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If you have sold or transferred all your shares in Galileo Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



Galileo Holdings Limited

嘉利福控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8029)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF LOYAL KING INVESTMENTS LIMITED

Financial advisor to the Galileo Holdings Limited

Nuada Limited

Corporate Finance Advisory

A notice convening the EGM to be held at Unit 2202, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Wednesday, 12 December 2007 at 4 p.m. is set out on pages 131 to 132 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication.

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor subject to and upon the terms and conditions of the S&P Agreement
“Alliance Services”	Alliance Computer Services Limited, a company incorporated in Hong Kong, owns as to 97% equity interest by Loyal King
“Alliance Systems”	Alliance Computer Systems Limited, a company incorporated in Hong Kong, owns as to 60% equity interest by Loyal King
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday), on which licensed banks in Hong Kong are open for business
“Company”	Galileo Holdings Limited, a company incorporated in the Caymans Islands with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Acquisition
“Connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration payable by the Company for the acquisition of the Sale Shares and the Sale Loan
“Consideration Shares”	280,000,000 Shares to be issued upon Completion pursuant to the S&P Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the S&P Agreement and the transactions contemplated thereunder

DEFINITIONS

“Enlarged Group”	the Group as enlarged by completion of the Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Cheng Ting Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) independent of and not connected with the Company and its subsidiaries as defined under the GEM Listing Rules
“Issue Price”	HK\$0.55 per Consideration Share
“Last Trading Day”	17 September 2007, being the last trading day of the Shares prior to the release of the announcement
“Latest Practicable Date”	20 November 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Loyal King”	Loyal King Investments Limited, a company incorporated in the British Virgin Islands on 12 July 2007, is beneficially and wholly owned by the Vendor
“Loyal King Group”	Loyal King and its subsidiaries
“Management Account Date”	31 August 2007
“New Brilliant”	New Brilliant Investments Limited, a company incorporated in the British Virgin Islands and is the controlling Shareholder
“Purchaser”	Galileo Capital Group (BVI) Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company

DEFINITIONS

“S&P Agreement”	the agreement dated 18 September 2007 entered into among the Purchaser, the Vendor and the Guarantor in respect of the Acquisition
“Sale Loan”	being all obligations, liabilities and debts owing or incurred by the Loyal King to the Vendor due and payable on or at any time prior to the Completion, and amounted to HK\$6,112,500, as at the Management Accounts Date
“Sale Shares”	50,000 shares of US\$1.00 each in the entire issued share capital of Loyal King
“SFO”	the Securities and Futures Ordinaries (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	First Cheer Holdings Limited, a company incorporated in British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



Galileo Holdings Limited
嘉利福控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8029)

Executive Directors:

Mr. Chui Bing Sun (*Chairman*)

Mr. Lee Chi Shing, Caesar

Independent non-executive Directors:

Mr. Siu Hi Lam, Alick

Mr. Kwok Kwan Hung

Mr. Chien Hoe Yong

Registered office:

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business:

Unit 2202, 22nd Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

23 November 2007

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
LOYAL KING INVESTMENTS LIMITED**

INTRODUCTION

It was announced on 28 September 2007 that the Purchaser entered into the S&P Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose the Sale Shares and the Sale Loan for a total consideration of HK\$194 million. The Guarantor has agreed to guarantee in favour of the Purchaser the due and punctual performance of the obligations of the Vendor under the S&P Agreement subject to and upon the terms and conditions of the S&P Agreement.

LETTER FROM THE BOARD

The S&P Agreement constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. The entering into of the S&P Agreement and the allotment and issue of the Consideration Share are subject to the approval by the Shareholders at the EGM. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the S&P Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the S&P Agreement; (ii) financial and other information on the Group; (iii) the accountants' report on the Loyal King Group; and (iv) the notice of the EGM.

THE S&P AGREEMENT

Date: 18 September 2007

Parties

Purchaser: Galileo Capital Group (BVI) Limited, a company incorporated in British Virgin Islands, is a wholly-owned subsidiary of the Company

Vendor: First Cheer Holdings Limited, a company incorporated in British Virgin Islands

Guarantor: Mr. Cheng Ting Kong

The Vendor is an investment holding company and is owned as to 45% by the Guarantor, 45% and 10% by Mr. Chau Cheok Wa and Mr. Lai Ting Kwong respectively who are Independent Third Parties. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its Connected persons.

Pursuant to the S&P Agreement, the Guarantor has agreed to guarantee in favour of the Purchaser the due and punctual performance of the obligation of the Vendor under the S&P Agreement subject to and upon the terms and conditions of the S&P Agreement.

Assets to be acquired

The entire issued share capital of Loyal King and the Sale Loan. Further information on Loyal King is set out under the section headed "Information on Loyal King Group" in this circular.

LETTER FROM THE BOARD

Consideration and basis of the consideration

The total consideration of HK\$194 million shall be satisfied by the Purchaser in the following manners:

- (i) HK\$154 million shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor credited as fully paid on Completion;
- (ii) HK\$20 million in cash by the Purchaser to the Vendor as deposit upon the signing the S&P Agreement; and
- (iii) HK\$20 million in cash by the Purchaser to the Vendor on Completion.

The consideration had been determined after arm's length negotiation between the Company and the Vendor with reference to, inter alia, the profit guarantee given by the Vendor pursuant to the S&P Agreement and the price earnings multiple of approximately 6.47 times based on the 1st Period Guaranteed Profit (as defined below) and the consideration for the Acquisition and approximately 3.88 times based on the 2nd Period Guaranteed Profit (as defined below) and the consideration for the Acquisition. Details of the 1st Period Guaranteed Profit and the 2nd Period Guaranteed Profit are set out in the section headed "Profit guarantee given by the Vendor and adjustments to the Consideration Shares" below. As at the Management Account Date, Loyal King was indebted to the Vendor in the sum of approximately HK\$6,112,500. The cash portion of HK\$40,000,000 for the Acquisition will be funded by internal cash resources of the Company.

Based on the closing price of HK\$1.64 per Share on the Last Trading Day, the 280,000,000 Consideration Shares would be valued at HK\$459 million and therefore the total consideration for the Acquisition would have been HK\$499 million. Shareholders should note that the issue price of the Consideration Shares was determined with reference to, among others, the market price of the Share during the negotiation of the Acquisition between the parties. Such negotiation has been announced by the Company in the announcement dated 29 May 2007. And yet, the closing price of the Shares had soared from HK\$0.56 on 30 August 2007 to its highest HK\$1.64 per Share on the Last Trading Day. Given the closing price of the Shares on the Last Trading Day represents approximately three times over the issue price of the Consideration Shares of HK\$0.55, the Directors consider the issue price of the Consideration Shares is fair and reasonable so far as the Company and the Shareholders are concerned.

The issue price of the Consideration Shares of HK\$0.55 represents:

- a discount of approximately 66.46% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 66.26% to the average of the closing prices of HK\$1.63 per Share for the 5 consecutive trading days up to and including the Last Trading Date;

LETTER FROM THE BOARD

- a discount of approximately 28.17% to the average of the closing prices of HK\$0.7657 per Share for the 30 consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 2.86% to the average of the closing prices of HK\$0.5662 per Share for the 90 consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 23.76% over the average of the closing prices of HK\$0.4444 per Share for the 180 consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 65.41% over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- approximately 100 times over the audited consolidated net asset value of the Group of HK\$0.0055* per Share as at 31 March 2007; and
- approximately 10 times over the unaudited consolidated net asset value of the Group of HK\$0.0538 per Share as at 30 September 2007.

* for information purposes only, the net assets value of the Company as at 31 March 2007 has not taken into account the net proceeds of approximately HK\$50 million, as a result of the issue of 194,700,000 Shares under the placement of the Company dated 20 August 2007.

The 280,000,000 Consideration Shares represent approximately 23.33% of the existing issued share capital of the Company and approximately 18.92% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

An application has been made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, which, when issued, will rank *pari passu* in all material respects with the then existing issued Shares.

Share certificates in escrow

Pursuant to the S&P Agreement, the Vendor and the Purchaser shall jointly appoint an escrow agent to hold the share certificates in relation to the Consideration Shares on their behalf and subject to the terms and conditions under the escrow letter to be signed between the Purchaser, the Vendor and the escrow agent. Please refer to the section headed “Profit guarantee given by the Vendor and adjustments to the Consideration Shares” below for details of the arrangements in relation to share certificates in escrow.

Conditions precedent

The S&P Agreement is conditional upon, among others,

- (i) the Purchaser being satisfied with the results of the due diligence review to be conducted;
- (ii) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendor, the Purchaser or the Guarantor in relation to the transactions contemplated under the S&P Agreement having been obtained;

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- (iii) the warranties as set out in the S&P Agreement remaining true and accurate in all respects;
- (iv) the passing by the Shareholders at a general meeting to be convened and held of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid at the Issue Price; and
- (v) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

The Purchaser may at any time by notice in writing to the Vendor waive the above conditions (i) and (iii). If any of the conditions set out in the above has not been satisfied (or, as the case may be, waived by the Company) on or before 12:00 noon on 30 November 2007 or such later date as the Vendor and the Purchaser may agree, the Vendor shall forthwith refund the deposit paid pursuant to the S&P Agreement, without interest, to the Purchaser and the S&P Agreement shall cease and determine pursuant to the terms of the S&P Agreement and neither party hereto shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms under the S&P Agreement. As at the Latest Practicable Date, save for the condition (i), none of the condition has been fulfilled.

Completion

Completion shall take place on the third Business Day after all the conditions set out in the S&P Agreement have been fulfilled (or as the case maybe, waived).

Profit guarantee given by the Vendor and adjustments to the Consideration Shares

The 1st Period Guaranteed Profit

The Vendor irrevocably warrants and guarantees to the Purchaser that the audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group for the period commencing from the Completion to 4 July 2008 (the “1st Relevant Period”) shall not be less than HK\$30,000,000 (the “1st Period Guaranteed Profit”).

If the actual audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group for the 1st Relevant Period (the “1st Period Actual Profit”) is less than the 1st Period Guaranteed Profit, then the Vendor shall pay to the Purchaser an amount calculated as follows (the “First Adjustment”):

$$\text{First Adjustment} = (A-B) \times 6.47 \times 7/12$$

Where:

A = HK\$30,000,000

B = the 1st Period Actual Profit

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In such event, the Vendor and the Purchaser shall jointly procure the escrow agent to release the share certificates in relation to 116,670,000 Consideration Shares to a licensed securities dealer authorized to carry on type 1 of the regulated activities under the SFO as may be appointed by the Purchaser. The Vendor and the Purchaser shall jointly procure such securities dealer to dispose of such Consideration Shares at the then best price reasonably obtainable by such securities dealer and thereafter, pay the net proceeds from such sale to the Purchaser promptly after completion of such sale. The Vendor hereby undertakes to the Purchaser that it will, contemporaneously upon the payment of such net proceeds to the Purchaser by such securities dealer, pay to the Purchaser any shortfall by subtracting such net proceeds from First Adjustment. In the event that the amount of proceeds from the sale of Consideration Shares is in excess of the amount payable to the Company by Vendor, the excess amount will be returned to the Vendor.

The 2nd Period Guaranteed Profit

The Vendor irrevocably warrants and guarantees to the Purchaser that the audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group for the one-year period commencing from the expiry of the 1st Relevant Period (the “2nd Relevant Period”) shall not be less than HK\$50,000,000 (the “2nd Period Guaranteed Profit”). If the actual audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group for the 2nd Relevant Period (the “2nd Period Actual Profit”) is less than the 2nd Period Guaranteed Profit (the “Second Adjustment”), then the Vendor shall pay to the Purchaser an amount calculated as follows:

$$\text{Second Adjustment} = (A-B) \times 3.88$$

Where:

$$A = \text{HK\$}50,000,000$$

$$B = \text{the 2nd Period Actual Profit}$$

Provided that the aggregate value of the First Adjustment and the Second Adjustment shall not exceed HK\$194,000,000 and if the absolute value of the aggregate of the First Adjustment and the Second Adjustment shall exceed HK\$194,000,000, the value of Second Adjustment shall be taken as the sum equivalent to an amount by subtracting the value of the First Adjustment from HK\$194,000,000.

In such event, the Vendor and the Purchaser shall jointly procure the escrow agent to release the share certificates in relation to 163,330,000 Consideration Shares to a licensed securities dealer authorized to carry on type 1 of the regulated activities under the SFO as may be appointed by the Purchaser. The Vendor and the Purchaser shall jointly procure such securities dealer to dispose of such Consideration Shares at the then best price reasonably obtainable by such securities dealer and thereafter, pay the net proceeds from such sale to the Purchaser promptly after completion of such sale. The Vendor hereby undertakes to the

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Purchaser that it will, contemporaneously upon the payment of such net proceeds to the Purchaser by such securities dealer, pay to the Purchaser any shortfall by subtracting such net proceeds from the Second Adjustment. In the event that the amount of proceeds from the sale of Consideration Shares is in excess of the amount payable to the Company by Vendor, the excess amount will be returned to the Vendor.

Should the Company record a loss in its audited financial statements for the 1st Relevant Period, or where appropriate, the 2nd Relevant Period, the actual profit for such relevant period shall be deemed as zero.

Following Completion, Loyal King shall, on or before the date falling the 10th Business Day from the last day of a calendar month (each a “Relevant Month”), deliver to the Purchaser the unaudited consolidated management accounts of the Loyal King Group (the “Monthly Management Accounts”) made up to the last day of the Relevant Month comprising the unaudited consolidated balance sheet of the Loyal King Group as at the last day of the Relevant Month and the unaudited profit and loss accounts of the Loyal King Group for the period commencing from the date immediately following the Completion and ending on the last day of the Relevant Month.

If the aggregate net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group as shown in any Monthly Management Accounts shall exceed the aggregate of the 1st Period Guaranteed Profit and the 2nd Period Guaranteed Profit, the Vendor shall have the right (but not the obligation) to request the Company’s auditors to prepare an audit on such Monthly Management Accounts, and to certify the amount of the aggregate audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group as shown in such audited financial statements. If the amount of the aggregate audited net profits after tax and minority interests and any extraordinary or exceptional items of the Loyal King Group as certified by the Company’s auditors shall exceed HK\$80,000,000, being the aggregate of the 1st Period Guaranteed Profit and the 2nd Period Guaranteed Profit, the Vendor and the Purchaser shall jointly procure the escrow agent to release the share certificates for the Consideration Shares which are held in escrow by the escrow agent to the Vendor within three Business Days from the date of receipt by the escrow agent of such audited financial statements and the certificate from the Company’s auditors. The Vendor undertakes and warrants to the Purchaser that the Loyal King Group shall record no loss after tax and minority interests and any extraordinary or exceptional items during the period commencing from the first day following the date to which such Monthly Management Accounts have been made up and ending on expiry of the 2nd Relevant Period.

In the event that loss is recorded by Loyal King Group, the Purchaser can sue the Vendor for breach of undertaking and warranties of the S&P Agreement and the Vendor has to compensate the Purchaser for loss suffered by the Purchaser during the period commencing from the first day following the date to which such Monthly Management Accounts have been made up and ending on expiry of the 2nd Relevant Period.

