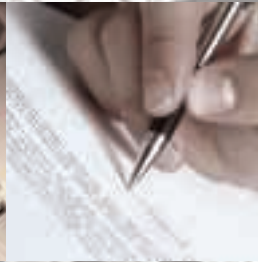




Galileo Capital Group Limited
嘉利盈融資集團有限公司

stock code : 8029



Half - Yearly Report 2006

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Galileo Capital Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

FINANCIAL HIGHLIGHTS (UNAUDITED)

- The Company and its subsidiaries (the "Group") recorded a revenue of HK\$450,000 for the six months ended 30 September 2006.
- Gross profit was HK\$380,318 for the six months ended 30 September 2006.
- Net profit attributable to shareholders was HK\$2,813,335 for the six months ended 30 September 2006.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006.
- As at 30 September 2006, the Group has cash on hand and banks amounting to HK\$11,420,300.

CONSOLIDATED HALF-YEARLY RESULTS FOR 2006 (UNAUDITED)

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Group for the three months and six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

Condensed Consolidated Income Statement

For the three months and six months ended 30 September 2006

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2006 HK\$ Unaudited	2005 HK\$ Unaudited	2006 HK\$ Unaudited	2005 HK\$ Unaudited
Revenue	2	170,000	30,000	450,000	730,000
Direct costs		(10,500)	(15,000)	(69,682)	(393,274)
Gross Profit		159,500	15,000	380,318	336,726
Other income	3	4,792,737	16	4,792,741	28
Administrative expenses		(1,526,801)	(891,843)	(2,358,877)	(1,725,685)
Finance costs		(846)	–	(847)	–
Profit (Loss) before tax	4	3,424,590	(876,827)	2,813,335	(1,388,931)
Income tax expense	5	–	–	–	–
Profit (Loss) for the period		3,424,590	(876,827)	2,813,335	(1,388,931)
Dividend	6	–	–	–	–
Earnings (Loss) per share					
Basic	7	HK0.41 cent	HK(0.11) cent	HK0.34 cent	HK(0.17) cent

Condensed Consolidated Balance Sheet

At at 30 September 2006

	Notes	At 30 September 2006 HK\$ Unaudited	At 31 March 2006 HK\$ Audited
Non-current asset			
Property, Plant and Equipment	8	516,673	532,140
Current assets			
Trade receivables	9	20,000	311,000
Prepayments, deposits and other receivables		117,120	117,120
Bank balances and cash		11,420,300	330,821
		11,557,420	758,941
Current liabilities			
Accruals and other payables		1,352,509	639,344
Obligation under finance lease		7,810	–
Due to a director	10	788,576	4,362,737
		2,148,895	5,002,081
Net current assets (liabilities)		9,408,525	(4,243,140)
		9,925,198	(3,711,000)
Capital and reserves			
Share Capital	11	19,200,000	16,000,000
Reserves		(9,302,785)	(19,711,000)
Equity attributable to equity holders of the parent		9,897,215	(3,711,000)
Non-current liability			
Obligation under finance lease		27,983	–
		9,925,198	(3,711,000)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Merger deficit <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 April 2005	16,000,000	8,095,956	(119,998)	(25,755,158)	(1,779,200)
Loss for the period	-	-	-	(1,388,931)	(1,388,931)
At 30 September 2005	16,000,000	8,095,956	(119,998)	(27,144,089)	(3,168,131)
At 1 April 2006	16,000,000	8,095,956	(119,998)	(27,686,958)	(3,711,000)
Issue of shares	3,200,000	8,000,000	-	-	11,200,000
Expenses incurred in connection with the issue of shares	-	(405,120)	-	-	(405,120)
Profit for the period	-	-	-	2,813,335	2,813,335
At 30 September 2006	19,200,000	15,690,836	(119,998)	(24,873,623)	9,897,215
	<i>Note 1</i>	<i>Note 1</i>	<i>Note 2</i>		

Note 1: Please refer to the note 11 of share capital for details of the issue of a total number of 160,000,000 ordinary shares of HK\$0.02 each in the Company during the period.

