bachelor's degree of Arts from the University of British Columbia. He has held various key roles in communication departments of government agencies, the Hong Kong Jockey Club, a major international charitable organisation, and the premier tertiary institution in Hong Kong.

Mr. Chow Cheuk Lap, aged 54, joined the Group as an independent non-executive director on 27 August 2004. Mr. Chow graduated with a Bachelor of Science degree in Economics. He was qualified as a solicitor in 1983 and is currently a partner of a solicitor firm in Hong Kong. Mr. Chow has been an independent non-executive director of Anex International Holdings Limited since 18 July 1991.

QUALIFIED ACCOUNTANT

Miss Chan Wai Hung, aged 37, joined the Group in September 2005 as the qualified accountants. Miss Chan holds a Bachelor Degree in Accounting from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. She has 10 years' experience in accounting and auditing field.

DIRECTORS' REPORT

The Directors would like to present the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 28.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2006.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 20 and 21 respectively to the consolidated financial statements.

RESERVES

The share premium account, in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares. Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 31 March 2006 and 2005, the Company did not have any reserves available for distribution.

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Liu Ka Lim
Mr. Kan Siu Lun
Mr. Sun Wai Tat, Victor
Miss Lam So Ying (appointed on 21 December 2005)
Miss Sy Wai Shuen (appointed on 21 December 2005)

Independent non-executive directors:

Mr. Shum Kai Wing
Mr. Wong Yuk Man, Edmand
Mr. Chow Cheuk Lap

In accordance with Article 108 of the Company's Articles of Association, Mr. Sun Wai Tat, Victor and Mr. Wong Yuk Man, Edmand will retire by rotation; and in accordance with Article 112 of the Company's Articles of Association, Miss Lam So Ying and Miss Sy Wai Shuen, being directors appointed after the annual general meeting held on 20 July 2005, will retire at the forthcoming annual general meeting. All of these retiring directors, being eligible, offer themselves for re-election.

Each executive director has entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than one-month prior written notice to the other.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, Mr. Liu Ka Lim was deemed to have corporate interest in 424,400,000 ordinary shares (representing 53.05% of the total issued ordinary shares of the Company), which are held by Link Wise Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Link Wise Investments Limited is registered in the name of and is beneficially owned by Huge Profit Team Limited. The entire issued share capital of Huge Profit Team Limited is registered in the name of and is beneficially owned by Mr. Liu Ka Lim.

Save as disclosed above, and other than nominee shares in certain subsidiaries held in trust for the Group, none of the Company's directors nor their associates, as at 31 March 2006, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will be required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Sections 324 and 347 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to notify to the Company and the Stock Exchange pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding companies or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 24 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and disclosed pursuant to Rule 18.17B of the GEM Listing Rules shows that, other than the interests disclosed above in respect of Mr. Liu Ka Lim, a director of the Company, the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Leong Sai Cheong, Joe	Beneficial owner	162,050,000	20.26%

Other than as disclosed above, the Company has not been notified of any other relevant interest or short positions in the issued share capital of the Company as at 31 March 2006.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders (as defined in the GEM Listing Rules) or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the services provided to the Group's largest client and five largest clients accounted for 21% and 86%, respectively of the total turnover for the year. In view of the nature of the Group's business, no purchasers and suppliers were noted.

In the opinion of the directors, none of the directors, their associates or any shareholders of the Company who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures throughout the year ended 31 March 2006.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

The audit committee comprises three members, Messrs. Shum Kai Wing, Wong Yuk Man, Edmand; and Chow Cheuk Lap. All of them are independent non-executive directors of the Company.

The primary duties of the audit committee are to review the Company's annual and quarterly financial reports and to provide advice and comments thereon to the Board of Directors. Four audit committee meetings were held during the year.

The Group's financial statements for the year ended 31 March 2006 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial statements complies with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee ("Remuneration Committee") on 18 March 2005. During the year under review, the Remuneration Committee comprised three members, Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap, all of them are independent non-executive directors and Mr. Shum Kai Wing was appointed as the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Directors on the Group's policy and structure in relation to the remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

EMOLUMENT POLICY

The Group's emolument policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees where appropriate.

POST BALANCE SHEET EVENT

Details of significant events occurring after the balance sheet date are set out in note 28 to the consolidated financial statements.

AUDITORS

Homan CPA Limited have acted as auditors of the Company for the year ended 31 March 2006. For the years ended 31 March 2005 and 31 March 2004, Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Homan CPA Limited as auditors of the Company.

