



Galileo Holdings Limited  
嘉利福控股有限公司

stock code : 8029

Half-Yearly  
Report **2007**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*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)**

- The Company and its subsidiaries (the “Group”) recorded a revenue of HK\$2,668,178 for the six months ended 30 September 2007.
- Gross profit was HK\$1,091,083 for the six months ended 30 September 2007.
- Net loss attributable to shareholders was HK\$10,132,674 for the six months ended 30 September 2007.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007.
- As at 30 September 2007, the Group has cash on hand and banks amounting to HK\$40,528,296.

## CONSOLIDATED HALF-YEARLY 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 and six months ended 30 September 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

### Consolidated Income Statement

For the three months and six months ended 30 September 2007

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2007 HK\$ Unaudited	2006 HK\$ Unaudited	2007 HK\$ Unaudited	2006 HK\$ Unaudited
Revenue	2	<b>1,421,111</b>	170,000	<b>2,668,178</b>	450,000
Direct costs		<b>(870,603)</b>	(10,500)	<b>(1,577,095)</b>	(69,682)
Gross Profit		<b>550,508</b>	159,500	<b>1,091,083</b>	380,318
Other operating income		<b>9,792</b>	4,792,737	<b>124,362</b>	4,792,741
Administrative expenses		<b>(8,374,978)</b>	(1,526,801)	<b>(11,166,967)</b>	(2,358,877)
Finance costs		<b>(53,020)</b>	(846)	<b>(181,152)</b>	(847)
(Loss) Profit before taxation	3	<b>(7,867,698)</b>	3,424,590	<b>(10,132,674)</b>	2,813,335
Income tax expense	4	-	-	-	-
(Loss) Profit for the period		<b>(7,867,698)</b>	3,424,590	<b>(10,132,674)</b>	2,813,335
Dividend	5	-	-	-	-
(Loss) Earnings per share Basic	6	<b>HK(0.75) cent</b>	HK0.41 cent	<b>HK(1.01) cent</b>	HK0.34 cent

**Condensed Consolidated Balance Sheet***As at 30 September 2007*

		<b>At</b>	At
		<b>30 September</b>	31 March
		<b>2007</b>	2007
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
		<b>Unaudited</b>	Audited
<b>Non-current assets</b>			
Goodwill		<b>1,166,407</b>	2,332,814
Investment property		<b>2,600,000</b>	2,600,000
Property, Plant & Equipment	7	<b>4,987,395</b>	5,178,012
		<b>8,753,802</b>	10,110,826
<b>Current assets</b>			
Inventories		<b>87,436</b>	95,030
Trade receivables	8	<b>145,293</b>	96,355
Prepayments, deposits and other receivables	13a	<b>20,280,658</b>	590,043
Bank balances and cash		<b>40,528,296</b>	1,801,684
		<b>61,041,683</b>	2,583,112
<b>Current liabilities</b>			
Accruals and other payables		<b>1,241,418</b>	1,402,413
Deposits received		<b>30,000</b>	30,000
Amount due to a director	9	<b>27,284</b>	758,368
Bank loan	10	<b>253,484</b>	–
Obligation under finance leases		<b>27,255</b>	85,587
Other borrowings		<b>–</b>	5,000,000
Tax payable		<b>48,853</b>	48,853
		<b>1,628,294</b>	7,325,221
Net current assets (liabilities)		<b>59,413,389</b>	(4,742,109)
Total assets less current liabilities		<b>68,167,191</b>	5,368,717

		<b>At 30 September 2007 HK\$ Unaudited</b>	At 31 March 2007 HK\$ Audited
Non-current liabilities			
Bank loan	10	<b>3,684,893</b>	–
Obligation under finance leases		<b>20,174</b>	24,079
		<b>3,705,067</b>	24,079
		<b>64,462,124</b>	5,344,638
Capital and reserves			
Share Capital	11	<b>23,964,000</b>	19,300,000
Reserves		<b>40,498,124</b>	(13,955,362)
		<b>64,462,124</b>	5,344,638

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30 September 2007*

	Reserves					
	Share capital	Share premium	Merger deficit	Share option reserve	Accumulated losses	Total
	HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited	HK\$ Unaudited
At 1 April 2006	16,000,000	8,095,956	(119,998)	-	(27,686,958)	(3,711,000)
Placing of new shares	3,200,000	8,000,000	-	-	-	11,200,000
Recognition of share issue expenses	-	(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
<b>At 1 April 2007</b>	<b>19,300,000</b>	<b>17,090,836</b>	<b>(119,998)</b>	<b>3,272,393</b>	<b>(34,198,593)</b>	<b>5,344,638</b>
<b>Top-up placing and subscription</b>	<b>3,894,000</b>	<b>49,648,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,542,500</b>
<b>Recognition of share issue expenses</b>	<b>-</b>	<b>(1,582,852)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,582,852)</b>
<b>Share option benefits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,299,512</b>	<b>-</b>	<b>5,299,512</b>
<b>Exercise of share options</b>	<b>770,000</b>	<b>13,257,202</b>	<b>-</b>	<b>(2,036,202)</b>	<b>-</b>	<b>11,991,000</b>
<b>Loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,132,674)</b>	<b>(10,132,674)</b>
<b>At 30 September 2007</b>	<b>23,964,000</b>	<b>78,413,686</b>	<b>(119,998)</b>	<b>6,535,703</b>	<b>(44,331,267)</b>	<b>64,462,124</b>