LETTER FROM THE BOARD

The rationale of the above First Adjustment and Second Adjustment are based on the commercial decision between parties, with reference to the price earnings multiple as disclosed under the section headed “Consideration and basis of the consideration” above.

INFORMATION ON LOYAL KING GROUP

Loyal King Group is principally engaged in providing software solutions and services to the fast growing industries in Asia, such as, the design, invention, research, development, improvement, marketing and sales of software with applications for online casino gambling entertainment and gaming software and office automation and applications, sales of related hardware and system integration for the related software and hardware systems and the provision of the set up, installation, maintenance and after sales services for such systems (including but not limited to the network portal defense, web portal design, development and support and web portal marketing services). The principal activities and operations of Loyal King Group are to provide customised software solutions and maintenance for both software and hardware to customers in various industries.

The two core business lines of Loyal King Group are (i) to provide business automation solutions; and (ii) to provide gaming software solutions to customers, such as online entertainment providers which includes but not limited to online casinos. Solutions include mainly creating online games, designing websites and security protocols. The main revenue stream derived from writing these customised softwares is on-going license fees. The license fees will be charged on a fixed monthly fee basis depending on the complexity of the project. In addition, a fixed monthly maintenance fees are levied for providing repairing services and system upgrades. Loyal King Group does not sell or lease servers to its customers, but Loyal King Group advises its clients on hardware selections and facilitates the hardware procurement. All the hardwares and servers belong to the customers, and Loyal King Group has limited access to clients’ servers except routine maintenance.

The business nature of the Loyal King Group does not, directly or indirectly, engage in any gambling activities.

The Loyal King Group comprises Loyal King and its two subsidiaries. Alliance Services and Alliance Systems, which are owned by Loyal King as to 97% and 60% respectively. Loyal King was incorporated in July 2007 and its sole assets are the investments in subsidiaries. Alliance Services and Alliance Systems were acquired by Loyal King on 31 August 2007 at a total consideration of HK\$26,000,000. To the best of Directors’ knowledge, information and beliefs, having made all reasonable enquires, prior to the acquisition by the Loyal King, Alliance Services and Alliance Systems were owned by the third parties independent of and not connected with the Company and the Vendor and their respective associates.

As at 31 March 2007, Alliance Services had recorded net assets value of approximately HK\$1,263,150 and profit after income tax of approximately HK\$710,833 for the year. As at 31 August 2007, it had recorded nets asset value of approximately HK\$227,327 and profit after income tax of approximately HK\$27,327 for the period. Such decrease in net assets value was due to dividend paid out of approximately HK\$1,063,150 during the five months ended 31 August 2007.

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As at 31 March 2007, Alliance Systems had recorded net assets value of approximately HK\$1,082,884 and profit after income tax of approximately HK\$1,283,886 for the year. As at 31 August 2007, it had recorded net asset value of approximately HK\$1,380,526 and profit after income tax of approximately HK\$1,360,526 for the period. Alliance Systems had also recorded a dividend paid out of approximately HK\$200,000 for the year ended 31 March 2007 and approximately HK\$1,072,884 for the five months ended 31 August 2007. The financial information of the Alliance Services and Alliance Systems has been set out in appendices III and IV of this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of funeral services on various funeral customs and activities and the provision of business consultancy services to assist clients on various business or management issues.

Having considered and reviewing the existing operation and financial position of the Group, the Board considers to seek opportunities to diversify the Group's revenue streams in order to enhance shareholder's value and is optimistic about the expansion in provision of computer system and related services of its customers in relation to the on-line entertainment and gaming activities. Through the Acquisition, the Company will be able to explore into the market for computer systems and related services. With the positive financial records of the Loyal King Group and the profit guarantee given by the Vendor, the Board is of the view that the Acquisition will benefit the Company as it would generate additional revenue source by providing the customised software solutions and maintenance for both software and hardware through the Loyal King Group to the Group and to diversify and expand the Group's businesses to new sector. The Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned. The Company confirms that the Group will not involve in any gambling activities after the Acquisition.

Upon Completion, the Loyal King Group will be managed by the Company and the existing workforces will remain in the Loyal King Group for daily operation.

It is presently intended that the Company will continue to engage in its existing principal businesses after the Acquisition. The Company confirmed that there is no change to the principal business of the Company. In addition, it is expected that there will be no change in the board composition or change in control of the Company as a result of the Acquisition.

FINANCIAL EFFECT ON THE GROUP

Upon Completion, Loyal King will become indirect wholly-owned subsidiary of the Company. The Group had an audited net assets value of approximately HK\$5,344,638 as at 31 March 2007 and approximately HK\$64,462,124 as at 30 September 2007. According to the unaudited pro forma consolidated balance sheet of the Enlarged Group as disclosed in appendix V of this circular, assuming the Acquisition took place on 30 September 2007, the net assets

LETTER FROM THE BOARD

value of the Group will increase from approximately HK\$64,462,124 to approximately HK\$219,021,154. The total turnover will increase from approximately HK\$1,643,189 as at 31 March 2007 to approximately HK\$11,893,326 and the loss before income tax will decrease from approximately HK\$6,511,635 to approximately HK\$4,516,936 as at 31 March 2007. Assuming the total issued Shares remains unchanged after the issue and allotment of the Consideration Shares, the net assets value per Share will increase from approximately HK\$0.0055 as at 31 March 2007 to approximately HK\$0.15 per Shares as enlarged by the Consideration Shares pursuant to the unaudited pro forma financial information of the Enlarged Group.

The pro forma financial information of the Enlarged Group has been prepared and set out in appendix V of this circular to provide detail information to the Shareholders.

SHAREHOLDING STRUCTURE

The effect on the shareholding structure of the Company assuming the issue and allotment of the Consideration Shares is illustrated below:

	As at the Latest Practicable Date		Immediately after the allotment and issue of Consideration Share	
	<i>(Number of Shares)</i>	<i>%</i>	<i>(Number of Shares)</i>	<i>%</i>
New Brilliant (<i>Note 1</i>)	304,960,000	25.41	304,960,000	20.60
Premier United Limited	190,000,000	15.83	190,000,000	12.84
Public Shareholders				
The Vendor, its associates and parties acting in concert with it (as defined in the Takeovers Code)	–	–	280,000,000	18.92
Others	705,240,000	58.76	705,240,000	47.64
Total	<u>1,200,200,000</u>	<u>100.00</u>	<u>1,480,200,000</u>	<u>100.00</u>

Note 1: New Brilliant is a company beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei, the mother of Mr. Chui Bing Sun, a Director. Mr. Chui Bing Sun beneficially owns 70.4% of the issued shares of 20/20 International Limited and Ms. Zhang Ze Mei holds the remaining 29.6% of the issued shares of 20/20 International Limited.

Apart from the 129,600,000 outstanding share options, there are no other outstanding options, warrants or securities convertible into the Shares of other securities of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Upon completion of the Acquisition and immediately after the allotment and issue of the Consideration Shares, the Vendor, its associates and parties acting in concert with it (as defined in the Takeovers Code) will hold approximately 18.92% of the issued share capital of the Company as enlarged by the Consideration Shares.

IMPLICATIONS UNDER THE GEM LISTING RULES AND THE EGM

The S&P Agreement constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. The entering into of the S&P Agreement and the allotment and issue of the Consideration Share are subject to the approval by the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, its associates and parties acting in concert with it (as defined in the Takeovers Code) do not hold any Shares as at the Latest Practicable Date and no Shareholder has a material interest in the S&P Agreement, and therefore no Shareholder is required to abstain from voting on the resolution to approve the S&P Agreement and the transactions contemplated thereunder at the EGM.

The notice of the EGM is set out on page 131 to 132 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 72 of the articles of association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors, are of the opinion that the S&P Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be put forward at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Your faithfully,
By order of the Board
Galileo Holdings Limited
Chui Bing Sun
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three years ended 31 March 2007 and the unaudited consolidated income statement of the Group for the six months ended 30 September 2007 extracted from the relevant annual reports and interim report 2007 of the Company.

CONSOLIDATED INCOME STATEMENTS

	For the six months ended 30 September		For the year ended 31 March	
	2007 HK\$ Unaudited	2007 HK\$ Audited	2006 HK\$ Audited	2005 HK\$ Audited
Turnover	2,668,178	1,643,189	2,357,000	916,054
Direct costs	<u>(1,577,095)</u>	<u>(524,339)</u>	<u>(544,764)</u>	<u>(171,143)</u>
Gross profit	1,091,083	1,118,850	1,812,236	744,911
Other operating income	124,362	4,854,451	779	15,062
Administrative expenses	(11,166,967)	(12,376,094)	(3,744,815)	(3,839,082)
Other operating expenses	–	–	–	(41,704)
Finance costs	<u>(181,152)</u>	<u>(67,584)</u>	<u>–</u>	<u>(2)</u>
Loss before tax	(10,132,674)	(6,470,377)	(1,931,800)	(3,120,815)
Income tax expense	<u>–</u>	<u>(41,258)</u>	<u>–</u>	<u>–</u>
Loss for the year/period	<u><u>(10,132,674)</u></u>	<u><u>(6,511,635)</u></u>	<u><u>(1,931,800)</u></u>	<u><u>(3,120,815)</u></u>
Loss per share				
– Basic	<u><u>HK(1.01) cent</u></u>	<u><u>HK(0.73) cent</u></u>	<u><u>HK(0.24) cent</u></u>	<u><u>HK(0.39) cent</u></u>

CONSOLIDATED BALANCE SHEETS

	At 30 September 2007 HK\$ Unaudited	2007 HK\$ Audited	At 31 March 2006 HK\$ Audited	2005 HK\$ Audited
NON-CURRENT ASSETS				
Goodwill	1,166,407	2,332,814	–	–
Investment property	2,600,000	2,600,000	–	–
Property, plant and equipment	4,987,395	5,178,012	532,140	733,558
	<u>8,753,802</u>	<u>10,110,826</u>	<u>532,140</u>	<u>733,558</u>
CURRENT ASSETS				
Inventories	87,436	95,030	–	–
Trade receivables	145,293	96,355	311,000	–
Prepayments, deposits and other receivables	20,280,658	590,043	117,120	117,120
Bank balances and cash	40,528,296	1,801,684	330,821	541,329
	<u>61,041,683</u>	<u>2,583,112</u>	<u>758,941</u>	<u>658,449</u>
CURRENT LIABILITIES				
Unsecured bank overdrafts	–	–	–	34
Accruals and other payables	1,241,418	1,402,413	639,344	375,589
Deposits received	30,000	30,000	–	–
Amount due to a director	27,284	758,368	4,362,737	–
Bank loan	253,484	–	–	–
Obligations under finance leases – current portion	27,255	85,587	–	–
Other borrowings	–	5,000,000	–	–
Tax payable	48,853	48,853	–	–
	<u>1,628,294</u>	<u>7,325,221</u>	<u>5,002,081</u>	<u>375,623</u>
NET CURRENT LIABILITIES	<u>59,413,389</u>	<u>(4,742,109)</u>	<u>(4,243,140)</u>	<u>282,826</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>68,167,191</u>	<u>5,368,717</u>	<u>(3,711,000)</u>	<u>1,016,384</u>
NON-CURRENT LIABILITIES				
Bank loan	3,684,893	–	–	–
Due to a director	–	–	–	2,795,584
Obligations under finance lease – long term portion	20,174	24,079	–	–
	<u>64,462,124</u>	<u>5,344,638</u>	<u>(3,711,000)</u>	<u>(1,779,200)</u>
CAPITAL AND RESERVES				
Share capital	23,964,000	19,300,000	16,000,000	16,000,000
Reserves	40,498,124	(13,955,362)	(19,711,000)	(17,779,200)
	<u>64,462,124</u>	<u>5,344,638</u>	<u>(3,711,000)</u>	<u>(1,779,200)</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2007

The following are the audited consolidated financial statements of the Group extracted from the annual report of the Company for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT

For year ended March 31, 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Turnover	7	1,643,189	2,357,000
Direct costs		<u>(524,339)</u>	<u>(544,764)</u>
Gross profit		1,118,850	1,812,236
Other operating income		4,854,451	779
Administrative expenses		(12,376,094)	(3,744,815)
Finance costs	8	<u>(67,584)</u>	<u>–</u>
Loss before taxation	9	(6,470,377)	(1,931,800)
Income tax expense	12	<u>(41,258)</u>	<u>–</u>
Loss for the year		<u>(6,511,635)</u>	<u>(1,931,800)</u>
Dividend	13	<u>–</u>	<u>–</u>
Loss per share	14		
Basic		<u>HK(0.73) cent</u>	<u>HK(0.24) cent</u>
Diluted		<u>HK(0.66) cent</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

As at March 31, 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
NON-CURRENT ASSETS			
Goodwill	15, 29	2,332,814	–
Investment property	16	2,600,000	–
Property, plant and equipment	16	5,178,012	532,140
		<u>10,110,826</u>	<u>532,140</u>
CURRENT ASSETS			
Inventories	18	95,030	–
Trade receivables	19	96,355	311,000
Prepayments, deposits and other receivables		590,043	117,120
Bank balances and cash		1,801,684	330,821
		<u>2,583,112</u>	<u>758,941</u>
CURRENT LIABILITIES			
Accruals and other payables		1,402,413	639,344
Deposits received		30,000	–
Amount due to a director	20	758,368	4,362,737
Obligations under finance leases – current portion	21	85,587	–
Other borrowings	22	5,000,000	–
Tax payable		48,853	–
		<u>7,325,221</u>	<u>5,002,081</u>
NET CURRENT LIABILITIES		<u>(4,742,109)</u>	<u>(4,243,140)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,368,717	(3,711,000)
NON-CURRENT LIABILITIES			
Obligations under finance lease – long term portion	21	24,079	–
		<u>5,344,638</u>	<u>(3,711,000)</u>
CAPITAL AND RESERVES			
Share capital	23	19,300,000	16,000,000
Reserves		(13,955,362)	(19,711,000)
		<u>5,344,638</u>	<u>(3,711,000)</u>

BALANCE SHEET*As at March 31, 2007*

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
CURRENT ASSETS			
Amounts due from subsidiaries		15,252,593	6,857
Bank balances and cash		<u>998,184</u>	<u>225,186</u>
		<u>16,250,777</u>	<u>232,043</u>
CURRENT LIABILITIES			
Accruals and other payables		472,627	165,101
Amount due to a subsidiary		621,489	492,605
Amount due to a director	20	758,368	4,362,737
Other borrowings	22	<u>5,000,000</u>	<u>–</u>
		<u>6,852,484</u>	<u>5,020,443</u>
		<u>9,398,293</u>	<u>(4,788,400)</u>
CAPITAL AND RESERVES			
Share capital	23	19,300,000	16,000,000
Reserves	25	<u>(9,901,707)</u>	<u>(20,788,400)</u>
		<u>9,398,293</u>	<u>(4,788,400)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended March 31, 2007

	Share capital (note 23) HK\$	Reserves			Accumulated losses HK\$	Total HK\$
		Share premium HK\$	Merger deficit HK\$	Share option reserve HK\$		
At April 1, 2005	16,000,000	8,095,956	(119,998)	–	(25,755,158)	(1,779,200)
Loss for the year	–	–	–	–	(1,931,800)	(1,931,800)
At March 31, 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)
Recognition of equity-settled share based payment	–	–	–	3,558,215	(285,822)	3,272,393
Exercise of share options	100,000	1,400,000	–	(285,822)	285,822	1,500,000
Loss for the year	–	–	–	–	(6,511,635)	(6,511,635)
At March 31, 2007	<u>19,300,000</u>	<u>17,090,836</u>	<u>(119,998)</u>	<u>3,272,393</u>	<u>(34,198,593)</u>	<u>5,344,638</u>

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 therefore.