On behalf of the Board

Liu Ka Lim
Chairman

Hong Kong
23 June 2006

CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance for the enhancement of shareholder value. The Company believes that good corporate governance is not only in the interest of investors but also in the interest of the Company. It is also of the view that good corporate governance is a reflection of the standard and quality of the management and operations of the Company and it also helps sustain the long-term support of shareholders upon which the Company's success depends.

The Company closely monitors corporate governance development in Hong Kong and it regularly reviews its corporate governance practices in light of experience and evolving regulatory requirements to ensure that the Company keeps abreast of shareholders' expectations. The principles of corporate governance adopted by the Company emphasize a quality board, sound internal control, and transparency and accountability to shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code on CG Practices") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings (the "Code of Conduct"). Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct for the year ended 31 March 2006.

BOARD OF DIRECTORS

The principal duty of the board of directors of the Company (the "Board") is to ensure that the Company is properly managed in the interest of shareholders.

The Board, led by the Chairman, is responsible for the formulation of Company-wide strategies and policies, including an oversight of the management. Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer.

As at 31 March 2006, the Board comprised eight Directors, including the Chairman, four Executive Directors and three Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications in accounting. Biographical details of the Directors are set out on pages 10 to 11.

In determining the independence of a director, the Board would consider whether the director has any direct or indirect material relationship with the Company and the Board follows the requirements set out in the GEM Listing Rules. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that the Board acts in the best interest of the Company. To ensure that Board meetings are planned and conducted effectively, the Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. To this end, the Chairman holds meeting with the Non-executive Directors at least annually without the Executive Directors present. With the support of all other members of the Board, the Chairman procures that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with shareholders.

The Board is responsible for all management functions of the Company. The Board meets regularly, and at least 4 times a year. Between scheduled meetings, senior management of the Group from time to time provides to Directors information on the activities and development of the businesses of the Group. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held 7 meetings during the year ended 31 March 2006 with an average attendance rate of 98%.

The attendance records of the Board meetings held in 2006 are set out below:

	Attended
Chairman	
Mr. Liu Ka Lim	7/7
Executive Directors	
Mr. Sun Wai Tat, Victor	7/7
Mr. Kan Siu Lun	7/7
Miss Lam So Ying *(Note 1)*	2/2
Miss Sy Wai Shuen *(Note 1)*	2/2
Independent non-executive Directors	
Mr. Shum Kai Wing	7/7
Mr. Wong Yuk Man, Edmand	6/7
Mr. Chow Cheuk Lap	7/7

Save for the above regular board meetings of the period, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision 7 business days in advance of each board meeting and the minutes within 3 business days after the meeting.

Apart from the regular Board meetings, a meeting between the Chairman and Independent Non-executive Directors without the presence of the Executive Directors was held in the fourth quarter in 2006.

Each of the Independent Non-executive Directors has entered into a letter of service with the Company for a term of 3 years period.

Upon appointment, Directors would receive an orientation review of the Company and its business from senior executives. Information and updates are provided to Directors regularly to ensure that Directors keep up with the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Note:

1. Appointed as Executive Director on 21 December 2005.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The Directors ensure the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is made in a timely manner. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Company attaining future profitable operations, the continuous financial support from Mr. Liu Ka Lim being available, and the availability of additional financing. The financial statements do not include any adjustments that would result from a failure to obtain such funding. The Directors consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements.

The statement of auditors of the Group about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 26 and 27.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Appendix 15 of the GEM Listing Rules. The Audit Committee consists of three Independent Non-executive Directors. One of them has the appropriate professional qualifications, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Shum Kai Wing and the other members are Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap.

The Audit Committee reviews the internal accounting procedures and considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, the scope of annual audits, fees to be paid to the independent auditors and the performance of the independent auditors.

The Audit Committee held 4 meetings in 2006 with an average attendance rate of approximately 92%.

The attendance records of the Audit Committee meetings held in 2006 are set out below:

Name of Member	**Attended**
Mr. Shum Kai Wing *(Chairman)*	4/4
Mr. Wong Yuk Man, Edmand	3/4
Mr. Chow Cheuk Lap	4/4

For 2006, the Audit Committee reviewed with senior management and the external auditors of the Company their respective audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended 31 March 2006 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Company and the annual report and accounts and quarterly reports and accounts of the Company, discussed with management and the external auditor, and reviewed significant financial reporting judgments contained in them. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

(a) any changes in financial reporting and accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the GEM Listing Rules and any other legal requirements in relation to financial reporting.

The audited consolidated results of the Group for the year ended 31 March 2006 have been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

The amount of fees charged by auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2006, Homan CPA Limited received approximately HK$250,000 for audit services and HK$50,000 for non-audit services for compliance report.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee in March 2005. The existing Remuneration Committee consists three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Shum Kai Wing and the other members include Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap.

