



Galileo Holdings Limited
嘉利福控股有限公司

stock code : 8029

First Quarterly
Report

2007

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.

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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 Holdings 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\$1,247,067 for the three months ended 30 June 2007, representing an increase of approximately 345% from the corresponding period in the previous fiscal year.
- For the three months ended 30 June 2007, gross profit of the Group was HK\$540,575 as compared to the gross profit of HK\$220,818 recorded in the corresponding period in the previous fiscal year.
- Net loss of the Group for the three months ended 30 June 2007 amounted to approximately HK\$2.27 million as compared to net loss of approximately HK\$0.6 million for the corresponding period in the previous fiscal year.
- Loss per share of the Group for the three months ended 30 June 2007 is HK0.23 cent.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2007 (2006: Nil).

CONSOLIDATED FIRST QUARTERLY RESULTS FOR 2007 (UNAUDITED)

The board of Directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Group for the three months ended 30 June 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2007

		For the three months ended 30 June	
	<i>Notes</i>	2007	2006
		HK\$	HK\$
		Unaudited	Unaudited
Revenue	2	1,247,067	280,000
Direct costs		(706,492)	(59,182)
Gross Profit		540,575	220,818
Other operating income		114,570	4
Administrative expenses		(2,791,989)	(832,076)
Finance costs		(128,132)	(1)
Loss before tax		(2,264,976)	(611,255)
Income tax expense	3	(4,000)	–
Loss for the period		(2,268,976)	(611,255)
Dividend	4	–	–
Loss per share			
Basic	5	HK(0.23 cent)	HK(0.08 cent)

Condensed Consolidated Statement of Changes in Equity*For the three months ended 30 June 2007*

	Reserves					Total HK\$ Unaudited
	Share capital HK\$ Unaudited	Share premium HK\$ Unaudited	Merger deficit HK\$ Unaudited	Share option reserve HK\$ Unaudited	Accumulated losses HK\$ Unaudited	
At 1 April 2006	16,000,000	8,095,956	(119,998)	-	(27,686,958)	(3,711,000)
Loss for the three months ended 30 June 2006	-	-	-	-	(611,255)	(611,255)
At 30 June 2006	16,000,000	8,095,956	(119,998)	-	(28,298,213)	(4,322,255)
At 1 April 2007	19,300,000	17,090,836	(119,998)	3,272,393	(34,198,593)	5,344,638
Issuance of shares on exercise of share options	170,000	2,380,000	-	-	-	2,550,000
Share option benefits	-	-	-	127,325	-	127,325
Loss for the three months ended 30 June 2007	-	-	-	-	(2,268,976)	(2,268,976)
At 30 June 2007	19,470,000	19,470,836	(119,998)	3,399,718	(36,467,569)	5,752,987
	<i>Note 1</i>	<i>Note 1</i>	<i>Note 2</i>			

Note 1: At 2 April 2007 and 14 June 2007, 2,000,000 and 6,500,000 share options were exercised and transferred into shares in the share capital of the Company at an exercise price of HK\$0.3 per share. The total gross proceeds from exercising the share options is amounted to HK\$2,550,000.

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 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results have been prepared under the historical cost convention except for investment property and certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2007.

The unaudited consolidated results of the Group for the three months ended 30 June 2007 are unaudited but have been reviewed by the Company's audit committee.

2. Revenue

Revenue represents the net amounts received and receivable from services provided by the Group to outside customers and rental income, and is analysed as follows:

	For the three months ended 30 June	
	2007	2006
	HK\$	HK\$
Business consultancy service income	100,000	280,000
Funeral services income	1,102,067	–
Rental income	45,000	–
	<u>1,247,067</u>	<u>280,000</u>

3. Income tax expense

Hong Kong Profits Tax has been provided for in the financial statements at 17.5% on the amount of estimated assessable profits arising in Hong Kong (2006: Nil).

4. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2007 (2006: Nil).

5. Loss per share

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

	For the three months ended 30 June	
	2007	2006
	HK\$	HK\$
Loss for the period and loss for the purpose of determining basic loss per share	<u>2,268,976</u>	<u>611,255</u>

Weighted average number of ordinary shares

	For the three months ended 30 June	
	2007	2006
	Number of shares	<i>Number of shares</i>
Issued ordinary shares at 1 April	965,000,000	800,000,000
Effect of exercise of share options	<u>3,192,308</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of determining basic loss per share	<u>968,192,308</u>	<u>800,000,000</u>

Diluted loss per share for the three months ended 30 June 2007 has not been shown as the potential ordinary shares outstanding have no dilutive effect on the basic loss per share for the period. Diluted loss per share for the three months ended 30 June 2006 has not been calculated as no potential ordinary shares existed during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

The Group recorded a turnover of HK\$1,247,067 for the three months ended 30 June 2007, representing an increase of 345% when compared to the corresponding period in the last fiscal year. The increase was mainly due to the fact that the funeral business was taken up on 17 January 2007. Its result was included in the accounts for the three months ended 30 June 2007.

The cost of services was increased to HK\$706,492 from HK\$59,182 recorded during the same period last year. The decrease in gross profit percentage was mainly due to the lower gross profit rate of funeral business. However, higher turnover is expected for the year ended 31 March 2008 and the resulted total gross profit will be increased.

Administrative expenses made an increase of 236% to HK\$2,791,989 compared to HK\$ 832,076 in 2006. The increase was mainly due to the cost of renovation written off as a result of the change of office. The administrative expenses will be reduced for the coming years due to the lower rental expenses by changing to the new office.

The net loss for the three months ended 30 June 2007 was HK\$2,268,976, an increase of HK\$1,657,721 or more than 271% as compared with the corresponding period in the last fiscal year. The higher loss figure mainly reflected a higher administrative and general expense for the period due to the cost of renovation written off as a result of the change of office.

