Galileo Capital Group Limited

嘉利盈融資集團有限公司

stock code : 8029

Third Quarterly Report 2006

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

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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 SUMMARY (UNAUDITED)

- Turnover of the Group was HK$720,000 for the nine months ended 31 December 2006, representing a decrease of approximately 60% from the corresponding period in the previous fiscal year.

- For the nine months ended 31 December 2006, gross profit of the Group was HK$650,318 as compared to the gross profit of HK$1,328,655 recorded in the corresponding period in the previous fiscal year.

- Net profit of the Group for the nine months ended 31 December 2006 amounted to approximately HK$0.8 million as compared to net loss of approximately HK$1.24 million for the corresponding period in the previous fiscal year.

- Earnings per share of the Group for the nine months ended 31 December 2006 is HK0.09 cent.

- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2006 (2005: Nil).

CONSOLIDATED THIRD QUARTERLY 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 nine months ended 31 December 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

Condensed Consolidated Income Statement

For the three months and nine months ended 31 December 2006

		For the three months ended 31 December		For the nine months ended 31 December	
		2006	2005	**2006**	2005
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
		Unaudited	Unaudited	**Unaudited**	Unaudited
Revenue	2	**270,000**	1,089,000	**720,000**	1,819,000
Direct costs		**–**	(97,071)	**(69,682)**	(490,345)
Gross profit		**270,000**	991,929	**650,318**	1,328,655
Other income	3	**53,504**	750	**4,846,245**	778
Administrative expenses		**(2,340,837)**	(844,885)	**(4,699,714)**	(2,570,570)
Finance costs		**(507)**	–	**(1,354)**	–
Profit/(Loss) before tax		**(2,017,840)**	147,794	**795,495**	(1,241,137)
Income tax expense	4	**–**	–	**–**	–
Profit/(Loss) for the period		**(2,017,840)**	147,794	**795,495**	(1,241,137)
Dividend	5	**–**	–	**–**	–
Earnings/(Loss) per share					
Basic	6	**HK(0.21) cent**	HK0.02 cent	**HK0.09 cent**	HK(0.16) cent

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2006

	Share capital	Share premium	Merger deficit	Share option reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	Unaudited	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 nine months ended 31 December 2005	–	–	–	–	(1,241,137)	(1,241,137)
At 31 December 2005	16,000,000	8,095,956	(119,998)	–	(26,996,295)	(3,020,337)
At 1 April 2006	**16,000,000**	**8,095,956**	**(119,998)**	**–**	**(27,686,958)**	**(3,711,000)**
Issuance of shares	**3,200,000**	**8,000,000**	**–**	**–**	**–**	**11,200,000**
Expenses incurred in connection with the issuance of shares	**–**	**(405,120)**	**–**	**–**	**–**	**(405,120)**
Share option benefits	**–**	**–**	**–**	**17,472**	**–**	**17,472**
Profit for the nine months ended 31 December 2006	**–**	**–**	**–**	**–**	**795,495**	**795,495**
At 31 December 2006	**19,200,000**	**15,690,836**	**(119,998)**	**17,472**	**(26,891,463)**	**7,896,847**
	Note 1	*Note 1*	*Note 2*			

Note 1: Pursuant to the subscription agreement entered into between the Company and New Brilliant Investments Limited ("New Brilliant") on 30 August 2006, 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.

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. Basis of preparation

The unaudited consolidated results of the Group for the nine months ended 31 December 2006 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 unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosure requirements of the GEM Listing Rules.

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 consolidated financial statements for the nine months 31 December 2006 are consistent with those used in the consolidated financial statements of the Company for the year ended 31 March 2006.

The consolidated results are unaudited but have been reviewed by the Audit Committee of the Company.

2. Revenue

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

3. Other income

	For the three months ended 31 December		For the nine months ended 31 December	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Amount waived by a former director of the Company *(Note)*	**–**	–	**4,792,737**	–
Bank interest income	**52,424**	–	**52,428**	7
Other sundry income	**1,080**	750	**1,080**	771
	53,504	750	**4,846,245**	778

Note: Upon the change of substantial shareholders on 11 July 2006, the former director and substantial shareholder of the Company, Mr. Liu Ka Lim, 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. 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 nine months ended 31 December 2006 and the corresponding period in 2005.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2006 (2005: Nil).

6. 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 31 December		**For the nine months ended 31 December**	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Profit (Loss) for the period and profit (loss) for the purpose of determining basic earnings (loss) per share	**(2,017,840)**	147,794	**795,495**	(1,241,137)

	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	**960,000,000**	800,000,000	**864,000,000**	800,000,000

Diluted earnings (loss) per share for the three months and nine months ended 31 December 2006 have not been shown as the potential ordinary shares outstanding have no dilutive effect on the basic earnings (loss) per share for the periods. Diluted earnings (loss) per share for the three months and nine months ended 31 December 2005 have not been calculated as no potential ordinary shares existed during those periods.

7. Post balance sheet event

On 6 November 2006, Galileo Financial Services Limited ("Galileo Financial"), a wholly owned subsidiary of the Company, entered into agreements with independent third parties (the "Vendor") to purchase the entire issued share capital of Cheung Shing Funeral Limited ("Cheung Shing") and Grand Sea Limited ("Grand Sea") and the shareholders' loans owed by Cheung Shing and Grand Sea to the Vendors at a consideration of HK$11.5 million, which were settled by the Group in cash. Pursuant to the payment terms of the agreements, an amount of HK$3,450,000 has been paid as deposits and part payments. The Group is committed to pay HK$8,050,000 on completion which took place on 17 January 2007. Details of the acquisitions of Cheung Shing and Grand Sea were set out in circular dispatched to shareholders of the Company on 22 December 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 is principally engaged in the holding and leasing of properties.