CONSOLIDATED CASH FLOW STATEMENT*For year ended March 31, 2007*

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
OPERATING ACTIVITIES			
Loss before taxation		(6,470,377)	(1,931,800)
Adjustments for:			
Depreciation of property, plant and equipment		468,963	214,658
Waive of amount due to an ex-director		(4,792,737)	–
Bank interest income		(53,389)	(8)
Finance costs		67,584	–
Impairment loss recognised in respect of goodwill		2,332,815	–
Share based payment expenses		3,272,393	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(5,174,748)	(1,717,150)
Decrease in inventories		4,170	–
Increase in trade receivables, prepayments, deposits and other receivables		(239,578)	(311,000)
Increase in accruals, other payables and deposits received		681,847	263,755
Increase in amount due to a director		1,188,368	1,567,153
		<hr/>	<hr/>
Cash used in operations		(3,539,941)	(197,242)
Interest received		53,389	8
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(3,486,552)	(197,234)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	29	(12,184,767)	–
Purchase of property, plant and equipment		(58,511)	(13,240)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(12,243,278)	(13,240)
FINANCING ACTIVITIES			
Proceeds from other borrowings		5,000,000	–
Loan interest paid		(63,973)	–
Finance leases interest paid		(3,611)	–
Repayment of obligation under finance leases		(26,603)	–
Proceeds from placing of new shares during the year		11,200,000	–
Recognition of share issue expenses		(405,120)	–
Proceeds from share option		1,500,000	–
		<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES		17,200,693	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,470,863	(210,474)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		330,821	541,295
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,801,684	330,821
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF CASH AND CASH EQUIVALENT			
Bank balances and cash		1,801,684	330,821
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

1. GENERAL

The Company is incorporated in the Cayman Islands on July 11, 2000 as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands. Its shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As at the balance sheet date, the parent of the Company (the “Immediate Holding Company”) is New Brilliant Investments Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the “Ultimate Holding Company”) is 20/20 International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the page 2 of annual report.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group recorded a consolidated loss of HK\$6,511,635 for the year ended March 31, 2007 and had consolidated net current liabilities as at March 31, 2007 of HK\$4,742,109. The net current liabilities of the Group mainly comprised of the amount due to Ms. Chan Chor Sum (“Ms. Chan”), an independent third party of the Company, amounted to HK\$5,000,000 as at March 31, 2007. The Group largely finances day-to-day working capital requirements using funds advanced from Ms. Chan. Notwithstanding that, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future.

In order to improve the financial position, liquidity and cash flow position of the Group, the following measures/arrangements have been implemented which include, but not limit to:

- (a) Pursuant to the loan agreement signed with Ms. Chan dated January 17, 2007, the loan totalling HK\$5,000,000 owed to her had expired and had been repaid on June 14, 2007;
- (b) Pursuant to the loan agreement with Nanyang Commercial Bank dated April 16, 2007, a subsidiary of the Group obtained a loan from the bank totalling HK\$4,000,000 in order to provide for working capital to the Company. The loan would be wholly repaid after twelve years. The loan was secured by properties owned by the Group;
- (c) Pursuant to the loan agreement dated June 12, 2007, the substantive shareholder and director, Mr. Chui Bing Sun (“Mr. Chui”) would provide financial support in form of loan totalling HK\$1,200,000 to the Group. The loan is interest bearing at 6.75% per annum and is repayable over one year from the date of the loan agreement; and
- (d) Pursuant to the projected future cash flow of the Group for the period from April 1, 2007 to June 30, 2008 prepared by the Board, the Group is able to maintain sufficient working capital for operations as the trend of turnover would increase continuously.

In the opinion of the Directors, in light of the ongoing support from Mr. Chui and the various measures/arrangements implemented to date, the Group will have sufficient working capital for its current requirements. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group’s financial position and tight liquidity as at March 31, 2007.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006 or March 1, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective as at March 31, 2007. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Interpretation ("Int") 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Commission Arrangements ⁷

¹ Effective for annual periods beginning on or after January 1, 2007.

² Effective for annual periods beginning on or after January 1, 2009.

³ Effective for annual periods beginning on or after May 1, 2006.

⁴ Effective for annual periods beginning on or after June 1, 2006.

⁵ Effective for annual periods beginning on or after November 1, 2006.

⁶ Effective for annual periods beginning on or after March 1, 2007.

⁷ Effective for annual periods beginning on or after January 1, 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRS issued by the HKICPA. The financial statements have been prepared under the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinances.

Basis of consolidation

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Capitalised goodwill arising on an acquisition of a subsidiary is presented as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment property

Investment property is a building which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment property is stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment property is accounted for as described in below.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Leases payments are accounted for as described in below.

Property, plant and equipment

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

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

Leasehold properties	2.5%
Leasehold improvement	4%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicle	20%
Computer equipment	30%

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with

as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previously revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

First-in, first-out method is used to calculate the cost of ordinarily interchangeable items.

Financial instruments

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

Financial assets

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

Loans and receivables

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

Financial liabilities and equity

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

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

Other Financial liabilities

Other financial liabilities including accrued charges and other payables, deposits received and amounts due to directors are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities, are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of assets

(i) Impairment of investments in other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- investment in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversal if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversal.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Revenue recognition

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

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Taxation

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

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

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

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

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

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

Leased assets

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under financial leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out above. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the income statement on a straight-line bases over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Retirement benefit scheme

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period in which they arise. Except for exchange differences arising on a monetary item that forms part of the Company’s net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year,

unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement on a straight-line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged during the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that related to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires when it is released directly to retained profits) with the fair value of goods and services received.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the process of applying the Group's accounting policies described in note 4, management makes various estimations and judgments based on past experiences, expectations of the future and other information. The key source of estimation uncertainties and the judgment that may significantly affect the amounts recognised in the financial statements are disclosed below:

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basic or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of asset. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount written down is charged against the results of operations.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at March 31, 2007, the carrying amount of the goodwill is HK\$2,332,814 (net of accumulated impairment loss of HK\$2,332,815).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at March 31, 2007 is the carrying amount of trade and other receivables, as started in the consolidated balance sheet. The Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

Internally generated cash flow and borrowing from related parties are the general sources of funds to finance the operations of the Group. Borrowings of the Group are subject to fixed interests rate and are renewable annually. The Group liquidity risk management includes making available fund sources from related parties with favorable interest rates and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

7. TURNOVER AND SEGMENT INFORMATION

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

	THE GROUP	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Business consultancy service income	923,000	2,357,000
Funeral services income	690,189	–
Rental income	30,000	–
	<u>1,643,189</u>	<u>2,357,000</u>

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 segments

The Group's operating business are structured and managed separately, according to the nature of their operations and services they provided. Each of the Group's business segments 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 purposes, the Group is currently organised into two operating divisions – business consultancy services and funeral services.

Principal activities are as follows:

- Business consultancy – providing services to assist clients on various business or management issues.
- Funeral services – providing services to assist clients on various funeral custom and activities.

Segment information about these businesses is presented below.

Income Statement

For the year ended March 31, 2007

	Business consultancy <i>HK\$</i>	Funeral services <i>HK\$</i>	Other <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover				
External sales	923,000	690,189	30,000	1,643,189
Result				
Segment result	(2,332,172)	(2,570,583)	(340,284)	(5,243,039)
Unallocated corporate income				4,845,242
Unallocated corporate expenses				(6,004,996)
Finance cost				(67,584)
Loss before taxation				(6,470,377)
Income tax expense				(41,258)
Loss for the year				(6,511,635)

Balance Sheet*As at March 31, 2007*

	Business consultancy <i>HK\$</i>	Funeral services <i>HK\$</i>	Other <i>HK\$</i>	Consolidated <i>HK\$</i>
Assets				
Segment assets	1,535,335	3,661,256	6,499,163	11,695,754
Unallocated corporate assets				998,184
				<u>12,693,938</u>
Liabilities				
Segment liabilities	(338,922)	(455,530)	(323,853)	(1,118,305)
Unallocated corporate liabilities				(6,230,995)
				<u>(7,349,300)</u>

Other information*For the year ended March 31, 2007*

	Business consultancy <i>HK\$</i>	Funeral services <i>HK\$</i>	Other <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	96,177	1,380	–	97,557
Depreciation	232,303	129,662	106,998	468,963
	<u>232,303</u>	<u>129,662</u>	<u>106,998</u>	<u>468,963</u>

The Group had only one business segment for the year ended March 31, 2006 which were business consultancy services segment, no separate disclosure of segmental income statement and balance sheet would be made.

Geographical segments

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

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

	Hong Kong		People's Republic of China		Consolidated	
	2007	2006	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover – external	1,643,189	2,057,000	–	300,000	1,643,189	2,357,000
Other segment information:						
Carrying amount of segment assets	12,693,938	1,291,081	–	–	12,693,938	1,291,081
Capital expenditure	97,557	13,240	–	–	97,557	13,240
	<u>97,557</u>	<u>13,240</u>	<u>–</u>	<u>–</u>	<u>97,557</u>	<u>13,240</u>

8. FINANCE COSTS

	2007 HK\$	2006 HK\$
Interest on:		
Other borrowings repayable within one year	63,973	–
Finance leases	3,611	–
	<u>67,584</u>	<u>–</u>

9. LOSS BEFORE TAXATION

	2007 HK\$	2006 HK\$
Loss before taxation has been arrived at after charging(crediting):		
Directors' emoluments* (<i>Note 10</i>)	2,291,889	836,325
Staff costs	1,351,069	1,184,419
Retirement benefit scheme contributions, excluding directors	61,434	53,405
	<u>3,704,392</u>	<u>2,074,149</u>
Total employee benefits expense including those of directors	3,704,392	2,074,149
Depreciation for property, plant and equipment		
– owned assets	387,424	214,658
– finance leases assets	81,539	–
Auditors' remuneration	319,000	250,000
Share base payment expense	3,272,393	–
Impairment loss recognised in respect of goodwill	2,332,815	–
Waive of amount due to an ex-director	(4,792,737)	–
Interest income	(53,389)	(8)
	<u>(53,389)</u>	<u>(8)</u>

* Directors' emoluments of HK\$69,682 (2006: HK\$535,765) has been recognised during the year, which has been included in direct costs.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2006: eight) directors were as follows:

	2007				2006					Total HK\$
	Directors' fees HK\$	Salaries and other benefits HK\$	Retirement benefit scheme contributions HK\$	Share Options granted HK\$	Directors' fees HK\$	Salaries and other benefits HK\$	Retirement benefit scheme contributions HK\$	Share Options granted HK\$		
Old director:										
<i>(Note 1)</i>										
Mr. Liu Ka Lim	-	160,000	1,000	-	161,000	-	-	-	-	-
Mr. Kan Siu Lun	-	60,000	1,000	-	61,000	-	339,000	-	-	339,000
Mr. Sun Wai Yan, Victor	-	69,682	3,318	-	73,000	-	221,765	10,560	-	232,325
Miss Lam So Ying	-	180,000	5,000	-	185,000	-	80,000	5,000	-	85,000
Miss Sy Wai Shuen	-	100,000	-	-	100,000	-	-	-	-	-
Mr. Shum Kai Wing	22,258	-	-	-	22,258	60,000	-	-	-	60,000
Mr. Wong Yuk Man, Edmund	22,258	-	-	-	22,258	60,000	-	-	-	60,000
Mr. Chow Cheuk Lap	22,258	-	-	-	22,258	60,000	-	-	-	60,000
New director:										
<i>(Note 2)</i>										
Mr. Chui Bing Sun	-	510,000	8,000	-	518,000	-	-	-	-	-
Mr. Lee Chi Shing, Caesar	-	539,031	8,847	351,819	899,697	-	-	-	-	-
Mr. Sui Hi Lam, Alick	75,806	-	-	-	75,806	-	-	-	-	-
Mr. Kwok Kwan Hung	75,806	-	-	-	75,806	-	-	-	-	-
Mr. Chien Hoe Yong	75,806	-	-	-	75,806	-	-	-	-	-
Total emoluments	<u>294,192</u>	<u>1,618,713</u>	<u>27,165</u>	<u>351,819</u>	<u>2,291,889</u>	<u>180,000</u>	<u>640,765</u>	<u>15,560</u>	<u>-</u>	<u>836,325</u>

Notes:

- During the year, Mr. Liu Ka Lim, Mr. Kan Siu Lun, Mr. Sun Wai Yan, Victor, Miss Lam So Ying, Miss Sy Wai Shuen, Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmund and Mr. Chow Cheuk Lap were resigned on August 14, 2006.
- During the year, Mr. Chui Bing Sun, Mr. Lee Chi Shing, Caesar, Mr. Sui Hi Lam, Alick, Mr. Kwok Kwan Hung and Mr. Chien Hoe Yong were appointed on August 14, 2006.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2006: three) individuals were as follows:

	2007 HK\$	2006 HK\$
Salaries and other benefits	412,366	655,000
Retirement benefit scheme contributions	14,775	29,750
Share options granted	27,819	-
	<u>454,960</u>	<u>684,750</u>

Their emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK\$nil to HK\$1,000,000	<u>2</u>	<u>3</u>

During the two years ended March 31, 2007 and March 31, 2006, no emoluments were paid to the five highest paid individuals or any of the directors by the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. 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.

No Hong Kong Profits Tax has been provided for in the financial statements for the year ended March 31, 2006 as the Group had not assessable profits for the year.

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

	2007 HK\$	2006 HK\$
Loss before taxation	<u>(6,470,377)</u>	<u>(1,931,800)</u>
Tax at Hong Kong Profits Tax rate	(1,132,316)	(338,065)
Tax effect of expenses not deductible for tax purpose	532,248	54,938
Tax effect of income not taxable for the tax purpose	(878,085)	(8,863)
Tax effect of tax losses not recognised	<u>1,519,411</u>	<u>291,990</u>
Tax expense for the year	<u>41,258</u>	<u>–</u>

Details of deferred tax are set out in note 26.

13. DIVIDEND

No dividend was paid or proposed during the year ended March 31, 2007, nor has any dividend been proposed since the balance sheet date (2006: nil).