Note 2: 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.

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2006*

	For the six months ended 30 September	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
Net cash used in operating activities	(1,047,746)	(1,308,646)
Net cash used in investing activities	(57,130)	(5,260)
Net cash from financing activities	12,194,355	1,055,865
Net increase (decrease) in cash and cash equivalents	11,089,479	(258,041)
Cash and cash equivalents at the beginning of the period	330,821	541,295
Cash and cash equivalents at the end of the period	11,420,300	283,254
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	11,420,300	283,254

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL RESULTS

1. Basis of preparation

The interim consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at fair values.

The interim consolidated results of the Group for the six months ended 30 September 2006 are unaudited but have been reviewed by the Audit Committee of the Company.

The unaudited interim consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and applicable disclosure requirements of the GEM Listing Rules. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2006.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January 2006, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The accounting policies and methods of computation used in the preparation of the half-yearly consolidated financial statements are consistent with those used in the consolidated financial statements of the Company for the year ended 31 March 2006.

2. 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 both periods ended 30 September 2006 and 30 September 2005 which were business consultancy service segment. The business consultancy service 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		Total	
	for the six months ended 30 September				2006	2005
	2006	2005	2006	2005		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover – external	450,000	430,000	–	300,000	450,000	730,000
Other segment information:						
Segment assets	12,074,093	1,042,617	–	–	12,074,093	1,042,617
Capital expenditure	96,177	5,260	–	–	96,177	5,260

3. Other income

	For the three months ended		For the six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	Unaudited	Unaudited	Unaudited	Unaudited
Amount waived by a former director of the Company (Note)	4,792,737	–	4,792,737	–
Exchange gains	–	15	–	21
Bank interest income	–	1	4	7
	4,792,737	16	4,792,741	28

Note:

On 24 May 2006, Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe, the substantial shareholders of the Company (the "Vendors"), entered into a share purchase agreement (the "Share Purchase Agreement") with New Brilliant Investments Limited (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 represented approximately 73.3% of the entire issued share capital of the Company as at the date hereof. All the conditions of the Share Purchase Agreement were fulfilled on 11 July 2006 and completion took place on the same date. Upon the completion, Mr. Liu Ka Lim, a former director and substantial shareholder of the Company, waived his rights and interests in the debts, liabilities and indebtedness of up to HK\$4,792,737 owed to him by the Group.

4. Depreciation

Profit (Loss) before tax for the three months and six months ended 30 September 2006 is arrived at after charging depreciation of HK\$57,503 and HK\$111,644 respectively (three months and six months ended 30 September 2005: HK\$53,379 and HK\$106,575 respectively)

5. 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 the three months and six months ended 30 September 2006 and the corresponding period in 2005.

As at 30 September 2006, there were no significant deferred tax liabilities for which a recognition or provision would have been required (31 March 2006: Nil).

6. Dividend

The Directors do not recommend the payment of an interim dividend for the three months and six months ended 30 September 2006 (three months and six months ended 30 September 2005: Nil).

7. Earnings (Loss) per share

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

	For the three months ended 30 September		For the six months ended 30 September	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Profit (Loss) for the period and profit (loss) for the purpose of determining basic earnings (loss) per share	3,424,590	(876,827)	2,813,335	(1,388,931)
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of determining basic earnings (loss) per share	831,304,348	800,000,000	815,737,705	800,000,000

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

8. Property, plant and equipment

During the six months ended 30 September 2006, the Group spent HK\$96,177 on plant and equipment.

9. Trade receivables

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

At 30 September 2006, all trade receivables, net of allowances, were outstanding for less than 90 days (31 March 2006: HK\$311,000).

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

10. Due to a director

The current period balance due to a director, Mr. Chui Bing Sun, is unsecured, carries interest at 2.5% per annum and repayable on demand. However, interest for the period ended 30 September 2006 was waived by the director.