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

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 September 2007*

	<b>For the six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	HK\$
	<b>Unaudited</b>	Unaudited
Net cash used in operating activities	<b>(22,992,968)</b>	(1,047,746)
Net cash used in investing activities	<b>(194,972)</b>	(57,130)
Net cash from financing activities	<b>61,914,552</b>	12,194,355
Net increase in cash and cash equivalents	<b>38,726,612</b>	11,089,479
Cash and cash equivalents at the beginning of the period	<b>1,801,684</b>	330,821
Cash and cash equivalents at the end of the period	<b>40,528,296</b>	11,420,300
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>40,528,296</b>	11,420,300



## NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL RESULTS

### 1. Basis of preparation

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 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 (“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 2007.

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 2007, 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 principal accounting policies used in the preparation of the interim financial statements are consistent with those used in the financial statements for the year ended 31 March 2007.

The unaudited consolidated results of the Group for the six months ended 30 September 2007 are unaudited but have been reviewed by the Company’s Audit Committee.

## 2. Revenue and segment information

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

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.

### **Business segment**

The Group's operating businesses are structured and managed separately, according to the nature of their operation and services they provided. Each of the Group's business segment represents a strategic business unit that offers services which are subject to risk and returns that are different from those of the other business segments.

For management purpose, the Group is currently organized into two operating divisions – business consultancy services and funeral services. Segment information about these businesses is presented below.

	Business consultancy		Funeral services		Others		Consolidated	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
<b>Turnover</b>								
External sales	<b>235,000</b>	450,000	<b>2,343,178</b>	-	<b>90,000</b>	-	<b>2,668,178</b>	450,000
<b>Results</b>								
Segment result	<b>(1,417,598)</b>	(906,851)	<b>(60,384)</b>	-	<b>(1,389,939)</b>	-	<b>(2,867,921)</b>	(906,851)
Unallocated corporate income							<b>19,698</b>	4,792,739
Unallocated corporate expenses							<b>(7,103,299)</b>	(1,071,706)
Finance cost							<b>(181,152)</b>	(847)
(Loss) Profit before taxation							<b>(10,132,674)</b>	2,813,335
Income tax expense							-	-
(Loss) Profit for the period							<b>(10,132,674)</b>	2,813,335

### **Geographical segment**

In determining the Group's geographical segment, turnover is attributed to the segments based on the location of the customers. The Group had only one geographical segment for the period ended 30 September 2007 and 30 September 2006 which was Hong Kong based geographical segment.

### **3. (Loss) Profit before taxation**

(Loss) Profit before taxation is arrived at after charging (crediting):

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	HK\$
Depreciation for property, plant and equipment		
– owned assets	<b>121,006</b>	111,644
– finance lease assets	<b>42,397</b>	–
Share base payment expense	<b>5,299,512</b>	–
Impairment loss recognised in respect of goodwill	<b>1,166,407</b>	–
Waive of amount due to an ex-director	–	(4,792,737)
Interest income	<b>(23,150)</b>	(4)
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### **4. Income tax expense**

No provision for Hong Kong Profits Tax has been provided as the Group did not have any assessable profits arising in Hong Kong during the period (2006: Nil).

## 5. Dividend

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

## 6. (Loss) earnings per share

The calculation of basic (loss) earnings 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	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
(Loss) Profit for the period and (loss) profit for the purpose of determining basic (loss) earnings per share	<b>(7,867,698)</b>	3,424,590	<b>(10,132,674)</b>	2,813,335
	<b>Number of shares</b>	Number of shares	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of determining basic (loss) earnings per share	<b>1,045,532,609</b>	831,304,348	<b>1,007,073,770</b>	815,737,705

Diluted loss per share for the period for three months and six months ended 30 September 2007 are not presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the periods ended 30 September 2007. No diluted earnings per share for the period for three months and six months ended 30 September 2006 have been presented as no share options existed.

## **7. Property, plant and equipment**

During the six months period, the Group spent HK\$283,272 on property, plant and equipment (2006: HK\$96,177). The amount disposed during the six months period was HK\$998,722 of which the net book value was HK\$310,486 (2006: Nil).

## **8. 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 2007, all trade receivables, net of allowances, were outstanding for less than 90 days (2006: 90 days).