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss for the year attributable to equity holders of the Company of HK\$6,511,635 (2006: HK\$1,931,800) and the weighted average number of 894,041,096 (2006: 800,000,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at April 1, 2006	800,000,000	800,000,000
Effect of issuance of new shares (<i>note 23(a)</i>)	93,808,219	–
Effect of exercise of share options (<i>note 23(b)</i>)	<u>232,877</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>894,041,096</u>	<u>800,000,000</u>

(b) Diluted loss per share

The calculation of diluted loss per share is based on the Group's loss for the year attributable to equity holders of the Company of approximately HK\$6,511,635 and the weighted average number of 980,781,481 ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (Diluted)

	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	894,041,096	800,000,000
Effect of share options	<u>86,740,385</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>980,781,481</u></u>	<u><u>800,000,000</u></u>

Note: No diluted earnings per share have been presented for year ended March 31, 2006 as no share options found for the year ended March 31, 2006.

15. GOODWILL

	<i>HK\$</i>
Cost	
Acquisition of subsidiaries during the year and at March 31, 2007	<u>4,665,629</u>
Accumulated impairment losses	
Impairment loss recognised during the year and at March 31, 2007	<u>2,332,815</u>
Carrying amount	
At March 31, 2007	<u><u>2,332,814</u></u>
At March 31, 2006	<u><u>–</u></u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units from services provided, which are reportable segments, for impairment testing.

The recoverable amount of the cash-generating unit from services provided has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is come from similar industries and the amount of impairment made during the year determined according to the opinion from the Board of directors.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use carried at cost HK\$	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	Leasehold improvement HK\$	Sub-total HK\$	Investment property HK\$	Total HK\$
COST									
At April 1, 2005	–	162,237	142,950	676,653	–	–	981,840	–	981,840
Additions	–	13,240	–	–	–	–	13,240	–	13,240
At March 31, 2006	–	175,477	142,950	676,653	–	–	995,080	–	995,080
Acquisition of subsidiaries	3,800,000	–	24,088	72,436	384,920	887,417	5,168,861	2,600,000	7,768,861
Additions	–	55,151	41,026	1,380	–	–	97,557	–	97,557
At March 31, 2007	3,800,000	230,628	208,064	750,469	384,920	887,417	6,261,498	2,600,000	8,861,498
ACCUMULATED DEPRECIATION									
At April 1, 2005	–	54,219	30,645	163,418	–	–	248,282	–	248,282
Charge for the year	–	50,738	28,590	135,330	–	–	214,658	–	214,658
At March 31, 2006	–	104,957	59,235	298,748	–	–	462,940	–	462,940
Acquisition of subsidiaries	–	–	4,818	12,684	76,984	57,097	151,583	–	151,583
Charge for the year	95,000	63,595	38,193	150,095	76,984	45,096	468,963	–	468,963
At March 31, 2007	95,000	168,552	102,246	461,527	153,968	102,193	1,083,486	–	1,083,486
CARRYING AMOUNT									
At March 31, 2007	<u>3,705,000</u>	<u>62,076</u>	<u>105,818</u>	<u>288,942</u>	<u>230,952</u>	<u>785,224</u>	<u>5,178,012</u>	<u>2,600,000</u>	<u>7,778,012</u>
At March 31, 2006	<u>–</u>	<u>70,520</u>	<u>83,715</u>	<u>377,905</u>	<u>–</u>	<u>–</u>	<u>532,140</u>	<u>–</u>	<u>532,140</u>

The Group's investment properties were revalued on September 30, 2006 by RHL Appraisal Limited, independent professionally qualified valuers, at HK\$2,600,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases.

As at March 31, 2007, property, plant and equipment of the Group with net book value of approximately HK\$265,000 was held under finance lease (2006: Nil).

17. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries at March 31, 2007 are as follows:

Name of subsidiary	Place of incorporation	Form of legal entity	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held		Principal activities
				Directly %	Indirectly %	
Galileo Asset Management Limited	Hong Kong	Limited company	HK\$10,000	–	100	Inactive
Galileo Asset Management Group Limited	The Cayman Islands	Limited company	US\$10,000	–	100	Inactive
Galileo Capital Limited	Hong Kong	Limited company	HK\$15,500,000	–	100	Provision of business information, business brokerage and financial advisory services in Hong Kong
Golden Harvest Trading Limited	Hong Kong	Limited company	HK\$2	–	100	Provision of administrative services for the Group in Hong Kong
Galileo Capital Group (BVI) Limited	British Virgin Islands	Limited company	US\$10,000	100	–	Investment holding in Hong Kong
Galileo Financial Services Limited	Hong Kong	Limited company	HK\$10,000	–	100	Inactive
Wealth Supply International Limited	British Virgin Islands	Limited company	US\$1	–	100	Inactive
Grand Sea Limited	Hong Kong	Limited company	HK\$3	–	100	Properties holding
Cheung Shing Funeral Limited	Hong Kong	Limited company	HK\$17	–	100	Provision of funeral services
Cheung Shing Funeral Services Limited	British Virgin Islands	Limited company	US\$1	–	100	Inactive

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

18. INVENTORIES

	The Group	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Merchandise, at cost	95,030	–
	<u>95,030</u>	<u>–</u>

Included in above, none of amount of inventories is carried at net realisable value.

19. TRADE RECEIVABLES

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

At March 31, 2007, all trade receivables were outstanding for less than 90 days (2006: 90 days).

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

20. AMOUNT DUE TO A DIRECTOR

	The Group and the Company	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Mr. Liu Ka Lim	–	4,362,737
Mr. Chui Bing Sun	758,368	–
	<u>758,368</u>	<u>–</u>
	<u>758,368</u>	<u>4,362,737</u>

The amount due to a director 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.

21. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payment	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Amounts payable under finance leases				
Within one year	94,615	–	85,587	–
In the second to fifth year inclusive	30,340	–	24,079	–
	<u>124,955</u>	<u>–</u>	<u>109,666</u>	<u>–</u>
Less: Future finance charges	(15,289)	–	–	–
Present value of lease obligations	<u>109,666</u>	<u>–</u>	109,666	–
Less: Amount due for settlement within one year shown under current liabilities			(85,587)	–
Amount due for settlement after one year			<u>24,079</u>	<u>–</u>

It is the Group's policy to lease certain of its fixed assets under finance leases. The average lease term is one year. For the year ended March 31, 2007, the average effective borrowing rate was 3.29% p.a.. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22. OTHER BORROWINGS

The amount is unsecured and carried interest at 6% per annum on fixed interest rate. The loan amount is borrowed from an individual third party in order to provide working capital to the Group. The amount was repayable with twelve months.

The Directors consider that the carrying amount of the other borrowings approximates to its fair value.

23. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.02 each		
Authorised:		
At April 1, 2005, March 31, 2006 and March 31, 2007	<u>6,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
At April 1, 2005 and March 31, 2006	800,000,000	16,000,000
Issuance of shares (<i>note a</i>)	160,000,000	3,200,000
Effect of exercise of share options (<i>note b</i>)	<u>5,000,000</u>	<u>100,000</u>
At March 31, 2007	<u>965,000,000</u>	<u>19,300,000</u>

The movements in the ordinary share capital during the year ended March 31, 2007 are as follows:

Note a: Upon the completion of placing of new shares under general mandate on August 30, 2006, the Company issued and allotted 160,000,000 shares of the share capital of the Company (“Placing Shares”) at a price of HK\$0.07 per share. The gross proceeds from placing new shares before issue expenses amounted to HK\$11,200,000.

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

Note b: On March 19, 2007, 5,000,000 share options exercised and transferred into shares in the share capital of the Company at an exercise price of HK\$0.3 per share. The gross proceeds from exercising the share options is amounted to HK\$1,500,000.

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

24. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Option Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, any person or entity providing research, development or other technological support to the Group, and any other person or entity determined by the directors as having contributed or may contribute to the development and growth of the Group. The Company has two share option schemes, one was adopted on November 29, 2000 (the “Pre-IPO Share Option Scheme”) and another was adopted on December 5, 2006 (the “New Scheme”).

(a) Pre-IPO Share Option Scheme

On November 29, 2000, the Company adopted a share option scheme which was valid and effective for a period not exceeding ten years commencing from November 29, 2000.

Under the Pre-IPO Share Option Scheme, 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 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 GME 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 GME 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 March 31, 2007.

The Directors consider that the Pre-IPO Share Options 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. No further share options will be granted under the Pre-IPO Share Options Plan.

(b) New Scheme

On December 5, 2006, the Company adopted a new share option scheme. The New Scheme became valid and effective for a period of ten years commencing from the adoption of the New Scheme, after which period no further options will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The participants of the New Scheme to whom options may be granted by the Board shall include any director, employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group whom the Board in its sole discretion considers eligible for the New Scheme on the basis of his/her contribution to the development and growth of the Group.

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12 month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. The number and terms of options to be granted to each grantee must be fixed before the shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company (the "Scheme Mandate Limit") shall not exceed 10% of the total number of Shares in issue unless the Company obtains a fresh approval from its shareholders pursuant to the approval of the shareholders in general meetings. At March 31, 2007, the number of shares issuable under share options granted under the Share Option Plan was 72,750,000, which represented approximately 7.5% of the Company's shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes shall not exceed 30% of the shares of the Company from time to time.

The offer of a grant of share options may be accepted within 14 days after the date on which the offer becomes or is declared unconditional. The exercise period of the share options granted is determinable by the board of directors, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of share options is determined by the board of directors, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The Company will comply with the disclosure requirements under Chapter 23 of the GEM Listing Rules, including without limitation disclosures in the annual and interim reports of the Company including details of the options granted to the following persons: (i) each of the connected person; (ii) each participant with options granted in excess of the limit; (iii) aggregate figures for the employees; (iv) aggregate figures for supplier of goods or services; and (v) all other participants as an aggregate whole.

The following share options were outstanding under the Option Scheme during the year:

Name of category of participant	Number of share options				Date of exercise of share option	Date of grant of share option ⁽¹⁾	Exercise period of share options	Exercise price of share options ^{(2),(3)} HK\$
	At April 1, 2006	Granted during the year	Exercised during the year	At March 31, 2007				
<i>Director</i>								
Mr. Lee Chi Shing, Caesar	-	2,500,000	-	2,500,000	-	19-12-2006	19-12-2007 to 18-12-2016	0.418
	-	1,000,000	-	1,000,000	-	23-02-2007	23-02-2008 to 22-02-2017	0.300
<i>Consultants</i>								
In aggregate	-	74,000,000	(5,000,000)	69,000,000	19-03-2007	23-02-2007	23-02-2007 to 22-02-2008	0.300
<i>Other employees</i>								
In aggregate	-	250,000	-	250,000	-	19-12-2006	19-12-2007 to 18-12-2016	0.418
	-	77,750,000	(5,000,000)	72,750,000				

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.
- (3) The number of share options and exercised price had been adjusted following the completion of open offer. These fair values of the share options granted on December 19, 2006 and February 23, 2007 were calculated using the Black-Scholes pricing model. The inputs into the model were at the date of grant of options as follows:

	December 19, 2006	February 23, 2007
Weighted average share price	0.408	0.280
Exercise price	0.418	0.300
Expected volatility	70%	70%
Expected life (year)	6	6
Risk-free rate	3.57%	3.69-4.04%
Expected dividend yield	0%	0%
Employee exit rate pre-vesting	0%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK\$3,272,393 for the year ended March 31, 2007 (2006: Nil) in relation to share options granted by the Company.

At March 31, 2007, the Company had 72,750,000 share options (2006: Nil) outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 72,750,000 additional ordinary shares of HK\$0.02 each of the Company and additional share capital of HK\$1,455,000 (2006: Nil) and share premium of approximately HK\$20,414,500 (2006: Nil) (before share issue expenses).

The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	–	–	–	–
Exercised during the year	0.31	5,000,000	–	–
Granted during the year	0.31	77,750,000	–	–
Outstanding at the end of the year	0.31	<u>72,750,000</u>	–	<u>–</u>
Exercisable at the end of the year	0.31	<u>72,750,000</u>	–	<u>–</u>

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$0.31 (2006: not applicable).

The options outstanding at March 31, 2007 had an exercise price of HK\$0.31 (2006: not applicable) and a weighted average remaining contractual life of 11.3 years (2006: not applicable).

25. RESERVE OF THE COMPANY

	Share premium HK\$	Contributed surplus HK\$	Share option reserve HK\$	Accumulated loss HK\$	Total HK\$
At April 1, 2005	8,095,956	367,874	–	(27,341,880)	(18,878,050)
Loss for the year	–	–	–	(1,910,350)	(1,910,350)
At March 31, 2006	8,095,956	367,874	–	(29,252,230)	(20,788,400)
Placing of new shares	8,000,000	–	–	–	8,000,000
Recognition of share issue expenses	(405,120)	–	–	–	(405,120)
Recognition of equity-settled share base payment	–	–	3,558,215	(285,822)	3,272,393
Exercise of share options	1,400,000	–	(285,822)	285,822	1,400,000
Loss for the year	–	–	–	(1,380,580)	(1,380,580)
At March 31, 2007	<u>17,090,836</u>	<u>367,874</u>	<u>3,272,393</u>	<u>(30,632,810)</u>	<u>(9,901,707)</u>

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

26. DEFERRED TAX

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

The Group

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At April 1, 2005	(91,191)	91,191	–
(Charge) credit to the income statement for the year	<u>6,705</u>	<u>(6,705)</u>	<u>–</u>
At March 31, 2006	(84,486)	84,486	–
(Charge) credit to the income statement for the year	<u>(164,098)</u>	<u>164,098</u>	<u>–</u>
At March 31, 2007	<u>(248,584)</u>	<u>248,584</u>	<u>–</u>

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Deferred tax liabilities	(248,584)	(84,486)
Deferred tax assets	<u>248,584</u>	<u>84,486</u>
	<u>–</u>	<u>–</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$22,872,000 (2006: HK\$23,270,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK\$1,420,480 (2006: HK\$483,000) of such losses. No deferred tax asset has been recognized in respect of the remaining tax losses of approximately HK\$22,872,000 (2006: HK\$22,787,000) due to the unpredictability of future profits streams. All losses may be carried forward indefinitely subject to the approvals of Inland Revenue Department in Hong Kong.

27. 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 other members of key executives during the year was as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Short-term benefits	1,049,031	980,765
Post-employment benefits	27,165	22,560
Share options granted	<u>379,638</u>	<u>–</u>
	<u>1,455,834</u>	<u>1,003,325</u>

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 markets trends.

28. OPERATING LEASE COMMITMENTS

The Group made approximately HK\$650,155 (2006: HK\$635,144) and HK\$46,000 (2006: HK\$168,000) minimum lease payments under operating lease during the year in respect of office premises and motor vehicles respectively.

(a) The Group as lessee

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	230,626	495,720
In the second to fifth year inclusive	461,252	–
	<u>691,878</u>	<u>495,720</u>

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

(b) The Group as lesser

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	180,000	–
	<u>180,000</u>	<u>–</u>

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

29. ACQUISITION OF SUBSIDIARIES

During the year, the group acquired two subsidiaries for an aggregate cash consideration of HK\$12,185,118. This transaction has been accounted for by the acquisition method of accounting.