The Remuneration Committee would assist the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and also is responsible for the administration of the share option schemes adopted by the Company. Terms of reference of the Remuneration Committee are approved by the Directors.

Executive Directors are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of the individual and the profitability of the Company, and propose to the Remuneration Committee for consideration and approval of remuneration packages for Directors and senior management. Executive Directors, however, do not participate in determining their own remuneration.

The Remuneration Committee held 1 meeting in 2006 with 100% attendance.

The attendance records of the Remuneration Committee meetings held in 2006 are set out below:

Name of Member	Attended
Mr. Shum Kai Wing *(Chairman)*	1/1
Mr. Wong Yuk Man, Edmand	1/1
Mr. Chow Cheuk Lap	1/1

The remuneration of Directors and senior management was determined with reference to the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Director's emoluments for the year ended 31 March 2006 are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

A nomination committee is not necessary for the Company, after the Board reviewed the needs and current situation of the Company. The Board will be responsible for reviewing the profile of current directors and potential candidate of director to ensure that the composition of the Board is appropriate for the Company.

INTERNAL CONTROL

An internal control system, being an integral part of the Company's operations, is a process effected by the Board and management team to provide reasonable assurance regarding the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Company assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the website of the Stock Exchange.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 days' notice. The Chairman and Directors and external auditors are available to answer questions on the Company's businesses at the meeting.

Shareholders have statutory rights to call for extraordinary general meetings by serving written requests to the Company and to put forward agenda items for consideration by shareholders. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular despatched to shareholders. The results of the poll are published on the Stock Exchange's website. Financial and other information is available on the Stock Exchange's website, which is updated regularly.

The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are welcome and can be addressed to our Company by mail.

VOTING BY POLL

In compliance with the requirements on the poll voting procedures, the Company has informed the Members in respect of the procedures for voting by poll and the rights of the Members in demanding for poll in each general meeting. Pursuant to Article 72 of the Company's Articles of Association, 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 duly demanded at any general meeting. In the general meetings held during the Year, the Company counted all proxy votes, and except where polls were required, chairman of each general meeting had expressly indicated to the members attending the meetings the levels of proxies lodged on each resolution, and the balance for and against the resolution, after each of the resolution had been dealt with on a show of hands.

Furthermore, Article 72 of the Articles of Association, a vote by poll may be demanded by:

(a) the Chairman of the meeting; or

(b) at least three members present in person or by proxy and entitled to vote; or

(c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right attend and vote at the meeting; or

(d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

In the general meetings held during the year, there was no resolution requiring polls either demanded by the chairmen of the meetings or required under the GEM Listing Rules. However, in each general meeting, Tengis Limited, the Company's Hong Kong Branch Registrar, was instructed to act as scrutineer in each occasion in case of need. In each general meeting held during the year, the Company had ensured that where appropriate:

(i) the procedure for demanding a poll by the Shareholders before putting a resolution to the vote on a show of hands; and

(ii) the detailed procedures for conducting a poll and then answer any questions from the Shareholders whenever voting by way of a poll is required.

As such, the Company has complied with the requirements in relation to vote by poll.

REPORT OF THE AUDITORS

康文會計師事務所有限公司
HOMAN CPA LIMITED
Room 303, Carpo Commercial Building, 18-20 Lyndhurst Terrace, Central, Hong Kong
香港中環擺花街18-20號嘉寶商業大廈303室

TO THE SHAREHOLDERS OF
GALILEO CAPITAL GROUP LIMITED
嘉利盈融資集團有限公司
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Galileo Capital Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") from pages 28 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on the consolidated financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 4 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As detailed in note 4 to the financial statements, the Group had incurred a consolidated net loss for the year of HK$1,931,800 for the year ended 31 March 2006 and had capital deficiency of HK$3,711,000 as of 31 March 2006 while the Group had net current liabilities of HK$4,243,140. As explained in note 4 to the financial statements, the Group is currently undertaking a number of measures to relieve its current liquidity problems.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the Company attaining future profitable operations, the continuous financial support from Mr. Liu being available, and the availability of additional financing. The financial statements do not include any adjustments that would result from a failure to obtain such funding. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Homan CPA Limited
Certified Public Accountants

Hong Kong
23 June 2006

Luk Wai Hong
Practising Certificate Number P03704

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Notes	2006 HK$	2005 HK$
Revenue	8	**2,357,000**	916,054
Direct costs		**(544,764)**	(171,143)
Gross profit		**1,812,236**	744,911
Other operating income		**779**	15,062
Administrative expenses		**(3,744,815)**	(3,839,082)
Other operating expenses		**–**	(41,704)
Finance costs	9	**–**	(2)
Loss before tax	10	**(1,931,800)**	(3,120,815)
Income tax expense	13	**–**	–
Loss for the year		**(1,931,800)**	(3,120,815)
Dividend	14	**–**	–
Loss per share			
Basic	15	**HK(0.24) cent**	HK(0.39) cent