Business Review

For the three-month period under review, the international financial market showed mixed signs of direction. The stock market was seriously affected by the United States home loan market. On the other hand, a series of controlling measures had been launched by China to curb the overheated stock market while the Hong Kong stock exchange will benefit from the QDII scheme of China. This has led to increased opportunity in offering our services in raising finance for high quality projects in the coming months. 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 mainland China for placement and listing as well as finalising credit facilities. Our strong in-house experts were able to provide quality professional services.

Following the acquisition of Cheung Shing Funeral Limited, the Group would enhance its future development in funeral services so as to strengthen its revenue base. We hope to position ourselves as the premier funeral service provider in Hong Kong in the years to come.

Prospects

For the foreseeable future, China will continue to be a major factor of international trade. However, the Chinese government is facing the pressure of the interest rate adjustment, currency revaluation, record trade surpluses and fluctuating commodities and oil prices. The problems from the domestic front include rising inflation rate, flooding of money supply and overheating in the property sector. It is anticipated that stronger measures may be required to cool down the economy.

Concerning the funeral services, the Group believes that the funeral service industry in Hong Kong has a promising prospect because of the aging population and the increasing death rate. The number of deaths for 2006 was 36,900 while the number of licensed undertaker was only about 90. The group is also looking for suitable cemeteries so that we can provide one-stop services to the clients in the Greater China region.

Liquidity and Financial Resources

As of 30 June 2007, the Group's net assets increased to approximately HK\$5,753,000 from net assets of approximately HK\$5,345,000 as at 31 March 2007. The cash and bank balances as at 30 June 2007 was approximately HK\$1,510,000, representing a decline of approximately 16% when compared with the balance as at 31 March 2007. During the three months ended 30 June 2007, the Group's operation was mainly financed by the internal financial resources of the Group and its major shareholder.

Charges on Group Assets

As at 30 June 2007, plant and equipment of the Group with net book value of HK\$244,245 was held under finance leases and properties with net book value of HK\$6,281,250 were pledged as securities for bank loan. (2006: Nil).

Contingent Liabilities

As at 30 June 2007, the Group had no contingent liabilities.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 June 2007, 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 18 as at 30 June 2007, and the total remuneration for the three months ended 30 June 2007 was approximately HK\$1,315,000. The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident fund, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2007, 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	60.24%

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 adopted by the Company on 5 December 2006 (the “New Scheme”), several Directors in the capacity as beneficial owners were granted share options to subscribe for shares of the Company, details of which as at 30 June 2007 were as follows:

Name of Director	Date of grant	Vesting period		Exercise price per share HK\$	Exercise period		Number of share options outstanding as at 30 June 2007
		from	until		from	until	
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
	23/02/2007	23/02/2007	22/02/2008	0.3	23/02/2008	22/02/2017	1,000,000
Mr. Chien Hoe Yong	26/03/2007	26/03/2007	25/03/2008	0.33	26/03/2008	25/03/2017	500,000
Mr. Kwok Kwan Hung	26/03/2007	26/03/2007	25/03/2008	0.33	26/03/2008	25/03/2017	500,000
Mr. Siu Hi Lam, Alick	26/03/2007	26/03/2007	25/03/2008	0.33	26/03/2008	25/03/2017	500,000

Save as disclosed above, during the three months ended 30 June 2007, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, during the three months ended 30 June 2007, 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 30 June 2007 and no share option was granted or exercised during the three months ended 30 June 2007.

As at 30 June 2007, details of share options outstanding were as follows:

Date of grant	Number of share options			At 30 June 2007	Date of exercise of share option	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2007	Granted during the period	Exercised during the period				
19-12-2006	2,750,000	-	-	2,750,000	-	19-12-2007 to 18-12-2016	0.418
23-02-2007	1,000,000	-	-	1,000,000	-	23-2-2008 to 22-2-2017	0.300
23-02-2007	69,000,000	-	(8,500,000)	60,500,000	02-04-2007 & 14-06-2007	23-2-2007 to 22-2-2008	0.300
26-03-2007	-	1,500,000	-	1,500,000	-	26-3-2008 to 25-3-2017	0.33
	<u>72,750,000</u>	<u>1,500,000</u>	<u>(8,500,000)</u>	<u>65,750,000</u>			

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 30 June 2007, 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	60.24%

Name of Shareholders	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
20/20 International Limited <i>(Note)</i>	Corporate	586,450,000	Interest of a controlled corporation	60.24%
Chui Bing Sun <i>(Note)</i>	Corporate	586,450,000	Interest of a controlled corporation	60.24%

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 June 2007.

Save as disclosed above, as at 30 June 2007, 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, all of them are independent non-executive Directors and Mr. Chien Hoe Yong was appointed as the chairman of the Audit Committee. The results for the three months ended 30 June 2007 were reviewed by the Audit Committee.

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 Mr. Kwok Kwan Hung was appointed as the Chairman of the Remuneration Committee.

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.

CHANGE OF COMPANY NAME

At the extraordinary general meeting of the Company held on 18 May 2007, the special resolution in respect of the change of the Company's name from "Galileo Capital Group Limited 嘉利盈融資集團有限公司" to "Galileo Holdings Limited 嘉利福控股有限公司" was duly approved by the shareholders of the Company. In this connection, the Registrar of Companies in the Cayman Islands issued a Certificate of Incorporation on Change of Name dated 28 May 2007 and the Registrar of Companies in Hong Kong issued a Certificate of Registration on Change of Name of Oversea Company dated 30 July 2007.

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 Holdings Limited
Chui Bing Sun
Chairman

Hong Kong, 10 August 2007