	<i>HK\$</i>
Net assets acquired:	
Property, plant and equipment	7,617,278
Inventories	99,200
Trade and other receivables	18,700
Bank balances and cash	351
Deposits and received	(30,000)
Accrual and other payables	(81,223)
Obligation under finance leases	(97,222)
Tax payable	(7,595)
	7,519,489
Goodwill (<i>Note 15</i>)	4,665,629
	12,185,118
Satisfied by:	
Cash	12,185,118
	12,185,118
Net cash outflow arising on acquisition:	
Cash consideration	12,185,118
Less: Bank balances and cash acquired	(351)
	12,184,767

30. RETIREMENT BENEFITS SCHEME

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

31. CONTINGENT LIABILITIES

As at March 31, 2007, the Group had no contingent liabilities found.

32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$39,047 (2006: Nil).

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The following are the unaudited consolidated financial statements of the Group extracted from the half-yearly results of the Company for the three months and six months ended 30 September 2007 together with the comparative unaudited figures for the corresponding period in 2006.

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	<i>Notes</i>	At 30 September 2007 HK\$ Unaudited	At 31 March 2007 HK\$ Audited
Non-current assets			
Goodwill		1,166,407	2,332,814
Investment property		2,600,000	2,600,000
Property, Plant & Equipment	7	4,987,395	5,178,012
		<u>8,753,802</u>	<u>10,110,826</u>
Current assets			
Inventories		87,436	95,030
Trade receivables	8	145,293	96,355
Prepayments, deposits and other receivables	13a	20,280,658	590,043
Bank balances and cash		40,528,296	1,801,684
		<u>61,041,683</u>	<u>2,583,112</u>
Current liabilities			
Accruals and other payables		1,241,418	1,402,413
Deposits received		30,000	30,000
Amount due to a director	9	27,284	758,368
Bank loan	10	253,484	–
Obligation under finance leases		27,255	85,587
Other borrowings		–	5,000,000
Tax payable		48,853	48,853
		<u>1,628,294</u>	<u>7,325,221</u>
Net current assets (liabilities)		<u>59,413,389</u>	<u>(4,742,109)</u>
Total assets less current liabilities		<u>68,167,191</u>	<u>5,368,717</u>
Non-current liabilities			
Bank loan	10	3,684,893	–
Obligation under finance leases		20,174	24,079
		<u>3,705,067</u>	<u>24,079</u>
		<u>64,462,124</u>	<u>5,344,638</u>
Capital and reserves			
Share Capital	11	23,964,000	19,300,000
Reserves		40,498,124	(13,955,362)
		<u>64,462,124</u>	<u>5,344,638</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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)
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
	<u>19,200,000</u>	<u>15,690,836</u>	<u>(119,998)</u>	<u>–</u>	<u>(24,873,623)</u>	<u>9,897,215</u>
At 30 September 2006						
At 1 April 2007	19,300,000	17,090,836	(119,998)	3,272,393	(34,198,593)	5,344,638
Top-up placing and subscription	3,894,000	49,648,500	–	–	–	53,542,500
Recognition of share issue expenses	–	(1,582,852)	–	–	–	(1,582,852)
Share option benefits	–	–	–	5,299,512	–	5,299,512
Exercise of share options	770,000	13,257,202	–	(2,036,202)	–	11,991,000
Loss for the period	–	–	–	–	(10,132,674)	(10,132,674)
	<u>23,964,000</u>	<u>78,413,686</u>	<u>(119,998)</u>	<u>6,535,703</u>	<u>(44,331,267)</u>	<u>64,462,124</u>
At 30 September 2007						

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

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

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	
	For the six months ended 30 September						2007 HK\$	2006 HK\$
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$		
Turnover								
External sales	235,000	450,000	2,343,178	–	90,000	–	2,668,178	450,000
Results								
Segment result	(1,417,598)	(906,851)	(60,384)	–	(1,389,939)	–	(2,867,921)	(906,851)
Unallocated corporate income							19,698	4,792,739
Unallocated corporate expenses							(7,103,299)	(1,071,706)
Finance cost							(181,152)	(847)
(Loss) Profit before taxation							(10,132,674)	2,813,335
Income tax expense							–	–
(Loss) Profit for the period							<u>(10,132,674)</u>	<u>2,813,335</u>

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):

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

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

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

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.

4. INDEBTEDNESS

As at the close of business on 30 September 2007 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular), the Enlarged Group had outstanding borrowings of approximately HK\$3,994,000 comprising long-term bank borrowings of approximately HK\$3,938,000, an amount of bank overdraft approximately HK\$8,000 and an amount of approximately HK\$48,000 finance lease obligation.

As at 30 September 2007, the Enlarged Group's bank borrowings amounting about HK\$3,938,000 were secured by first legal charges on certain of the investment property and leasehold land and buildings located in Hong Kong with carrying values of approximately HK\$6,257,000.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Enlarged Group, none of the companies comprising the Enlarged Group had outstanding at the close of business on 30 September 2007 any mortgages, terms loans, charges or debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in indebtedness or contingent liabilities of the Group since 30 September 2007.

5. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Acquisition, taking into account the financial resources available to the Enlarged Group, including the internally generated funds, the present available banking facilities and the continuous financial support from the major shareholder of the Enlarged Group, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements that is for at least the next 12 months from the date of this circular.

6. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2007, the date to which the latest audited consolidated financial statements of the Group were made.

7. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2005

Financial performance

The Group recorded a turnover of approximately HK\$0.9 million for the year ended 31 March 2005, representing a decrease of approximately 79% over the previous year's turnover of approximately HK\$4.3 million. The decrease was mainly due to the fact that almost all of the deals under negotiation required more time for completion. Many of those clients were scheduled to conclude their agreements with the Group in the next financial year. The contribution to operating results was resulted from business activity of business consultancy services, the only operating business of the Group in Hong Kong.

Cost of services for the year had continued its downward trend from approximately HK\$2.2 million for the year ended 31 March 2004 to approximately HK\$0.2 million for the year ended 31 March 2005, representing a reduction of approximately 92%. As a result, gross profit margin for the year was approximately 81.3%, a notable improvement over approximately 50.3% achieved in the previous financial year.

Administrative and general expenses together with other operating expenses reduced by approximately 16.6% to about HK\$3.9 million compared to approximately HK\$4.7 million in the previous financial year.

Net loss for the year ended 31 March 2005 was approximately HK\$3.1 million, representing an increase of nearly 31%. While all cost and expenditure items remained at a stable level, the higher loss recorded mainly reflected the much smaller turnover recorded for the year with the bulk of the revenue due from clients to be recognised in future financial periods when the deals were successfully concluded.

Liquidity and financial resources

As at 31 March 2005, the Group had net tangible liabilities of approximately HK\$1.8 million and net current assets of approximately HK\$0.3 million. The net tangible liabilities were mainly caused by the amount due to a Director had gone up from HK\$1.4 million to nearly HK\$2.8 million. This amount was unsecured and carried interest at 1.5% per annum which for the year under review was waived. The Group had approximately HK\$0.5 million cash and bank balances as at 31 March 2005, which was a decline of more than 70% due to further loss incurred during the year.

Gearing ratio

The Group's gearing ratio, being total borrowings divided by shareholders' funds, was 100% as at 31 March 2005 (31 March 2004: 100%).

Capital structure

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

Employees information

The total number of employees was 16 as at 31 March 2005 (31 March 2004: 8), and the total remuneration for the year under review was approximately HK\$1.6 million (2004: approximately HK\$2.4 million). The remuneration policy of the Group was reviewed and approved by the Board. Discretionary bonus was linked to performance of the individual employee.

The Group would offer options to reward employees who made significant contributions and to retain key staffs pursuant to the share option scheme of the Group.

Charges on assets

During the years ended 31 March 2005 and 2004, none of the Group's assets had been charged.

Contingent liabilities

As at 31 March 2005, the Group had no contingent liabilities.

Dividend

The Directors did not recommend the payment of dividend for the year ended 31 March 2005.

Business review

2004 was a pivotal year for the Group as the new Shareholders and management team had taken over the running of the business. The Group moved quickly to implement an effective set of cost control measures while at the same time, took steps to ensure that existing and new client relationships did not suffer as a result of the Group's policy of entrenchment. Through cooperation with other investment banks and financial service providers, the Group had managed to conclude protracted negotiations with a few promising PRC clients for fund-raising activities.

The Hangzhou representative office of the Group had been promoting its expertise to local state and private enterprises. A number of interesting deals from the Northern and Western regions of the PRC had also been received through the Group's associates in Beijing. The Group had begun the process of picking out the private firms with better prospect to consider how they would benefit from using the Group's financial services.

*For the year ended 31 March 2006***Financial performance**

The Group recorded a turnover of approximately HK\$2.4 million for the year ended 31 March 2006, representing a strong increase of approximately 157% over the previous year's turnover of approximately HK\$0.9 million. Such increase in turnover was mainly due to the fact that many of the deals under negotiation throughout the two years ended 31 March 2006 were completed during the financial year under review. The income generated was therefore recognised after these transactions had been concluded successfully.

Cost of services for the year had gone up to approximately HK\$0.5 million from approximately HK\$0.2 million recorded in the previous financial year. Nonetheless, the cost of services at less than 25% of turnover was still considered manageable and the increase was in line with the higher turnover as anticipated.

Administrative and general expenses together with other operating expenses reduced by approximately 2.5% to approximately HK\$3.7 million compared to approximately HK\$3.8 million in the previous financial year.

Net loss for the year ended 31 March 2006 was approximately HK\$1.9 million, representing a decrease of approximately HK\$1.2 million or more than 38%. As all cost and expenditure items remained at a stable level, the smaller loss mainly reflected a higher turnover recorded for the year with the bulk of the revenue due from clients recognised in the financial year under review when the deals were successfully brought to a conclusion.

Liquidity and financial resources

As at 31 March 2006, the Group had net tangible liabilities of approximately HK\$3.7 million and net current liabilities of approximately HK\$4.2 million. The net tangible liabilities value was caused by the amount due to a Director had gone up from approximately HK\$2.8 million to nearly HK\$4.4 million. This advance was unsecured and carried interest at 1.5% per annum which for the year under review was waived. The Group had approximately HK\$0.3 million cash and bank balances as at 31 March 2006, which was a decline of nearly 39% due to further loss incurred during the year.

Gearing ratio

As at 31 March 2006, the Group had a gearing ratio (being total debts net of payables under ordinary course of business over total assets) of approximately 338% (31 March 2005: approximately 201%).

Capital structure

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

Employees information

The total number of employees was 13 as at 31 March 2006 (31 March 2005: 16), and the total remuneration for the year under review was about HK\$2.1 million (2005: approximately HK\$1.7 million). The remuneration policy of the Group was reviewed and approved by the Board and the remuneration committee of the Company. Discretionary bonus was linked to performance of the individual employee.

Charges on assets

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

Contingent liabilities

On 16 November 2004, RMB0.8 million deposits were received by Galileo Asset Management Limited (the "GAML"), a wholly owned subsidiary of the Company, for the purpose of providing advisory services for the client after signing the consultancy agreement between the parties. On 7 January 2006, a letter was sent to GAML for termination of the consultancy agreement and the said client requested for the return of the RMB0.8 million deposit.

However, the Company's legal adviser had advised the directors of GAML that such client had been in breach of the consultancy agreement between GAML and such client and that GAML was not obliged to return the sum of RMB0.8 million to the client but conversely GAML would have a potential claim against the client for breach of contract. Accordingly, the Directors considered the RMB0.8 million to be non-refundable upfront fee payable under the consultancy agreement, and no liability had been assumed and accordingly, the amount of RMB0.8 million had not been accounted for in the income statement.

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

Dividend

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

Business review

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

Whenever possible, the Group had been active in building bridges to second-tier cities in the PRC. This was a sustained long term process to establish a strong delivery platform for the Group's financial and investment products to corporate clients. The management hoped to position the Group as a premier financial service provider in the Greater China region in the years to come.

For the year ended 31 March 2007

Financial Performance

The Group recorded a turnover of HK\$1,643,189 for the year ended March 31, 2007, representing a decrease of 30% from last year's turnover of approximately HK\$2,357,000. The decrease was mainly due to the fact that the funeral business was taken up on January 17, 2007. Only two months' result was included in the accounts for the year ended March 31, 2007. The contributions to operating results by business segment were resulted from business activity of business consultancy services and funeral services income. HK\$923,000 was generated from business consultancy service income, HK\$690,189 was generated from funeral services income and HK\$30,000 was generated from other income of the Company.

The cost of services for the whole year had dropped to HK\$524,339 from HK\$544,764 recorded during 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 March 31, 2008 and the resulted total gross profit will be increased.

Administrative and general expenses together with other operating expenses made an increase of 230% to HK\$12,376,094 compared to HK\$3,744,815 in 2006. Their increase was mainly due to the granting of share options, the administrative expenses and goodwill written off in acquiring the funeral business. 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 year ended March 31, 2007 was HK\$6,511,635, an increase of HK\$4,579,835 or more than 237%. The higher loss figure mainly reflected a higher administrative and general expense for the year due to the granting of share options and the cost, including the goodwill written off, associated with the acquisition of the funeral business.

Liquidity and Financial Resources

As of March 31, 2007, the Group had a net assets amounted to HK\$5,344,638 and a net current liabilities amounted to HK\$4,742,109. Net current liabilities continued to be negative because there was an obtaining of other borrowings of HK\$5 million in current year. This advance was unsecured and carried interest at 6% per annum and repayable within twelve months. The Group had HK\$1,801,684 bank balances and cash as of March 31, 2007 which was an increase of approximately 445% as compared with last year due to the raising of capital and other borrowings obtained.

Gearing Ratio

For the year ended March 31, 2007, the Group had gearing ratio which is defined as total debts net of payable under ordinary course of business over total assets of approximately 45% (2006: 338%).

Capital Structure

Movements in share capital are reflected in note 23 to the financial statements.

Employees Information

The total number of employees was 18 as at March 31, 2007 (March 31, 2006: 13), and the total remuneration for the year 2007 was about HK\$3,704,392 (2006: HK\$2,074,149). The remuneration policy of the Group was reviewed and approved by the Board and the Remuneration Committee. Discretionary bonus was linked to performance of the individual specific to each case.

Charges on Group Assets

As at March 31, 2007, property, plant and equipment of the Group with net book value of approximately HK\$265,000 was held under finance lease (2006: Nil).

Contingent Liabilities

As at March 31, 2007, the Group had no contingent liabilities.

Dividend

The directors do not recommend the payment of dividend for the year ended March 31, 2007.

Business Review

Hong Kong continued its economic recovery in 2006. Business activities in the capital and securities markets have both picked up considerably in tandem with China's growing needs for overseas fund-raising. Through cooperation with other investment banks and financial service providers, we have been involved in the protracted negotiations with a number of promising clients in 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.

For the six months ended 30 September 2007

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 with 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 contributions to operating results by business segment were resulted from business activity of business consultancy services and funeral services income. HK\$235,000 was generated from business consultancy service income, HK\$2,343,178 was generated from funeral services income and HK\$90,000 was generated from other income of the Company.