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$	2005 HK$
Non-current asset			
Property, plant and equipment	*16*	**532,140**	733,558
Current assets			
Trade receivables	*18*	**311,000**	–
Prepayments, deposits and other receivables		**117,120**	117,120
Bank balances and cash		**330,821**	541,329
		758,941	658,449
Current liabilities			
Unsecured bank overdrafts		**–**	34
Accruals and other payables		**639,344**	375,589
Due to a director	*19*	**4,362,737**	–
		5,002,081	375,623
Net current (liabilities) assets		**(4,243,140)**	282,826
		(3,711,000)	1,016,384
Capital and reserves			
Share capital	*20*	**16,000,000**	16,000,000
Reserves		**(19,711,000)**	(17,779,200)
Equity attributable to equity holders of the parent		**(3,711,000)**	(1,779,200)
Non-current liability			
Due to a director	*19*	**–**	2,795,584
		(3,711,000)	1,016,384

The consolidated financial statements on pages 28 to 55 were approved and authorised for issue by the Board of Directors on 23 June 2006 and are signed on its behalf by:

Liu Ka Lim	**Sun Wai Tat, Victor**
Director	*Director*

BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$	2005 HK$
Non-current asset			
Interest in subsidiaries		**–**	66,641
Current assets			
Due from subsidiaries		**6,857**	–
Bank balances and cash		**225,186**	13,549
		232,043	13,549
Current liabilities			
Accruals and other payables		**165,101**	162,622
Unsecured bank overdraft		**–**	34
Due to a subsidiary		**492,605**	–
Due to a director		**4,362,737**	–
		5,020,443	162,656
Net current liabilities		**(4,788,400)**	(149,107)
		(4,788,400)	(82,466)
Capital and reserves			
Share capital	*20*	**16,000,000**	16,000,000
Reserves	*22*	**(20,788,400)**	(18,878,050)
Equity attributable to equity holders of the parent		**(4,788,400)**	(2,878,050)
Non-current liability			
Due to a director		**–**	2,795,584
		(4,788,400)	(82,466)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Share capital HK$	Share premium HK$	Merger deficit HK$	Accumulated losses HK$	Total HK$
At 1 April 2004	16,000,000	8,095,956	(119,998)	(22,634,343)	1,341,615
Loss for the year	–	–	–	(3,120,815)	(3,120,815)
Total recognised income and expense for the year	–	–	–	(3,120,815)	(3,120,815)
At 31 March 2005	16,000,000	8,095,956	(119,998)	(25,755,158)	(1,779,200)
Loss for the year	–	–	–	(1,931,800)	(1,931,800)
Total recognised income and expense for the year	–	–	–	(1,931,800)	(1,931,800)
At 31 March 2006	16,000,000	8,095,956	(119,998)	(27,686,958)	(3,711,000)

Note:

The merger deficit of the Group represents the difference between the nominal value of the shares of acquired subsidiaries over the nominal value of the share capital of the Company issued in exchange therefor.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006 *HK$*	2005 *HK$*
OPERATING ACTIVITIES		
Loss before tax	**(1,931,800)**	(3,120,813)
Adjustments for:		
Depreciation of property, plant and equipment	**214,658**	212,375
Bad debts written off	**–**	10,004
Interest income	**(8)**	(26)
Loss on disposal of property, plant and equipment	**–**	2,050
Operating cash flows before movements in working capital	**(1,717,150)**	(2,896,410)
(Increase) decrease in trade receivables, prepayments, deposits and other receivables	**(311,000)**	622,619
Increase (decrease) in accruals and other payables	**263,755**	(437,574)
Cash used in operations	**(1,764,395)**	(2,711,365)
Interest received	**8**	26
NET CASH USED IN OPERATING ACTIVITIES	**(1,764,387)**	(2,711,339)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(13,240)**	(25,362)
Proceeds on disposal of property, plant and equipment	**–**	4,000
NET CASH USED IN INVESTING ACTIVITIES	**(13,240)**	(21,362)
FINANCING ACTIVITIES		
Advance from a director	**2,011,563**	1,394,406
Interest paid	**–**	(2)
Repayment of amount due to a director	**(444,410)**	–
NET CASH FROM FINANCING ACTIVITIES	**1,567,153**	1,394,404
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(210,474)**	(1,338,297)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**541,295**	1,879,592
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	**330,821**	541,295
Bank balances and cash	**330,821**	541,329
Unsecured bank overdrafts	**–**	(34)
	330,821	541,295