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

## **9. Amount due to a director**

The amount due to a director, Mr. Chui Bing Sun, is unsecured, interest free and repayable on demand.

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

## **10. Bank loan**

Bank loan is secured by a charge over the fixed assets of a subsidiary company.

## 11. Share capital

	Number of shares	Amounts HK\$
Ordinary shares of HK\$0.02 each		
Authorised:		
At 31 March 2007 and 30 September 2007	<u>6,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
At 31 March 2007	965,000,000	19,300,000
Issue of shares ( <i>Note a</i> )	194,700,000	3,894,000
Effect of exercise of share options ( <i>Note b</i> )	<u>38,500,000</u>	<u>770,000</u>
At 30 September 2007	<u>1,198,200,000</u>	<u>23,964,000</u>

*Note a:* Upon the completion of placing of existing shares on 24 August 2007, the Company issued and allotted 194,700,000 shares of the share capital of the Company at a price of HK\$0.275 per share. The gross proceeds from placing and subscription of shares before issue expenses amounted to HK\$53,542,500.

All new shares issued ranked *pari passu* in all respects with existing ordinary shares of the Company.

*Note b:* During the six months ended 30 September 2007, 28,700,000 share options and 9,800,000 share options were exercised at an exercise price of HK\$0.3 and HK\$0.345 respectively and transferred into shares in the share capital of the Company. The gross proceeds from exercising the share options are amounted to HK\$11,991,000.

All new shares issued ranked *pari passu* in all respects with existing ordinary shares of the Company.

## 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.

### *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 30 September 2007 HK\$		For the six months ended 30 September 2007 HK\$	
	2006 HK\$	2006 HK\$	2006 HK\$	2006 HK\$
Short-term benefits	<b>745,259</b>	344,193	<b>1,189,259</b>	483,875
Post-employment benefits	<b>15,000</b>	6,347	<b>27,000</b>	11,165
Share options granted	<b>122,078</b>	–	<b>242,830</b>	–
	<b>882,337</b>	350,540	<b>1,459,089</b>	495,040

### 13. Post balance sheet events

- (a) On 18 September 2007, a wholly owned subsidiary of the Company (the “Purchaser”) entered into an agreement (the “S & P Agreement”) with First Cheer Holdings Limited (the “Vendor”), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose the entire issued share capital of Loyal King Investments Limited and all liabilities owing or incurred by the Loyal King Investments Limited to the Vendor due and payable on or at any time prior to the completion of the acquisition from the Vendor for a total consideration of HK\$194 million. Completion shall take place after all the conditions set out in the S & P Agreement have been fulfilled (or as the case maybe, waived). The consideration shall be payable as to (i) HK\$154 million by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor credited as fully paid on completion of the acquisition; (ii) HK\$20 million in cash by the Purchaser to the Vendor as deposit upon signing of the S & P Agreement; and (iii) HK\$20 million in cash by the Purchaser to the Vendor on completion. The principal terms of the S & P Agreement were set out in announcement dated 28 September 2007.
- (b) On 15 October 2007, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent, 80,000,000 placing shares at a price of HK\$1.58 per placing share. The gross proceeds from the placing will be approximately HK\$126.40 million.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Financial Performance**

The Group recorded a turnover of HK\$2,668,178 for the six months ended 30 September 2007, representing an increase of 493% 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 six months ended 30 September 2007.

The cost of services was increased to HK\$1,577,095 from HK\$69,682 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 373% to HK\$11,166,967 compared to HK\$2,358,877 in 2006. The increase was mainly due to the cost of share options granted.

The net loss for the six months ended 30 September 2007 was HK\$10,132,674 as compared with the net profit of HK\$2,813,335 for 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 share options granted.

## **Business Review**

For the six-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 and the property 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.

Having considered and reviewing the existing operation and financial position of the Group, the Board considers seeking opportunities to diversify the Group's revenue streams in order to enhance shareholders' value and is optimistic about the expansion in provision of computer system and related services in relation to the on-line entertainment and gaming activities. Through the acquisition of the Loyal King Group, the Group will be able to explore into the development of entertainment and gaming activities. With the positive financial records of the Loyal King Group and the profit guarantee given by the vendor of Loyal King Group, the Board is of the view that the acquisition will benefit the Group as it would generate additional revenue source to the Group and to diversify and expand the Group's businesses to new sector.

### **Liquidity and Financial Resources**

As of 30 September 2007, the Group's net assets increased to approximately HK\$64,462,000 from net assets of approximately HK\$5,345,000 as at 31 March 2007. The bank balances as at 30 September 2007 was approximately HK\$40,528,000 as compared to the balance of approximately HK\$1,802,000 as at 31 March 2007. The increase in net assets was due to bank balances increased as a result of share subscription. During the six months ended 30 September 2007, the Group's operation was mainly financed by the internal financial resources of the Group and the net proceeds from subscription of new shares.