11. Share capital

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.02 each		
Authorised:		
At 31 March 2006 and 30 September 2006	6,000,000,000	120,000,000
Issued and fully paid:		
At 31 March 2006	800,000,000	16,000,000
Issue of shares	160,000,000	3,200,000
At 30 September 2006	960,000,000	19,200,000

The Company entered into a subscription agreement (the "Subscription Agreement") with New Brilliant Investments Limited ("New Brilliant") on 30 August 2006. Pursuant to the Subscription Agreements, a total of 160,000,000 ordinary shares with par value of HK\$0.02 were issued at a subscription price of HK\$0.07 per subscription share following the completion of the placing agreement for the placing of 160,000,000 existing shares owned by New Brilliant. The issued share capital of the Company was thus increased from HK\$16,000,000 to HK\$19,200,000. The excess of the subscription proceeds over the nominal value of share capital issued was credited as share premium. The Company intended to apply the net subscription proceeds of approximately HK\$10.8 million for general working capital of the Group.

12. 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.

Other income

Details of the amount waived by a former director of the Company are disclosed in note 3.

Compensation of key management personnel

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Short-term benefits	344,193	160,386	483,875	635,661
Post-employment benefits	6,347	5,637	11,165	12,270
	350,540	166,023	495,040	647,931

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.

Accruals and other payables

Included in the accruals and other payable of HK\$185,000 due to Mr. Liu Ka Lim ("Mr. Liu") is unsecured, carries interest at 1.5% per annum and repayable on demand. However, interest for the six months ended 30 September 2006 is waived by Mr. Liu who was a former director of the Company.

Due to a director

Details of the amount due to a director are disclosed in note 10.

13. Post balance sheet event

On 6 November 2006, Galileo Financial Services Limited (“Galileo Financial”), a wholly owned subsidiary of the Company, and independent parties (the “Vendor”) entered into: (a) a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which Galileo Financial has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the entire issued share capital of Cheung Shing Funeral Limited (“Cheung Shing”) and all the shareholders’ loan owed by Cheung Shing to the Vendors for a total consideration of HK\$5.1 million; and (b) a property agreement (the “Property Agreement”), pursuant to which Galileo Financial has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the entire issued share capital of Grand Sea Limited (“Grand Sea”) and all the shareholders’ loan owed by Grand Sea to the Vendors for a total consideration of HK\$6.4 million. Completion is subject to satisfaction and/or waiver of a number of conditions precedent. Details of the Sale and Purchase Agreement and Property Agreement were announced on 9 November 2006.

Cheung Shing is a licensed undertaker of burials in Hong Kong and is principally engaged in the provision of funeral services in Hong Kong.

Grand Sea has not carried on any business or operation save for the holding of the three properties owned by Grand Sea (the “Properties”) since its incorporation. Cheung Shing currently occupies the Properties for conducting its business.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the six months ended 30 September 2006, the Group recorded a turnover of HK\$450,000 representing a decrease of approximately 38% when compared to the corresponding period in the last fiscal year. The drop in revenue was mainly attributable to postponement in the completion of some of the deals during the past six months. As mentioned in the past, our Group has adopted a prudent policy of only recognizing income as and when the deals have been brought to a successful conclusion or when non-refundable retainer fees are received.

The cost of services has been maintained at similar level as that of the same period last year reflecting the effective control of overheads. Overall, the Group's net profit for the six months under review was approximately HK\$2.81 million as compared to a net loss of HK\$1.39 million for the corresponding period last year. The profit was derived from the ex-director, Mr. Liu Ka Lim, who waived his rights and interests in the debts, liabilities and indebtedness of up to HK\$4,792,737 owed to him by the Group. The earnings per share was HK\$0.34 cents, an increase from the corresponding period last year of loss per share HK\$0.17 cents.