1. GENERAL

The Company is incorporated in the Cayman Islands on 11 July 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the balance sheet date, the parent of the Company (the "Immediate Holding Company") is Link Wise Investments Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the "Ultimate Holding Company") is Huge Profit Team Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the page 3 of the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 17. There were no significant changes in the nature of the Group's principal activities during the year.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Group is mainly Hong Kong dollars ("HKD") which is the same as the presentation currency of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new and revised HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new and revised HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application and the adoption of the standard had no material impact on how financial instruments of the Group are presented for current or prior accounting periods. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES – continued

Financial Instruments – continued

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "Financial assets at fair value through profit or loss", "Available-for-sale financial assets", "Loans and receivables" or "Held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 April 2005, in accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 April 2005. As there had been no share options which remained outstanding during the two years ended 31 March 2006 and 31 March 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior accounting periods.

No financial effects from the changes in accounting policies described above on the results of the current year and of the prior period and to the Group's assets, liabilities and equities as at 31 March 2005.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARD NOT YET EFFECTIVE

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivates[6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group recorded a net loss of HK$1,931,800 for the year ended 31 March 2006 and had net current liabilities and deficiency in assets at the balance sheet date of HK$4,243,140 and HK$3,711,000, respectively. The net current liabilities of the Group mainly comprised of the amount due to Mr. Liu Ka Lim ("Mr. Liu"), a substantial beneficial owner and director of the Company, amounted to HK$4,362,737 as at 31 March 2006. The Group largely finances day-to-day working capital requirements using funds advanced from Mr. Liu.

As disclosed in note 28 to the financial statements, subsequent to the balance sheet date, the Company's substantial shareholders, Link Wise Investments Limited ("Link Wise") and Mr. Leong Sai Cheong, Joe, entered into a share purchase agreement with an independent buyer (the "Share Purchase Agreement") in respect of approximately 73.3% of the Company's shares held by the substantial shareholders (the "Sale Shares"). Link Wise is indirectly wholly owned by Mr. Liu, director of the Company. Notwithstanding that, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future.

In order to improve the financial position, liquidity and cash flow position of the Group, the following measures/arrangement have been implemented:

(a) Pursuant to the Share Purchase Agreement as further disclosed in note 28 to the financial statements, amount up to HK$4,372,097 due to Mr. Liu will be waived upon the completion of the Share Purchase Agreement;

(b) The Directors have been informed by Mr. Liu, that Mr. Liu will continue to support the operation of the Group;

(c) The Directors have been taking ongoing action to tighten cost controls over various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable.

In the opinion of the Directors, in light of the ongoing support from Mr. Liu and the various measures/arrangements implemented to date, and together with the expected results of the completion of Share Purchase Agreement, the Group will have sufficient working capital for its current requirements. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight liquidity as at 31 March 2006.

Should the Group be unable to continue as a going concern, adjustment would have to be made in the financial statements to reduce the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current asset and liabilities as current assets and liabilities, respectively. The consequential effects of these potential adjustments may have significant effect on the loss of the Group for the year and the net assets of the Group as at 31 March 2006.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Computer equipment	30%
Office equipment	20%
Furniture and fixtures	20%

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

5. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and amount due to a director are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives financial instruments of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair value of such derivative are recognised directly in the income statement.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

5. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Services incomes are recognised when services are rendered, on an accrual basis or where condition attached to the relevant agreements and mandates is in satisfaction of the relevant condition.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All leases other than finance leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases. Benefit received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Retirement benefit scheme

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as an expense as they fall due.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

Transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for difference arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies described in note 5, management makes various estimations based on past experiences, expectations of the future and other information. The key source of estimation uncertainty and the judgement that may significantly affect the amounts recognised in the financial statements are disclosed below:

Income taxes

The Group is subject to income taxes in Hong Kong. Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, cash and bank balances, accruals and other payables and amount due to a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 is the carrying amount of trade and other receivables, as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable from services provided by the Group to outside customers.

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 services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Group had only one business segment for the two years ended 31 March 2006 and 31 March 2005 which were business consultancy service segment. The business consultancy services segment provides services to assist clients on various business or management issues.

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Geographical segments

The following table presents turnover and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		**China's Mainland**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Turnover – external	2,057,000	390,000	300,000	526,054	2,357,000	916,054
Other segment information:						
Segment assets	1,291,081	1,392,007	–	–	1,291,081	1,392,007
Capital expenditure	13,240	25,362	–	–	13,240	25,362

9. FINANCE COSTS

	2006 HK$	2005 HK$
Interest on:		
Amount due to a director *(note)*	–	–
Unsecured bank overdrafts	–	2
	–	2

Note: The amount due to a director is unsecured and carries interest at 1.5% per annum. However, interests were waived by the director for both years.