### **Gearing Ratio**

The gearing ratio, defined as total debts net of payable under ordinary course of business over total assets, was approximately 6% (31 March 2007: 45%).

### **Charges on Group Assets**

As at 30 September 2007, plant and equipment of the Group with net book value of HK\$223,047 was held under finance leases (2006: HK\$38,396) and properties with net book value of HK\$6,257,500 were pledged as securities for bank loan (2006: Nil).

### **Contingent Liabilities**

As at 30 September 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 September 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 19 as at 30 September 2007, and the total remuneration for the six months ended 30 September 2007 was approximately HK\$7,687,000. 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 September 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)	304,960,000	Interest of a controlled corporation	25.45%

*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 September 2007 were as follows:

Name of Director	Date of grant	Vesting period		Exercise price per share HK\$	Exercise period		Number of options outstanding as at 30 September 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	0.30	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 six months ended 30 September 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 six months ended 30 September 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 September 2007 and no share option was granted or exercised during the six months ended 30 September 2007.

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

Name of category of participant	Number of share options				Date of grant of share options <sup>(1)</sup>	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2007	Granted during the period	Exercised during the period	At 30 September 2007			
<b>Director</b>							
Lee Chi Shing,	2,500,000	-	-	2,500,000	12/19/2006	12/19/2007 to 12/18/2016	0.418
Caesar	1,000,000	-	-	1,000,000	2/23/2007	2/23/2008 to 2/22/2017	0.300
Chien Hoe Yong	-	500,000	-	500,000	3/26/2007	3/26/2008 to 3/25/2017	0.330
Kwok Kwan Hung	-	500,000	-	500,000	3/26/2007	3/26/2008 to 3/25/2017	0.330
Siu Hi Lam, Alick	-	500,000	-	500,000	3/26/2007	3/26/2008 to 3/25/2017	0.330
<b>Consultants</b>							
In Aggregate	69,000,000	-	(28,700,000)	40,300,000	2/23/2007	2/23/2007 to 2/22/2008	0.300
	-	38,400,000	-	38,400,000	8/13/2007	8/13/2007 to 8/12/2017	0.380
	-	28,800,000	-	28,800,000	8/17/2007	8/17/2007 to 8/16/2017	0.360
	-	28,800,000	(9,600,000)	19,200,000	8/21/2007	8/21/2007 to 8/20/2017	0.345
<b>Other Employees</b>							
In aggregate	250,000	-	-	250,000	12/19/2006	12/19/2007 to 12/18/2016	0.418
	-	200,000	(200,000)	-	8/21/2007	8/21/2007 to 8/20/2017	0.345
	<u>72,750,000</u>	<u>97,700,000</u>	<u>(38,500,000)</u>	<u>131,950,000</u>			

(1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.



- (2) The Black-Scholes pricing model has been used to estimate the fair value of the share options. The parameters and assumptions used to calculate the fair value of share options granted were as follows:

	<b>13 August 2007</b>	<b>17 August 2007</b>	<b>21 August 2007</b>
Weighted average share price (HK\$)	0.375	0.280	0.340
Exercise price	0.380	0.360	0.345
Expected volatility	61.97%	62.15%	62.15%
Expected life (year)	0.5	0.5	0.5
Risk-free rate	3.96%	3.97%	3.88%
Expected dividend yield	0%	0%	0%

## **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 September 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 1)</i>	Corporate	304,960,000	Beneficial owner	25.45%
20/20 International Limited <i>(Note 1)</i>	Corporate	304,960,000	Interest of a controlled corporation	25.45%
Chui Bing Sun <i>(Note 1)</i>	Corporate	304,960,000	Interest of a controlled corporation	25.45%
Premier United Limited <i>(Note 2)</i>	Corporate	190,000,000	Beneficial owner	15.86%
Chan Ping Che <i>(Note 2)</i>	Corporate	190,000,000	Interest of a controlled corporation	15.86%
Lam Shiu May <i>(Note 2)</i>	Corporate	190,000,000	Interest of a controlled corporation	15.86%

*Notes:*

1. 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 304,960,000 shares of the Company beneficially owned by New Brilliant Investments Limited as at 30 September 2007.
2. Premier United Limited is beneficially owned as to 50% by Mr. Chan Ping Che and as to 50% by Ms. Lam Shiu May. Accordingly, both Mr. Chan Ping Che and Ms. Lam Shiu May are deemed under the SFO to be interested in the 190,000,000 shares beneficially owned by Premier United Limited.

Save as disclosed above, as at 30 September 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 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, 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 six months ended 30 September 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**

Pursuant to a special resolution passed at the extraordinary general meeting held on 18 May 2007, the name of the Company was changed 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.

## **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, 30 October 2007