Business Review

For the six-month period under review, the local financial market shown mixed signs of direction with significant shrinkage in turnover of property transactions while the local stock market continued to seek for a clearer trend pending confirmation of interest rate hikes which to a certain extent would be affected by the unstable oil prices. Following a series of austerity measures which had been launched by China to curb the overheated property market, the resultant chain effect in tightening of money supply in other sectors of the economy was seen during the period under review. This has led to increased opportunity in offering our services in raising finance for high quality projects in the coming months. Whilst continuing to pursue a pro-active strategy in marketing our services, we continued to adopt a prudent and cost-saving approach in allocating our resources because of the challenging conditions of the external market. This is reflected in our confinement of administrative and general expenses.

Prospects

We are of the view that the capital market in Hong Kong will continue its growth in light of the recovery of the local economy and the close link with the PRC which has also a very strong economic growth. As the financial services and the investment banking sectors of Hong Kong still remain highly competitive, we believe that there is a huge demand for our fund-raising and financial advisory services especially from Chinese enterprises. Though there is a change of shareholding from July 2006 and a new management team was formed in August, the new Chairman and directors will continue with the existing business of the Group.

The new management team is conducting a review of the financial position and operations of the Group in order to formulate a long-term strategy for it and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base, in particular in relation to funeral service business in China and Hong Kong. It is generally believed that the ageing population and increasing death rate have driven the demand growth of funeral services in Hong Kong. As a result, the Group conditionally agreed to purchase the entire share capital of Cheung Shing which is a licensed undertaker of burials in Hong Kong. In addition, the Group is still in the process of negotiation with an independent third party for a possible acquisition of a funeral service business in China.

Liquidity, Charge of Group Assets and Financial Resources

As at 30 September 2006, the Group's net assets increased to approximately HK\$9,897,000 from net liabilities of HK\$3,711,000 as at 31 March 2006. At 30 September 2006, the Group had approximately HK\$11,420,000 net bank and cash balances, representing an increase from approximately HK\$331,000 as at 31 March 2006, primarily due to the issuance of 160,000,000 ordinary shares on 13 September 2006.

During the six months ended 30 September 2006, the Group financed its operations with internal financial resources and balance of proceeds from the subscription of new shares on 13 September 2006. Save for the finance lease of an office equipment, of which the balance as at 30 September 2006 was approximately HK\$36,000, entered into by the Group during the period, there was no charge on the Group assets as at 30 September 2006.

As at 30 September 2006, save for the finance lease of office equipment entered into by the Group during the period, the Group did not have any other outstanding secured borrowings, mortgage or charge.

The gearing ratio, defined as total debts net of payable under ordinary course of business over total assets, was approximately 7% (31 March 2006: 338%).

Capital Structure

Pursuant to the subscription agreement dated 30 August 2006, the Company issued and allotted a total of 160,000,000 shares of the Company at a subscription price of HK\$0.07 per subscription share to the subscriber on 13 September 2006, following the completion of the placing agreement for the placing of 160,000,000 existing shares to not less than six places at a placing price of HK\$0.07 per placing share. The closing price per share on 29 August 2006 (being the last trading day prior to the entering into of the placing agreement) as quoted on the Stock Exchange was HK\$0.079 and the net price of the issue to the Company was approximately HK\$0.068 per share. The Company raised a net proceeds of approximately HK\$10.8 million through the placing and the subscription and the fund was intended to be used for general working capital of the Group

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 21 July 2006.

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 the fee 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.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 September 2006, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

The total number of employees was 9 as at 30 September 2006, and the total remuneration for the six months ended 30 September 2006 was approximately HK\$917,000. The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees where appropriate. Discretionary bonus is linked to performance of the individual specific to each case. The Group may offer options to reward employees who make significant contributions and to retain key staff pursuant to the share option scheme of the Group. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

Corporate Matters

On 24 May 2006, Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe, the substantial shareholders of the Company (the "Vendors"), entered into a share purchase agreement (the "Share Purchase Agreement") with New Brilliant Investments Limited (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 represented approximately 73.3% of the entire issued share capital of the Company as at the date hereof. The Share Purchase Agreement was completed on 11 July 2006 and the mandatory unconditional cash offer made by New Brilliant Investments Limited was closed on 8 August 2006.