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 with 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 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 reviewed 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 software. With the positive financial records of the Loyal King Group and the profit guarantee given by the Vendor, 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 with 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.

8. 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.

9. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The management intends to continue the existing business of the funeral service businesses in the PRC 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 such population trend is expected to continue, the management believes that the funeral service industry in Hong Kong has a promising prospect. The Acquisition of Loyal King will enable the Group to participate into the market for computer systems and related services and to explore and as well as to broaden its revenue base. The management intends to allocate financial resources into Loyal King in the future to facilitate its growth.



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23 November 2007

The Directors

Galileo Holdings Limited

2202, 22/F., Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Dear Sirs

We set out below our report on the financial information (the “Financial Information”) regarding to Loyal King Investments Limited (“Loyal King”) in which stated below, including the balance sheet as at 31 August 2007, the income statement and the statement of changes in equity for the period from 12 July 2007 (date of incorporation) to 31 August 2007 (the “Relevant Periods”), and the notes thereto, prepared for inclusion in the circular (the “Circular”) dated 23 November 2007 issued by Galileo Holdings Limited (the “Company”) in connection with the proposed acquisition (the “Acquisition”) of the entire issued share capital of Loyal King and sale loan incurred by Loyal King to the Vendor.

Loyal King was incorporated in British Virgin Islands (“BVI”) on 12 July 2007 with limited liability pursuant to the BVI Business Ordinance Act, 2004. The principal activity of Loyal King is investment holding. The registered office is located at Palm Grove House, P.O. Box 438, Road Town, Tortola, BVI.

As at the date of this report, Loyal King has direct interests in the subsidiaries as set out in the Section III and IV below, all of which are private companies, incorporated and established in Hong Kong. The principal activities are both engaging in providing computer hardware and software services.

No audited accounts have been prepared since its incorporation as it is exempted from Hong Kong Companies Ordinance.

For the purpose of this report, the directors of Loyal King have prepared the financial statements of Loyal King for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The accompanying Financial Information has been prepared based on the Underlying Financial Statements of Loyal King and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Loyal King and carried out such additional procedures as necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements which gives a true and fair is the responsibility of the Directors. The directors of Galileo Holdings Limited are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Loyal King as at 31 August 2007 and of Loyal King’s result for the period from 12 July 2007 (date of incorporation) to 31 August 2007.

FINANCIAL INFORMATION**INCOME STATEMENT**

	Two months ended 31 August 2007 HK\$
Turnover	–
Cost of sales	– <hr/>
Gross profit	–
Other revenue	–
Administrative expenses	– <hr/>
Profit before taxation	–
Income tax expenses	– <hr/>
Profit/(loss) for the period	– <hr/> <hr/>

BALANCE SHEET

	<i>Notes</i>	At 31 August 2007 HK\$
NON-CURRENT ASSETS		
Investments in subsidiaries	5	<u>26,000,000</u>
CURRENT LIABILITIES		
Other payables	6	19,500,000
Amount due to a shareholder	7	<u>6,112,500</u>
		<u>25,612,500</u>
		<u><u>387,500</u></u>
CAPITAL AND RESERVES		
Share capital	8	387,500
Retained profits		<u>–</u>
		<u><u>387,500</u></u>

STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Share capital <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
Issue of share capital	8	387,500	–	387,500
(Loss)/profit for the period		<u>–</u>	<u>–</u>	<u>–</u>
At 31 August 2007		<u><u>387,500</u></u>	<u><u>–</u></u>	<u><u>387,500</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. BASIS OF PRESENTATION**

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued the following Standards amendments and INTs that are not yet effective. The Company has considered the following Standards amendments and INTs but does not expect they will have a material effect on how the results of operations and financial position of the Company are prepared and presented.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service concession arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction ²

¹ Effective for annual periods beginning on or after January 1, 2009.

² Effective for annual periods beginning on or after January 1, 2008.

³ Effective for annual periods beginning on or after July 1, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation**

The significant accounting policies that have used in the preparation of the Financial Information are summarized below.

It should be noted that accounting estimates and assumptions have been used in preparation of the Financial Information. Although these estimates and assumptions are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions.

(b) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the Company’s balance sheet, investments in subsidiaries are carried at cost less impairment losses, if any.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (i) Sale of goods is recognised when the goods are delivered to customers and the title has passed.
- (ii) Rendering of services is recognised when the services are rendered.

(d) Impairment (for tangible assets and intangible assets with definite useful lives)

At each balance sheet date, the Group reviews the carrying amounts of the assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years/periods. A reversal of impairment loss is recognised as income immediately.

(e) Financial instruments

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

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including other payables and amount due to a shareholder are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's major financial instruments include other payable and accruals and amount due to a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimize the credit risk, the company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the company consider that the company's credit risk is significantly reduced.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

5. INVESTMENTS IN SUBSIDIARIES

	At 31 August 2007 HK\$
Unlisted investments, at cost	26,000,000
Less: impairment loss	—
	26,000,000
	26,000,000

Particulars of subsidiaries are as follows

Name of company	Place of incorporation and operation	Class of shares held	Registered/ issued capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Alliance Computer Services Limited	Hong Kong	Ordinary	HK\$200,000	97	—	Provide computer hardware and software services
Alliance Computer Systems Limited	Hong Kong	Ordinary	HK\$20,000	60	—	Provide computer hardware and software services

Loyal King acquired 97% and 60% equity interest in Alliance Computer Services Limited and Alliance Computer Systems Limited respectively for an aggregate consideration of HK\$26,000,000 on 31 August 2007.

6. OTHER PAYABLES

The amount represents the outstanding amount of consideration payable to the vendors, namely Lau Hung Lun, Ma Cheuk Wai, Leung Ming Yuen, Tin Ho Fai and Choi Chi Leung in respect of the acquisition of Alliance Systems and Alliance Services.

The Directors consider that the carrying amounts of the company's other payables approximate to their fair value.

7. AMOUNT DUE TO A SHAREHOLDER

Amounts due to a shareholder are unsecured interest free and repayment on demand.

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

8. SHARE CAPITAL

	At 31 August 2007 HK\$
Authorised, issued and fully paid 50,000 ordinary shares of US\$1 each	<u><u>387,500</u></u>

The Company incorporated on 12 July 2007 with an authorized share capital of US\$50,000 is divided into 50,000 ordinary shares of US\$1 each. At the time of incorporation, 50,000 ordinary shares of US\$1 each were issued to the subscribers. There was no movement of share capital after incorporation. The exchange rate is US\$1 equal to HK\$7.75.

9. PRESENTATION OF CASH FLOW STATEMENT

As the Company has no cash transactions during the period from 12 July 2007 (date of incorporation) to 31 August 2007, no cash flow statement is prepared.

Yours faithfully,

Lo & Kwong C.P.A. Company Limited
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

For the period from 12 July 2007, the date of incorporation, to 31 August 2007

Loyal King is a company incorporated in British Virgin Islands with limited liability pursuant to BVI Business Ordinance Act, 2004. The principal activity of Loyal King is investment holding.

Loyal King has direct investment in two subsidiaries. The investment represents 97% in Alliance Services and 60% in Alliance Systems. Both companies were incorporated in Hong Kong.

PROSPECTS

It is expected that all the benefits of the business operation will be generated from the subsidiaries, namely Alliance Services and Alliance Systems.

With the positive financial records of Alliance Services and Alliance Systems, the management is optimistic about the earning potential of the Alliance Services and Alliance Systems.



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23 November 2007

The Directors

Galileo Holdings Limited

2202, 22/F., Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Dear Sirs

We set out below our report on the financial information (the “Financial Information”) regarding to Alliance Computer Services Limited (“Alliance Services”) in which stated below, including the balance sheets as at 31 March 2005, 2006 and 2007 and 31 August 2007, the income statements, the statements of changes in equity and the cash flow statements for the three years ended 31 March 2005, 2006 and 2007 and the five months ended 31 August 2006 and 2007 (the “Relevant Periods”), and the notes thereto, prepared for inclusion in the circular (the “Circular”) dated 23 November 2007 issued by Galileo Holdings Limited (the “Company”) in connection with the proposed acquisition (the “Acquisition”) of the entire issued share capital of Loyal King Investments Limited (“Loyal King”) which holds 97% issued share capital of Alliance Services.

Alliance Services was incorporated in Hong Kong on 15 June 1995 with limited liability pursuant to the Hong Kong Companies Ordinance. The principal activity of Alliance Services is provision of computer hardware and software services. The registered office and principal place of business is located at 9/F., 133 Wanchai Road, Wanchai, Hong Kong.

The financial statements of Alliance Services for the years ended 31 March 2005, 2006 and 2007, which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), were audited by C.W.IP & Co., a firm of certified public accountants registered in Hong Kong.

For the purpose of this report, the director of Alliance Services have prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”) issued by HKICPA.

We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The accompanying Financial Information has been prepared based on the Underlying Financial Statements of Alliance Services and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Alliance Services and carried out such additional procedures as necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements which gives a true and fair view is the responsibility of the Directors. The directors of Galileo Holdings Limited are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Alliance Services as at 31 March 2005, 2006 and 2007 and 31 August 2007 and of Alliance Services’ results and cash flows for each of the Relevant Periods.

The unaudited comparative Financial Information (the “Comparative Financial Information”) of Alliance Services for the five months ended 31 August 2006 has been prepared solely for the purpose of this report. The Directors are responsible for preparing the Comparative Financial Information and to report our conclusion to you. We have reviewed the Comparative Financial information for the five months ended 31 August 2006 in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information for the five months ended 31 August 2006. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information for the five months ended 31 August 2006.

FINANCIAL INFORMATION

INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 March			Five months ended 31 August	
		2007	2006	2005	2007	2006
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
						(unaudited)
Turnover	6	3,652,500	5,807,603	3,343,528	–	2,815,567
Cost of sales		<u>(2,132,005)</u>	<u>(4,181,569)</u>	<u>(1,916,773)</u>	<u>–</u>	<u>(2,042,639)</u>
Gross profit		1,520,495	1,626,034	1,426,755	–	772,928
Other revenue	6	9,100	158,400	70,116	40,027	9,100
Administrative expenses		<u>(667,979)</u>	<u>(1,665,669)</u>	<u>(1,349,979)</u>	<u>(12,700)</u>	<u>(696,542)</u>
Profit before taxation	7	861,616	118,765	146,892	27,327	85,486
Income tax expenses	9	<u>(150,783)</u>	<u>(20,834)</u>	<u>(25,752)</u>	<u>–</u>	<u>(14,960)</u>
Profit for the year/period		<u>710,833</u>	<u>97,931</u>	<u>121,140</u>	<u>27,327</u>	<u>70,526</u>
Dividend						
Interim dividend paid	10	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,063,150)</u>	<u>–</u>

APPENDIX III FINANCIAL INFORMATION OF THE ALLIANCE SERVICES

BALANCE SHEETS

		As at 31 March			As at 31 August
	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>	2007 <i>HK\$</i>
CURRENT ASSETS					
Trade receivables	<i>11</i>	331,839	556,108	364,600	–
Other receivables and deposits	<i>11</i>	–	265,945	265,945	–
Amount due from a related company	<i>12</i>	929,033	–	–	–
Amount due from a director	<i>13</i>	–	–	30,428	207,673
Tax receivable		–	5,021	–	
Bank balance and cash		397,388	175,573	226,112	149,654
		1,658,260	1,002,647	887,085	357,327
CURRENT LIABILITIES					
Other payables and accruals	<i>11</i>	30,000	429,218	424,701	–
Amounts due to a director	<i>13</i>	235,110	21,112	–	–
Tax payable		130,000	–	7,998	130,000
		395,110	450,330	432,699	130,000
		1,263,150	552,317	454,386	227,327
CAPITAL AND RESERVES					
Share capital	<i>14</i>	200,000	200,000	200,000	200,000
Retained profits		1,063,150	352,317	254,386	27,327
		1,263,150	552,317	454,386	227,327

STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Retained profits HK\$	Total HK\$
1 April 2004	200,000	133,246	333,246
Profit for the year	<u>–</u>	<u>121,140</u>	<u>121,140</u>
At 31 March and 1 April 2005	200,000	254,386	454,386
Profit for the year	<u>–</u>	<u>97,931</u>	<u>97,931</u>
At 31 March and 1 April 2006	200,000	352,317	552,317
Profit for the year	<u>–</u>	<u>710,833</u>	<u>710,833</u>
At 31 March and 1 April 2007	200,000	1,063,150	1,263,150
Profit for the period	–	27,327	27,327
Interim dividend paid	<u>–</u>	<u>(1,063,150)</u>	<u>(1,063,150)</u>
At 31 August 2007	<u><u>200,000</u></u>	<u><u>27,327</u></u>	<u><u>227,327</u></u>
Five months ended 31 August 2006			
At 31 March and 1 April 2006	200,000	352,317	552,317
Profit for the period	<u>–</u>	<u>70,526</u>	<u>70,526</u>
Balance as at 31 August 2006	<u><u>200,000</u></u>	<u><u>422,843</u></u>	<u><u>622,843</u></u>

CASH FLOW STATEMENTS

	Year ended 31 March			Five months ended	
	2007	2006	2005	31 August	
	HK\$	HK\$	HK\$	2007	2006
				HK\$	HK\$
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation and operating profit before working capital change	861,616	118,765	146,892	27,327	85,486
Decrease/(increase) in trade receivables	224,269	(191,507)	123,160	331,839	(192,506)
Decrease/(increase) in other receivables and deposits	265,945	–	(4,297)	–	–
(Increase)/decrease in amount due from a related company	(929,033)	–	–	929,033	179,543
Decrease/(increase) in amount due from a director	–	30,428	(30,428)	(207,673)	–
Increase/(decrease) in amount due to a director	213,998	21,112	–	(235,110)	(81,006)
Decrease in trade payable	–	–	(101,942)	–	–
(Decrease)/increase in other payables and accruals	(399,218)	4,516	18,671	(30,000)	42,914
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from/(used in) operating activities	237,577	(16,686)	152,056	815,416	34,431
Tax expenses paid	(15,762)	(33,853)	(30,113)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities	221,815	(50,539)	121,943	815,416	34,431
NET CASH USED IN FINANCING ACTIVITIES					
Divided paid	–	–	–	(1,063,150)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	221,815	(50,539)	121,943	(247,734)	34,431
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD					
	<u>175,573</u>	<u>226,112</u>	<u>104,169</u>	<u>397,388</u>	<u>175,573</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD					
	<u><u>397,388</u></u>	<u><u>175,573</u></u>	<u><u>226,112</u></u>	<u><u>149,654</u></u>	<u><u>210,004</u></u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS					
Bank balance and cash	<u>397,388</u>	<u>175,573</u>	<u>226,112</u>	<u>149,654</u>	<u>210,004</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the period from 1 April 2004 to 31 August 2007, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKAS”s), Hong Kong Financial Reporting Standards (“HKFRS”s) and Interpretations (“INT”s) (here in after collectively referred to as “new HKFRS”s) which are effective for accounting periods beginning on or after 1 April 2004. For the purposes of preparing and presenting financial information of the Relevant Periods, the Company has adopted all these new and revised HKFRSs.