10. LOSS BEFORE TAX

	2006 HK$	2005 HK$
Loss before tax has been arrived at after charging (crediting):		
Directors' emoluments* *(Note 11)*	836,325	419,627
Staff costs**	1,184,419	1,198,524
Retirement benefit scheme contributions, excluding directors	53,405	54,306
Total employee benefits expense including those of directors	2,074,149	1,672,457
Depreciation for property, plant and equipment	214,658	212,375
Bad debts written off	–	10,004
Auditors' remuneration	250,000	250,000
Loss on disposal of property, plant and equipment	–	2,050
Interest income	(8)	(26)

* Directors' emoluments of HK$535,765 (2005: HK$119,322) has been recognised during the year, which has been included in direct costs.

** None (2005: HK$50,000) of the staff costs has been recognised during the year, which has been included in direct costs.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2005: seven) directors were as follows:

	2006				2005			
	Directors' fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**	Directors' fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$	***HK$***	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*	*HK$*
Mr. Liu Ka Lim	**–**	**–**	**–**	**–**	–	24,198	–	24,198
Mr. Kan Siu Lun	**–**	**339,000**	**–**	**339,000**	–	1,000	1,000	2,000
Mr. Sun Wai Tat, Victor	**–**	**221,765**	**10,560**	**232,325**	–	228,697	8,899	237,596
Mr. Pong Wai Yan, Louis *(Note 1)*	**–**	**–**	**–**	**–**	–	–	–	–
Miss Lam So Ying *(Note 2)*	**–**	**80,000**	**5,000**	**85,000**	–	–	–	–
Miss Sy Wai Shuen *(Note 2)*	**–**	**–**	**–**	**–**	–	–	–	–
Mr. Shum Kai Wing	**60,000**	**–**	**–**	**60,000**	60,000	–	–	60,000
Mr. Wong Yuk Man, Edmand	**60,000**	**–**	**–**	**60,000**	60,000	–	–	60,000
Mr. Chow Cheuk Lap	**60,000**	**–**	**–**	**60,000**	35,833	–	–	35,833
Total emoluments	**180,000**	**640,765**	**15,560**	**836,325**	155,833	253,895	9,899	419,627

Notes:

1. Mr. Pong Wai Yan, Louis resigned on 1 September 2004.

2. Miss Lam So Ying and Miss Sy Wai Shuen were appointed on 21 December 2005.

During the year, no share option was granted to the Directors.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2005: one) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The remaining three (2005: four) individuals were as follows:

	2006	2005
	HK$	*HK$*
Salaries and other benefits	**655,000**	710,833
Retirement benefit scheme contributions	**29,750**	29,700
	684,750	740,533

Their emoluments were within the following bands:

	2006	2005
	Number of employees	*Number of employees*
HK$ nil to HK$1,000,000	**3**	4

During the two years ended 31 March 2006 and 31 March 2005, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years ended 31 March 2006 and 31 March 2005.

The tax charge for the year can be reconciled to the loss before tax as follows:

	2006		2005	
	HK$	***%***	*HK$*	*%*
Loss before tax	**(1,931,800)**		(3,120,815)	
Tax at Hong Kong Profits Tax rate	**(338,065)**	**(17.5)**	(546,143)	(17.5)
Tax effect of expenses not deductible for tax purpose	**54,938**	**2.8**	52,953	1.7
Tax effect of income not taxable for tax purpose	**(8,863)**	**(0.4)**	(5)	–
Tax effect of tax losses not recognised	**291,990**	**15.1**	493,195	15.8
Tax expense and effective tax rate for the year	**–**	**–**	–	–

Details of deferred tax are set out in note 23.

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2006, nor has any dividend been proposed since the balance sheet date (2005: nil).

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006	2005
	HK$	*HK$*
Loss for the year and loss for the purposes of the basic loss per share	**1,931,800**	3,120,815

	2006	2005
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purposes of basic loss per share	**800,000,000**	800,000,000

Diluted loss per share figures have not been presented as the Company did not have any potential ordinary shares for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Total HK$
COST				
At 1 April 2004	152,277	134,088	676,653	963,018
Additions	16,500	8,862	–	25,362
Disposals	(6,540)	–	–	(6,540)
At 31 March 2005	162,237	142,950	676,653	981,840
Additions	13,240	–	–	13,240
At 31 March 2006	175,477	142,950	676,653	995,080
DEPRECIATION				
At 1 April 2004	5,913	2,397	28,087	36,397
Charge for the year	48,796	28,248	135,331	212,375
Eliminated on disposals	(490)	–	–	(490)
At 31 March 2005	54,219	30,645	163,418	248,282
Charge for the year	50,738	28,590	135,330	214,658
At 31 March 2006	104,957	59,235	298,748	462,940
CARRYING AMOUNT				
At 31 March 2006	70,520	83,715	377,905	532,140
At 31 March 2005	108,018	112,305	513,235	733,558

17. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation	Form of legal entity	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held Directly %	Indirectly %	Principal activities
Galileo Asset Management Limited	Hong Kong	Limited company	HK$10,000	–	100	Provision of financial advisory services for non Hong Kong markets
Galileo Asset Management Group Limited	The Cayman Islands	Limited company	US$10,000	–	100	Inactive
Galileo Capital Limited	Hong Kong	Limited company	HK$15,500,000	–	100	Provision of business information, business brokerage and financial advisory services in Hong Kong
Golden Harvest Trading Limited	Hong Kong	Limited company	HK$2	–	100	Provision of administrative services for the Group in Hong Kong
Galileo Capital Group (BVI) Limited	British Virgin Islands	Limited company	US$10,000	100	–	Investment holding in Hong Kong
Galileo Financial Services Limited	Hong Kong	Limited company	HK$10,000	–	100	Inactive
Wealth Supply International Limited	British Virgin Islands	Limited company	US$1	–	100	Inactive

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

18. TRADE RECEIVABLES

The general credit terms is seven days from the date of issue of payment invoice and the Group also offers extended credit terms to certain customers with reference to their respective financial background, reputation and credit worthiness.

At 31 March 2006, all trade receivables, net of allowances, were outstanding for less than 90 days (2005: nil).

The Directors consider that the carrying amount of the Group's trade receivables approximates their fair value.

19. DUE TO A DIRECTOR

	2006	2005
	HK$	*HK$*
Mr. Liu Ka Lim	**4,362,737**	2,795,584

The amount due to a director is unsecured and carries interest at 1.5% per annum. However, interests were waived by the director for both years. Pursuant to the Share Purchase Agreement as disclosed in note 28 to the financial statements, amount up to HK$4,372,097 will be waived upon the completion of the share purchase transaction. Completion is subject to satisfaction and/or waiver of the conditions contained in the Share Purchase Agreement. Accordingly, such waiver of loan may or may not occur.

As at 31 March 2005, the balance was classified as non-current liabilities.

The Directors consider that the carrying amount of amount due to a director approximates its fair value.

20. SHARE CAPITAL OF THE COMPANY

	Number of shares	**Amount**
		HK$
Ordinary shares of HK$0.02 each		
Authorised:		
At 1 April 2004, 31 March 2005 and 31 March 2006	6,000,000,000	120,000,000
Issued and fully paid:		
At 1 April 2004, 31 March 2005 and 31 March 2006	800,000,000	16,000,000

21. SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") of which the eligible participants (including any employee and executive director of the Company or any of its subsidiaries, who has full time employment with the Company or any such subsidiary at the time) may be granted an option to subscribe for shares of the Company. The Scheme will remain in force for a period of 10 years from 29 November 2000.

The maximum number of shares in respect of which share options may be granted under the Scheme may not exceed, in nominal amount, 30% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme.

The offer of a grant of share options may be accepted within 21 days inclusive of, and from the date of the offer. The exercise period of the share options granted is determined by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the respective date when the share options are granted, subject to the provisions for any terminations thereof.

In respect of the share options to be granted after the listing of the Company's shares on the GEM of the Stock Exchange, the subscription price will be a price determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM of the Stock Exchange on the date of grant of the particular option or the average of the closing prices of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the particular option or the nominal value of a share.

In respect of the share options granted prior to the listing of the Company's shares on the GEM of the Stock Exchange (the "Pre-IPO Share Options"), the subscription price of the Pre-IPO Share Options should not be less than the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There was no outstanding share option as at 31 March 2006 and 31 March 2005.

The Directors consider that the Scheme does not comply with certain supplementary guidance published by the Stock Exchange concerning Rule 23.03(13) of the GEM Listing Rules and the note immediately followed the rule. Since there are other elements of the Scheme currently being studied by the Directors and would most likely be amended in the near future, the Directors decide to amend the Scheme in an Extraordinary General Meeting as soon as such studies are finalized.

No share option was granted or exercised during the years ended 31 March 2006 and 31 March 2005.