Change of Directors

During the period under review, there were changes to the Directors of the Company with effect from 14 August 2006. Mr. Chui Bing Sun was appointed as Chairman and executive Director; Mr. Lee Chi Shing, Caesar was appointed as executive Director; Mr. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick were appointed as independent non-executive Directors. Mr. Liu Ka Lim, Mr. Kan Siu Lun, Mr. Sun Wai Tat, Victor; Miss Lam So Ying and Miss Sy Wai Shuen resigned as executive Directors of the Company due to their respective personal reasons.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 September 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Mr. Chui Bing Sun	Corporate (<i>Note</i>)	586,450,000	Interest of a controlled corporation	61.09%

Note: These ordinary shares are held by New Brilliant Investments Limited, the issued share capital of which is beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei. Mr. Chui Bing Sun beneficially owns 70.4% of the issued shares of 20/20 International Limited.

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 30 September 2006 and 30 September 2005.

The Directors consider that the existing 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.

To enable the Company to motivate more persons to make contribution to the Group and recruit additional talents to serve the Group in attaining the long term objectives of the Company, the Board considers that it is in the interest of the Company to adopt a new share option scheme with broader categories of eligible participants. The Board therefore considers proposing to terminate the existing Scheme and adopt the new scheme. An ordinary resolution will therefore be proposed for the approval of the shareholders at the coming extraordinary general meeting (the "EGM") that, subject to approval and adoption of the new scheme by the shareholders at the EGM, the existing Scheme be terminated.

No share option was granted or exercised under the existing Scheme during the six months ended 30 September 2006 and 30 September 2005.

Save as disclosed above, during the six months ended 30 September 2006, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in note 12 to the financial statements, no contracts of significance to which the Group 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 period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any Directors or chief executives of the Company, as at 30 September 2006, the following person or corporations had equity interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
New Brilliant Investments Limited <i>(Note)</i>	Corporate	586,450,000	Beneficial owner	61.09%
20/20 International Limited <i>(Note)</i>	Corporate	586,450,000	Interest of a controlled corporation	61.09%
Chui Bing Sun <i>(Note)</i>	Corporate	586,450,000	Interest of a controlled corporation	61.09%

Note:

New Brilliant Investments Limited is beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei. In addition, 20/20 International Limited is beneficially owned as to 70.4% by Mr. Chui Bing Sun. Accordingly, both 20/20 International Limited and Mr. Chui Bing Sun are deemed under the SFO to be interested in the 586,450,000 shares of the Company beneficially owned by New Brilliant Investments Limited as at 30 September 2006.

Save as disclosed above, as at 30 September 2006, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

There are 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.

COMPETITION AND CONFLICT OF INTERESTS

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

CORPORATE GOVERNANCE

None of the Company's Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the half-yearly report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company set up an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Audit Committee comprised three members, Mr. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick, the independent non-executive Directors. All of them were appointed on 14 August 2006 and Mr. Chien Hoe Yong was elected as the Chairman of the Audit Committee. The results for the six months ended 30 September 2006 were reviewed by the Audit Committee.

Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap, who were independent non-executive Directors and members of the Audit Committee, resigned on 14 August 2006 due to their respective personal reasons.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee ("Remuneration Committee") on 18 March 2005. During the period under review, the Remuneration Committee comprised three members, Mr. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick, all of them are independent non-executive Directors and were appointed on 14 August 2006 with Mr. Kwok Kwan Hung being elected as the Chairman. Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap, who were independent non-executive Directors and members of the Remuneration Committee, resigned on 14 August 2006 due to their respective personal reasons.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Chui Bing Sun and Mr. Lee Chi Shing, Caesar and three independent non-executive Directors, namely, Mr. Chien Hoe Yong, Mr. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick.

By order of the Board
Galileo Capital Group Limited
Chui Bing Sun
Chairman

Hong Kong, 13 November 2006