On 11 January 2007, the Company entered into a loan agreement with an independent third party for borrowing of HK$5,000,000 for financing the acquisitions of Cheung Shing and Grand Sea.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the nine months ended 31 December 2006, the Group recorded a turnover of HK$720,000 representing a decrease of approximately 60% 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 nine 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. Some expenses were incurred in the development of new businesses but they were under strict control. Overall, the Group's net profit for the nine months under review was approximately HK$0.8 million as compared to a net loss of approximately HK$1.24 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 HK0.09 cent, an increase from the corresponding period last year of loss per share HK0.16 cent.

Business Review

For the nine-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 31 December 2006, the Group's net assets increased to approximately HK$7,897,000 from net liabilities of approximately HK$3,711,000 as at 31 March 2006, primarily due to the issuance of 160,000,000 ordinary shares on 13 September 2006. The current assets comprised bank balances and cash of approximately HK$4,320,000. During the nine months ended 31 December 2006, the Group financed its operations with internal financial resources and balance of proceeds from the subscription of new shares on 13 September 2006.

As at 31 December 2006, property, plant and equipment of the Group with net book value of approximately HK$36,000 was held under finance lease (2005: Nil).

As at 31 December 2006, save for the aforesaid finance lease, of which the balance as at 31 December 2006 was approximately HK$34,000, entered into by the Group during the period, the Group did not have any other outstanding secured borrowings, mortgage or charge.

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 placees 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, the 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 31 December 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 31 December 2006, and the total remuneration for the nine months ended 31 December 2006 was approximately HK$2,076,000. 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.

CHANGES IN SUBSTANTIAL SHAREHOLDERS

Following the completion of the mandatory unconditional cash offer made by New Brilliant Investments Limited ("New Brilliant") on 11 July 2006, New Brilliant and parties acting in concert with New Brilliant became the controlling shareholders of the Company. Details of the substantial shareholders as at 31 December 2006 are disclosed under the section headed "Substantial Shareholders and Disclosure under SFO".

CHANGES IN 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 31 December 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:

(1) 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 *(Note)*	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.

(2) Long positions in the underlying shares of the Company

Pursuant to the new share option scheme (the "New Scheme") adopted by the Company on 5 December 2006, one Director in the capacity as beneficial owner was granted share options to subscribe for shares of the Company, details of which as at 31 December 2006 were as follows:

Name of Director	Date of grant	Vesting period from	Vesting period until	Exercise price per share HK$	Exercise period from	Exercise period until	Number of share options outstanding as at 31 December 2006
Mr. Lee Chi Shing, Caesar	19/12/2006	19/12/2006	18/12/2007	0.418	19/12/2007	18/12/2016	2,500,000

Save as disclosed above, during the nine months ended 31 December 2006, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

On 8 February 2007, share options to subscribe for 1,000,000 shares of the Company were granted to a Director Mr. Lee Chi Shing, Caesar. These options have an exercise price of HK$0.3 per share and are exercisable after 7 February 2008 up to 7 February 2017.

Save as disclosed above, during the nine months ended 31 December 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.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Under the terms of the New Scheme adopted by the Company on 5 December 2006, the board of Directors is authorized, at its absolute discretion, to grant options to employee (including any executive and non-executive director), proposed employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group, to subscribe for shares in the Company. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 17 November 2006.

The operation of the old share option scheme was terminated on 5 December 2006, upon the approval of shareholders at the extraordinary general meeting held on 5 December 2006. Under the old share option scheme, no share option was outstanding as at 31 December 2006 and no share option was granted or exercised during the nine months ended 31 December 2006.

As at 31 December 2006, options to subscribe for an aggregate of 2,750,000 shares of the Company granted to certain employees (including the executive Director of the Company as disclosed above) pursuant to the New Scheme were outstanding, details of which were as follows:

	Number of share options				
Date of grant	**Granted during the period**	**Exercised during the period**	**Lapsed/ Cancelled during the period**	**Outstanding as at 31 December 2006**	**Exercise price per share** *HK$*
19/12/2006	2,750,000	–	–	2,750,000	0.418

Note: The options are exercisable from 19 December 2007 to 18 December 2016 and have a vesting period of 12 months starting from the date of grant.

On 8 February 2007, options to subscribe for 51,000,000 shares of the Company were granted to certain persons (including the executive Director of the Company as disclosed above) pursuant to the New Scheme, details of which were as follows:

Date of grant	Number of share options granted	Exercise period from	until	Exercise price per share
				HK$
08/02/2007	47,500,000	08/02/2007	30/12/2007	0.3
08/02/2007	2,500,000	08/02/2007	07/02/2008	0.3
08/02/2007	1,000,000	08/02/2008	07/02/2017	0.3

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, 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

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 31 December 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 *(Note)*	Corporate	586,450,000	Beneficial owner	61.09%
20/20 International Limited *(Note)*	Corporate	586,450,000	Interest of a controlled corporation	61.09%
Chui Bing Sun *(Note)*	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 31 December 2006.

Save as disclosed above, as at 31 December 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 quarterly 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 of the Company. 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 nine months ended 31 December 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.

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 of the Remuneration 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 Remuneration Committee, resigned on 14 August 2006.

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, 14 February 2007