22. RESERVE OF THE COMPANY

	Share premium HK$	Contributed surplus HK$	Accumulated losses HK$	Total HK$
At 1 April 2004	8,095,956	367,874	(24,448,209)	(15,984,379)
Loss for the year	–	–	(2,893,671)	(2,893,671)
Total recognised income and expense for the year	–	–	(2,893,671)	(2,893,671)
At 31 March 2005	8,095,956	367,874	(27,341,880)	(18,878,050)
Loss for the year	–	–	(1,910,350)	(1,910,350)
Total recognised income and expense for the year	–	–	(1,910,350)	(1,910,350)
At 31 March 2006	8,095,956	367,874	(29,252,230)	(20,788,400)

Note:

The contributed surplus of the Company represents the difference between the then consolidated net assets of the acquired subsidiaries over the nominal value of the share capital of the Company issued in exchange therefor.

23. DEFERRED TAX

The following are the major deferred tax liabilities/assets recognised by the Group, and the movements thereon, during the current and prior years.

	Accelerated tax depreciation *HK$*	Tax losses *HK$*	Total *HK$*
At 1 April 2004	(80,211)	80,211	–
(Charge) credit to the income statement for the year	(10,980)	10,980	–
At 1 April 2005	(91,191)	91,191	–
(Charge) credit to the income statement for the year	6,705	(6,705)	–
At 31 March 2006	(84,486)	84,486	–

The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2006 ***HK$***	2005 *HK$*
Deferred tax liabilities	**(84,486)**	(91,191)
Deferred tax assets	**84,486**	91,191
	–	–

At the balance sheet date, the Group has unused tax losses of approximately HK$23,270,000 (2005: HK$21,185,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$483,000 (2005: HK$521,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$22,787,000 (2005: HK$20,664,000) due to the unpredictability of future profits streams. All losses may be carried forward indefinitely subject to the approvals of tax authorities in respective jurisdictions.

24. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of directors and key executives as key management of the Group during the year was as follows:

	2006	2005
	HK$	*HK$*
Short-term benefits	**980,765**	480,353
Post-employment benefits	**22,560**	20,898
	1,003,325	501,251

The remuneration of directors and key executives is determined, in consultation with the Remuneration Committee, by the Directors having regard to the performance of individuals and market trends.

25. OPERATING LEASE COMMITMENTS

The Group made approximately HK$635,144 (2005: HK$611,844) and HK$168,000 (2005: HK$120,000) minimum lease payments under operating leases during the year in respect of office premises and motor vehicle respectively.

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office premises and motor vehicle under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$	*HK$*
Within one year	**495,720**	684,864
In the second to fifth year inclusive	–	495,720
	495,720	1,180,584

Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

26. CONTINGENT LIABILITIES

On 12 November 2004, Galileo Asset Management Limited ("GAML"), a wholly owned subsidiary of the Company, entered into a consultancy agreement (the "Consultancy Agreement") with a client (the "Client"). On 7 January 2006, the Client lodged a claim with GAML for RMB800,000.

In the opinion of an independent legal advisor, the Client had been in breach of the Consultancy Agreement as it was repeatedly in default of making payment as agreed under the Consultancy Agreement. In view of the above, it is advised that GAML is not obliged to return to the Client. Accordingly, the Directors consider the RMB800,000 to be non-refundable upfront fee payable under the Consultancy Agreement, and no liability has been assumed and accordingly, amount of RMB800,000 has not been accounted for in the income statement.

The Directors consider that the outcome of the claim referred above will not have a material adverse effect on the financial position of the Group.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all its qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,000 for each of its employees to the Scheme per month, which contribution is matched by the employees.

28. POST BALANCE SHEET EVENT

Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe, the substantial shareholders of the Company (the "Vendors"), entered into a share purchase agreement on 24 May 2006 (the "Share Purchase Agreement") with an independent third party (the "Offeror") to which the Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase 586,450,000 shares in aggregate (the "Sale Shares") at a total consideration of HK$14,661,250. The Sale Shares representing approximately 73.3% of the existing issued share capital of the Company. Completion is subject to satisfaction and/or waiver of a number of conditions precedent. Details of the Share Purchase Agreement have been announced on 29 May 2006.

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED RESULTS

	For the year ended 31 March				
	2002	2003	2004	2005	**2006**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Turnover	2,925,619	3,480,193	4,339,022	916,054	**2,357,000**
Net loss for the year	(10,512,530)	(5,843,512)	(2,382,868)	(3,120,815)	**(1,931,800)**

SUMMARY OF THE CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2002	2003	2004	2005	**2006**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Total assets	11,426,294	5,657,998	3,561,658	1,392,007	**1,291,081**
Total liabilities	(1,858,299)	(1,933,515)	(2,220,043)	(3,171,207)	**(5,002,081)**
Shareholders' funds/ (Capital deficiency)	9,567,995	3,724,483	1,341,615	(1,779,200)	**(3,711,000)**