The HKICPA has issued the following Standards amendments and INTs that are not yet effective. The Company has considered the following Standards amendments and INTs but does not expect they will have a material effect on how the results of operations and financial position of the Company are prepared and presented.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service concession arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction ²

¹ Effective for annual periods beginning on or after January 1, 2009.

² Effective for annual periods beginning on or after January 1, 2008.

³ Effective for annual periods beginning on or after July 1, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have used in the preparation of the Financial Information are summarized below.

It should be noted that accounting estimates and assumptions have been used in preparation of the Financial Information. Although these estimates and assumptions are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (i) Sale of goods is recognised when the goods are delivered to customers and the title has passed.
- (ii) Rendering of services is recognised when the services are rendered.

(c) Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a Company entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through

profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

Loans and receivables

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

Financial liabilities and equity

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

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

Financial liabilities

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

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

(f) Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis. Contingent rentals, if any, are charged to income statement in the accounting period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful of the company is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the company were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's major financial instruments include trade and other receivables, other payable and accruals and amounts due from/(to) a related company/a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimize the credit risk, the company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the company consider that the company's credit risk is significantly reduced.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

6. TURNOVER AND OTHER REVENUE

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover					
Sales of goods and service	3,652,500	5,807,603	3,343,528	–	2,815,567
Other revenue					
Sundry income	9,100	158,400	70,116	40,072	9,100
	<u>3,661,600</u>	<u>5,966,003</u>	<u>3,413,644</u>	<u>40,027</u>	<u>2,824,667</u>

7. PROFIT BEFORE TAXATION

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	13,000	10,000	10,000	–	–
Cost of inventories recognised as expenses	2,132,005	4,181,569	1,916,773	–	2,042,639
Staff costs (including directors' remuneration)					
Wages and salaries	393,782	1,006,800	949,488	–	393,782
Retirement benefits scheme contributions	39,647	48,390	45,614	–	39,385
Operating lease expenses in respect of leasehold land and buildings	–	99,738	109,870	9,800	–
	<u>–</u>	<u>99,738</u>	<u>109,870</u>	<u>9,800</u>	<u>–</u>

8. DIRECTORS' REMUNERATION

Details of remuneration paid to the company's directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$
Fee	–	–	–	–	–
Other emoluments					
Salaries (including benefits in kind)	57,000	265,000	247,000	–	–
Retirement benefits scheme contribution	6,750	11,850	11,850	–	–
	<u>63,750</u>	<u>276,850</u>	<u>258,850</u>	<u>–</u>	<u>–</u>

9. INCOME TAX EXPENSES

Hong Kong profits tax is calculated at 17.5% on the estimated assessable profit for the year/period.

The amount of income tax expenses charged to the income statement represents:

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$
Hong Kong profits tax					
Current year	150,783	20,783	25,752	–	14,960
Under-provision for prior years	–	51	–	–	–
Income tax expenses	<u>150,783</u>	<u>20,834</u>	<u>25,752</u>	<u>–</u>	<u>14,960</u>

APPENDIX III FINANCIAL INFORMATION OF THE ALLIANCE SERVICES

The tax charge for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> (unaudited)
Profit before taxation	<u>861,616</u>	<u>118,765</u>	<u>146,892</u>	<u>27,327</u>	<u>85,486</u>
Tax at Hong Kong tax rate of 17.5%	150,783	20,783	25,706	4,782	14,960
Tax effect of expenses that are not deductible in determining taxable profit	–	–	46	–	–
Tax effect for income not taxable for the tax purpose	–	–	–	(4,782)	–
Under-provision for prior years	<u>–</u>	<u>51</u>	<u>–</u>	<u>–</u>	<u>–</u>
Income tax expenses	<u>150,783</u>	<u>20,834</u>	<u>25,752</u>	<u>–</u>	<u>14,960</u>

10. DIVIDEND

The interim dividend paid during the Relevant Periods had been proposed by the directors as follows:

	Year ended 31 March			Five months ended 31 August	
	2007	2006	2005	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> (unaudited)
Interim dividend paid of HK\$5.31575 per share	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,063,150</u>	<u>–</u>

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS/OTHER PAYABLES AND ACCRUALS

The Directors consider that the carrying amounts of the company's trade and other receivables and deposits and other payables and accruals approximate to their fair value.

12. AMOUNT DUE FROM A RELATED COMPANY

	Maximum outstanding balance during the year/period HK\$	Alliance Computer Systems Limited HK\$
Balance as at:		
31 August 2007	1,349,433	–
31 March 2007	1,229,033	929,033
31 March 2006	–	–
31 March 2005	–	–

Common shareholder and director: Ma Cheuk Wai

The amount is unsecured, interest free and has no fixed terms of repayment.

The Directors consider that the carrying amount of amount due from a related company approximates its fair value.

13. AMOUNT DUE FROM/(TO) A DIRECTOR

	Maximum outstanding balance during the year/period	Tam Kit Keung HK\$
Balance as at:		
31 August 2007	1,602,823	207,673
31 March 2007	N/A	(235,110)
31 March 2006	N/A	(21,112)
31 March 2005	818,141	30,428

The amount is unsecured, interest free and has no fixed terms of repayment.

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

14. SHARE CAPITAL

	At 31 March			At
	2007	2006	2005	31 August
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2007
				<i>HK\$</i>
Authorised, issued and fully paid				
200,000 ordinary shares of HK\$1 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

15. RETIREMENT BENEFITS SCHEME

The company participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the company, in funds under the control of trustee.

For members of the MPF Scheme, the company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

Yours faithfully,

Lo & Kwong C.P.A. Company Limited
Certified Public Accountants
 Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2005

Financial and business performance

During the year ended 31 March 2005, Alliance Services recorded a total turnover of approximately HK\$3,343,000. Income from sales of hardware equipment and software applications amounted to HK\$1,961,000, which included sales of hardware equipment of approximately HK\$1,292,000 and sales of software applications of approximately HK\$669,000. The remaining balance of HK\$1,382,000 represents the project incomes of the Alliance Services in relation to the provision of the set up, installation, maintenance and after sales services to its customers. The profit after income tax was approximately HK\$121,000. Alliance Services had not capitalised any intangible assets relating to the software equipment. The major expense to Alliance Services was salaries and wages of approximately HK\$950,000.

Liquidity and financial resources

As at 31 March 2005, Alliance Services had net current assets of approximately HK\$454,000. In addition, as at 31 March 2005, the current ratio of Alliance Services was approximately 200%. The gearing ratio (defined as total liabilities over total assets) of Alliance Services as at 31 March 2005 was approximately 48%.

Charge of assets

No significant investments were held by Alliance Services as at 31 March 2005. During the year under review, the Alliance Services had no material acquisition and disposal of investment. As at 31 March 2005, save for the above, Alliance Services did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 March 2005, the issued share capital of Alliance Services was HK\$200,000, comprised of 200,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 March 2005, Alliance Services had no contingent liabilities.

Employee information

The total number of employees of Alliance Services as at 31 March 2005 was 7 and the total remuneration for the period ended 31 March 2005 was about HK\$950,000. The remuneration policy was basically performance-linked and was subject to reviews by directors of Alliance Services from time to time.

For the year ended 31 March 2006

Financial and business performance

During the year ended 31 March 2006, Alliance Services recorded a total turnover of approximately HK\$5,807,000. Income from sales of hardware equipment and software applications amounted to HK\$5,065,000, which included sales of hardware equipment of approximately HK\$4,275,000 and sales of software applications of approximately HK\$790,000. The remaining balance of HK\$742,000 represents the project incomes of the Alliance Services in relation to the provision of the set up, installation, maintenance and after sales services to its customers. The profit after income tax was approximately HK\$98,000. Alliance Services had not capitalised any intangible assets relating to the software equipment. The major expense to Alliance Services was salaries and wages of approximately HK\$1,007,000.

Liquidity and financial resources

As at 31 March 2006, Alliance Services had net current assets of approximately HK\$552,000. In addition, as at 31 March 2006, the current ratio of Alliance Services was approximately 223%. The gearing ratio (defined as total liabilities over total assets) of Alliance Services as at 31 March 2006 was approximately 45%.

Charge of assets

No significant investments were held by Alliance Services as at 31 March 2006. During the year under review, the Alliance Services had no material acquisition and disposal of investment. As at 31 March 2006, save for the above, Alliance Services did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 March 2006, the issued share capital of Alliance Services was HK\$200,000, comprised of 200,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 March 2006, Alliance Services had no contingent liabilities.

Employee information

The total number of employees of Alliance Services as at 31 March 2006 was 8 and the total remuneration for the period ended 31 March 2006 was about HK\$1,007,000. The remuneration policy was basically performance-linked and was subject to reviews by directors of Alliance Services from time to time.

For the year ended 31 March 2007

Financial and business performance

During the year ended 31 March 2007, Alliance Services recorded a total turnover of approximately HK\$3,652,000. Income from sales of hardware equipment and software applications amounted to HK\$2,783,000, which included sales of hardware equipment of approximately HK\$2,505,000 and sales of software applications of approximately HK\$278,000. The remaining balance of HK\$869,000 represents the project incomes of the Alliance Services in relation to the provision of the set up, installation, maintenance and after sales services to its customers. The profit after income tax was approximately HK\$711,000. Alliance Services had not capitalised any intangible assets relating to the software equipment. The major expense to Alliance Services was salaries and wages of approximately HK\$394,000.

Liquidity and financial resources

As at 31 March 2007, Alliance Services had net current assets of approximately HK\$1,263,000. In addition, as at 31 March 2007, the current ratio of Alliance Services was approximately 419%. The gearing ratio (defined as total liabilities over total assets) of Alliance Services as at 31 March 2007 was approximately 24%.

Charge of assets

No significant investments were held by Alliance Services as at 31 March 2007. During the period under review, the Alliance Services had no material acquisition and disposal of investment. As at 31 March 2007, save for the above, Alliance Services did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 March 2007, the issued share capital of Alliance Services was HK\$200,000, comprised of 200,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 March 2007, Alliance Services had no contingent liabilities.

Employee information

During the year, Alliance Services had 10 employees but they were then transferred to Alliance Computer Systems Limited (Alliance Systems) under the operational reconstruction. The total remuneration for the period ended 31 March 2007 was about HK\$394,000. The remuneration policy was basically performance-linked and was subject to reviews by directors of Alliance Services from time to time.

For the five months ended 31 August 2007**Financial and business performance**

During the five months ended 31 August 2007, Alliance Services had undergone an operational reconstruction in which it was mainly involved in developing on-line games. As a result, there was no recorded turnover and all the sales were reported under Alliance Systems. Alliance Services had not capitalised any intangible assets relating to the software equipment.

Liquidity and financial resources

As at 31 August 2007, Alliance Services had net current assets of approximately HK\$227,300. In addition, as at 31 August 2007, the current ratio of Alliance Services was approximately 275%. The gearing ratio (defined as total liabilities over total assets) of Alliance Services as at 31 August 2007 was approximately 36%.

Charge of assets

No significant investments were held by Alliance Services as at 31 August 2007. During the year under review, the Alliance Services had no material acquisition and disposal of investment. As at 31 August 2007, save for the above, Alliance Services did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 August 2007, the issued share capital of Alliance Services was HK\$200,000, comprised of 200,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 August 2007, Alliance Services had no contingent liabilities.

Employee information

During the period, Alliance Services had no employee but a new recruitment exercise would be started after the procurement of new clients.

PROSPECTS

It is generally believed that the internet is becoming an important element in our daily life. Furthermore, with the positive financial records of Alliance Services, the management is optimistic that the company will continue to grow in all aspects through the development of entertainment and gaming activities through the internet in a long run.

**LO AND KWONG C.P.A. COMPANY LIMITED***Certified Public Accountants*

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23 November 2007

The Directors

Galileo Holdings Limited

2202, 22/F., Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Dear Sirs

We set out below our report on the financial information (the “Financial Information”) regarding to Alliance Computer Systems Limited (“Alliance Systems”) in which stated below, including the balance sheets as at 31 March 2006, 2007 and 31 August 2007, the income statements, the statements of changes in equity and the cash flow statements for the period from 23 September 2005 (date of incorporation) to 31 March 2006, year ended 31 March 2007 and the five months ended 31 August 2006 and 2007 (the “Relevant Periods”), and the notes thereto, prepared for inclusion in the circular (the “Circular”) dated 23 November 2007 issued by Galileo Holdings Limited (the “Company”) in connection with the proposed acquisition (the “Acquisition”) of the entire issued share capital of Loyal King Investments Limited (“Loyal King”) which holds 60% issued share capital of Alliance Systems.

Alliance Systems was incorporated in Hong Kong on 23 September 2005 with limited liability in name of “Long Faith Trading Limited” with 10,000 ordinary shares of HK\$1 each pursuant to the Hong Kong Companies Ordinance. On 9 June 2006, the name of the company was changed from “Long Faith Trading Limited” to “Alliance Computer Systems Limited”. On 6 August 2007, the authorized shares were increased by 10,000 to 20,000. The company was engaging in the business of provision of computer hardware and software services. The registered office and the principal place of business is located at 9/F., 133 Wanchai Road, Wanchai, Hong Kong.

The financial statements of Alliance Systems for the period from 23 September 2005 (date of incorporation) to 31 March 2006 and year ended 31 March 2007, which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), were audited by C.W.IP & Co., a firm of certified public accountants registered in Hong Kong.

For the purpose of this report, the director of Alliance Systems have prepared the financial statements of Alliance Systems for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”) issued by HKICPA. We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The accompanying Financial Information has been prepared based on the Underlying Financial Statements of Alliance Systems and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Alliance Systems and carried out such additional procedures as necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary by use to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements which gives a true and fair view is the responsibility of the Directors. The directors of Galileo Holdings Limited are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Alliance Systems as at 31 March 2006, 2007 and 31 August 2007 and of Alliance Systems’ results and cash flows for each of the Relevant Periods.

The unaudited comparative Financial Information (the “Comparative Financial Information”) of Alliance Systems for the five months ended 31 August 2006 has been prepared solely for the purpose of this report. The Directors are responsible for preparing the Comparative Financial Information and to report our conclusion to you. We have reviewed the Comparative Financial information for the five months ended 31 August 2006 in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information for the five months ended 31 August 2006. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information for the five months ended 31 August 2006.

FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 March 2007 <i>HK\$</i>	Period from 23 September 2005 (date of incorporation) to 31 March 2006 <i>HK\$</i>	For Five months ended 31 August 2007 2006 <i>HK\$</i> <i>HK\$</i> (unaudited)	
	<i>Notes</i>				
Turnover	6	6,597,637	–	9,441,990	425,524
Cost of sales		<u>(3,232,715)</u>	–	<u>(6,567,177)</u>	<u>(145,604)</u>
Gross profit		3,364,922	–	2,874,813	279,920
Other revenue	6	1,429	–	116,768	–
Administrative expenses		<u>(1,990,510)</u>	<u>(10,982)</u>	<u>(1,337,075)</u>	<u>(210,931)</u>
Profit/(loss) before taxation	7	1,375,841	(10,982)	1,654,506	68,989
Income tax expense	9	<u>(91,975)</u>	–	<u>(293,980)</u>	<u>(10,151)</u>
Profit/(loss) for the year/period		<u>1,283,866</u>	<u>(10,982)</u>	<u>1,360,526</u>	<u>58,838</u>
Dividend					
Interim Dividend	10	<u>200,000</u>	–	<u>1,072,884</u>	–

BALANCE SHEETS

		At 31 March		At
		2007	2006	31 August
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT ASSETS				
Plant and equipment	<i>11</i>	–	–	279,219
CURRENT ASSETS				
Inventories	<i>12</i>	–	–	36,000
Trade receivables	<i>14</i>	509,319	–	1,613,591
Other receivables and deposit	<i>14</i>	1,847,927	10,000	265,902
Bank balances and cash		467,948	–	634,153
		2,825,194	10,000	2,549,646
CURRENT LIABILITIES				
Amount due to a related company	<i>13</i>	929,033	–	–
Amount due to directors	<i>13</i>	500,000	–	–
Other payables and accruals	<i>14</i>	221,302	10,982	1,062,384
Tax payable		91,975	–	385,955
		1,742,310	10,982	1,448,339
Net assets/(liabilities)		<u>1,082,884</u>	<u>(982)</u>	<u>1,380,526</u>
CAPITAL AND RESERVES				
Share capital	<i>15</i>	10,000	10,000	20,000
Retained profits/(accumulated losses)		1,072,884	(10,982)	1,360,526
		<u>1,082,884</u>	<u>(982)</u>	<u>1,380,526</u>

STATEMENT OF CHANGES IN EQUITY

	<i>Notes</i>	Share capital HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
New issue of shares		10,000	–	10,000
Loss for the period		<u>–</u>	<u>(10,982)</u>	<u>(10,982)</u>
At 31 March and 1 April 2006		10,000	(10,982)	(982)
Profit for the year		–	1,283,866	1,283,866
Interim dividend paid	<i>10</i>	<u>–</u>	<u>(200,000)</u>	<u>(200,000)</u>
At 31 March and 1 April 2007		10,000	1,072,884	1,082,884
Additional shares issued		10,000	–	10,000
Interim dividend paid	<i>10</i>	–	(1,072,884)	(1,072,884)
Profit for the period		<u>–</u>	<u>1,360,526</u>	<u>1,360,526</u>
At 31 August 2007		<u><u>20,000</u></u>	<u><u>1,360,526</u></u>	<u><u>1,380,526</u></u>
Five months ended 31 August 2006				
At 31 March and 1 April 2006		10,000	(10,982)	(982)
Profit for the period		<u>–</u>	<u>58,838</u>	<u>58,838</u>
Balance as at 31 August 2006		<u><u>10,000</u></u>	<u><u>47,856</u></u>	<u><u>57,856</u></u>

CASH FLOW STATEMENTS

	Year ended 31 March 2007 HK\$	Five months ended 31 August 2007 HK\$		2006 HK\$ (unaudited)
OPERATING ACTIVITIES				
Profit before taxation	1,364,859	1,654,506		58,007
Adjustment for:				
Depreciation	–	25,384		–
Operating profit before working capital change	1,364,859	1,679,890		58,007
Increase in inventories	–	(36,000)		
Increase in trade receivables	(509,319)	(1,104,272)		(157,175)
(Increase)/decrease in other receivables and deposit	(1,847,927)	1,582,025		–
Increase/(decrease) in amount due to a related company	929,033	(929,033)		(179,543)
Increase/(decrease) in amount due to directors	500,000	(500,000)		–
Increase in other payables and accruals	221,302	841,082		360,849
Net cash generated from operating activities	<u>657,948</u>	<u>1,533,692</u>		<u>82,138</u>
INVESTING ACTIVITY				
Purchase of plant and equipment	–	(304,603)		–
Net cash used in investing activity	<u>–</u>	<u>(304,603)</u>		<u>–</u>
FINANCING ACTIVITIES				
Issue of share capital	10,000	10,000		10,000
Dividend paid	(200,000)	(1,072,884)		–
Net cash (used in)/generated from financing activities	<u>(190,000)</u>	<u>(1,062,884)</u>		<u>10,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	467,948	166,205		92,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–	467,948		–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>467,948</u>	<u>634,153</u>		<u>92,138</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	<u>467,948</u>	<u>634,153</u>		<u>92,138</u>

Note: No cash flow statement is presented for the period from 23 September 2005 (date of incorporations) to 31 March 2006, as no cash transaction during the period.

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. The Financial Information also included all the applicable disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the period from 1 April 2004 to 31 August 2007, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKAS”s), Hong Kong Financial Reporting Standards (“HKFRS”s) and Interpretations (“INT”s) (here in after collectively referred to as “new HKFRS”s) which are effective for accounting periods beginning on or after 1 April 2004. For the purposes of preparing and presenting financial information of the Relevant Periods, the Company has adopted all these new and revised HKFRSs.

The HKICPA has issued the following Standards amendments and INTs that are not yet effective. The Company has considered the following Standards amendments and INTs but does not expect they will have a material effect on how the results of operations and financial position of the Company are prepared and presented.

HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 8	Operating Segments ¹
HK(IFRIC)-Interpretation (Int) 12	Service concession arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have used in the preparation of the Financial Information are summarized below.

It should be noted that accounting estimates and assumptions have been used in preparation of the Financial Information. Although these estimates and assumptions are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions,

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Revenue is recognized when is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) Sales of goods are recognized when goods are delivered to customers and title has been passed.
- (b) Rending of services is recognized when the services are rendered.
- (c) Project fee is recognised based on percentage of the project completed.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Office equipment	20%
Decoration	20%

(d) Operating leasing

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as reduction of rental expense over the lease term on a straight-line basis.

(e) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Taxation

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

The tax currently payable is based on taxable profit for that years/period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Financial instruments

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

Financial assets

The financial assets of Alliance Systems Business are classified into loans and receivables. The accounting policy adopted in respect of financial assets is set out below:

Loans and receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and an equity instrument are set out below.

Financial liabilities

Financial liabilities including other payables and accruals, amounts due to a related company/directors and bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Employee benefits

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in note 3 above, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognized in the financial statements are set out below.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful of the company is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the company were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

Depreciation of plant and equipment

Plant and equipment are depreciated on straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involves management's estimation. The company assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The company's major financial instruments include trade and other receivables, other payable and accruals and amounts due from/(to) a related company/a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimize the credit risk, the company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the company consider that the company's credit risk is significantly reduced.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

6. TURNOVER AND OTHER REVENUE

	Year ended 31 March 2007 HK\$	Period from 23 September 2005 (date of incorporation) to 31 March 2006 HK\$	Five months ended 31 August	
			2007 HK\$	2006 HK\$ (unaudited)
Turnover				
Sales of goods and services	3,338,637	–	9,441,990	425,524
Project fee income	3,259,000	–	–	–
	<u>6,597,637</u>	<u>–</u>	<u>9,441,990</u>	<u>425,524</u>
Other revenue				
Commission income	–	–	116,768	–
Other income	1,429	–	–	–
	<u>1,429</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total revenue	<u><u>6,599,066</u></u>	<u><u>–</u></u>	<u><u>9,558,758</u></u>	<u><u>425,524</u></u>

7. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 March 2007 HK\$	Period from 23 September 2005 (date of incorporation) to 31 March 2006 HK\$	Five months ended 31 August	
			2007 HK\$	2006 HK\$ (unaudited)
Profit/(loss) before taxation has been arrived after charging:				
Auditors' remuneration	10,000	–	–	–
Cost of inventories sold	3,232,715	–	6,567,177	145,604
Staff costs (including directors' remuneration)				
Wages and salaries	1,321,198	–	760,808	128,087
Retirement benefits scheme contributions	93,091	–	47,928	8,605
Operating lease expenses for leasehold land and buildings	171,806	–	71,242	40,670
Depreciation of plant and equipment	–	–	25,384	–
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>25,384</u></u>	<u><u>–</u></u>

8. DIRECTORS' REMUNERATION

Details of remuneration paid to the Company's directors during the Relevant Periods are follows:

	Year ended 31 March 2007 HK\$	Period from 23 September 2005 (date of incorporation) to 31 March 2006 HK\$	Five months ended 31 August 2007 HK\$	2006 HK\$ (unaudited)
Fee	100,000	–	–	–
Other emoluments				
Salaries (including benefits in kind)	–	–	74,800	–
Retirement benefits scheme contribution	–	–	–	–
	<u>100,000</u>	<u>–</u>	<u>74,800</u>	<u>–</u>

9. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit/(loss) per the income statement as follows:

	Year ended 31 March 2007 HK\$	Period from 23 September 2005 (date of incorporation) to 31 March 2006 HK\$	Five months ended 31 August 2007 HK\$	2006 HK\$ (unaudited)
Profit/(loss) before taxation	<u>1,283,866</u>	<u>(10,982)</u>	<u>1,654,506</u>	<u>58,007</u>
Tax calculated at the domestic tax rate of 17.5%	224,676	(1,921)	289,538	10,151
Tax effect of income that is not taxable in determining taxable profit	(132,732)	–	–	–
Tax effect of expenses that are not deductible in determining taxable profit	31	1,921	4,442	–
Tax expense for the year / period	<u>91,975</u>	<u>–</u>	<u>293,980</u>	<u>10,151</u>

10. DIVIDEND

The interim dividend paid during the Relevant Periods had been proposed by the directors as follows.

	Year ended 31 March 2007 <i>HK\$</i>	Period from 23 September 2005 (date of incorporation) to 31 March 2006 <i>HK\$</i>	Five months ended 31 August 2007 <i>HK\$</i>	2006 <i>HK\$</i> (unaudited)
Interim dividend paid	200,000	–	1,072,884	–

11. PLANT AND EQUIPMENT

	Office equipment <i>HK\$</i>	Decoration <i>HK\$</i>	Total <i>HK\$</i>
Cost			
Balance at 31 March, 1 April 2006 and 31 March 2007	–	–	–
Additions	235,951	68,652	304,603
At August 31 2007	<u>235,951</u>	<u>68,652</u>	<u>304,603</u>
Accumulated depreciation			
Balance at 31 March, 1 April 2006 and 31 March 2007	–	–	–
Charge for the period	19,663	5,721	25,384
At 31 August 2007	<u>19,663</u>	<u>5,721</u>	<u>25,384</u>
Net carrying amount			
At 31 August 2007	<u>216,288</u>	<u>62,931</u>	<u>279,219</u>
At 31 March 2006 and 2007	<u>–</u>	<u>–</u>	<u>–</u>

12. INVENTORIES

	At 31 March 2007 <i>HK\$</i>	2006 <i>HK\$</i>	At 31 August 2007 <i>HK\$</i>
Finished goods	–	–	36,000

At 31 August 2007, carrying value of inventories stated at net realisable value is approximately HK\$36,000.

13. AMOUNTS DUE TO DIRECTORS/A RELATED COMPANY

Amounts due to directors/ a related party are unsecured interest free and repayment on demand.

The Directors consider that the carrying amount of amount due from a related company approximates its fair value.

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS / OTHER PAYABLES AND ACCRUALS

The Directors consider that the carrying amounts of the company’s trade and other receivables and deposits and other payables and accruals approximate to their fair value.

15. SHARE CAPITAL

	At 31 March	At 31 August
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Authorised, issued and fully paid:		
20,000 ordinary shares of HK\$1 each	<u>10,000</u>	<u>10,000</u>
		<u>20,000</u>

The company was incorporated on 23 September 2005 with 10,000 ordinary shares of HK\$1 each issued at par value to subscribers who paid until 1 August 2006. On 6 August 2007, the authorized shares were increased by 10,000 to 20,000 and were issued at par value to subscribers who paid until 21 August 2007 during the relevant period.

16. RETIREMENT BENEFIT SCHEME

The Company participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

Yours faithfully,

Lo & Kwong C.P.A. Company Limited
Certified Public Accountants
 Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2007

Financial and business performance

Alliance Systems commenced business on 9 August 2006 while its clients and staff were transferred from Alliance Services. During the period ended 31 March 2007, Alliance Systems recorded a total turnover of approximately HK\$6,597,000. Income from sales of hardware equipment and software applications amounted to HK\$6,131,000, which included sales of hardware equipment of approximately HK\$2,191,000 and sales of software applications of approximately HK\$3,940,000. The remaining balance of HK\$466,000 represents the project incomes of the Alliance Systems in relation to the provision of the set up, installation, maintenance and after sales services to its customers. The profit after income tax was approximately HK\$1,272,000. Alliance Systems had not capitalised any intangible assets relating to the software equipment. The major expense to Alliance Systems was salaries and wages of approximately HK\$1,321,000.

Liquidity and financial resources

As at 31 March 2007, Alliance Systems had net current assets of approximately HK\$1,083,000. In addition, as at 31 March 2007, the current ratio of Alliance Systems was approximately 162%. The gearing ratio (defined as total liabilities over total assets) of Alliance Systems as at 31 March 2007 was approximately 62%.

Charge of assets

No significant investments were held by Alliance Systems as at 31 March 2007. During the year under review, the Alliance Systems had no material acquisition and disposal of investment. As at 31 March 2007, save for the above, Alliance Systems did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 March 2007, the issued share capital of Alliance Systems was HK\$10,000, comprised of 10,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 March 2007, Alliance Systems had no contingent liabilities.

Employee information

During the year, Alliance Systems had 10 employees transferred from Alliance Services. The total remuneration for the period ended 31 March 2007 was about HK\$1,321,000. The remuneration policy was basically performance-linked and was subject to reviews by directors of from time to time.

For the five months ended 31 August 2007

Financial and business performance

During the five months ended 31 August 2007, Alliance Systems recorded a total turnover of approximately HK\$9,442,000. The profit after income tax was approximately HK\$1,360,500. Alliance Systems had not capitalised any intangible assets relating to the software equipment. The major expense to Alliance Systems was salaries and wages of approximately HK\$760,000.

Liquidity and financial resources

As at 31 August 2007, Alliance Systems had net current assets of approximately HK\$1,380,000. In addition, as at 31 August 2007, the current ratio of Alliance Systems was approximately 176%. The gearing ratio (defined as total liabilities over total assets) of Alliance Systems as at 31 August 2007 was approximately 51%.

Charge of assets

No significant investments were held by Alliance Systems as at 31 August 2007. During the period under review, the Alliance Systems had no material acquisition and disposal of investment. As at 31 August 2007, save for the above, Alliance Systems did not have any other outstanding secured borrowings, mortgages or charges.

Capital structure

As at 31 August 2007, the issued share capital of Alliance Systems was HK\$20,000, comprised of 20,000 issued and fully paid ordinary shares of HK\$1 each. There were no other loan stocks, preference shares or convertibles issued and outstanding.

Contingent liabilities

As at 31 August 2007, Alliance Systems had no contingent liabilities.

Employee information

During the period, Alliance Systems had 10 employees transferred from Alliance Services. The total remuneration for the period ended 31 August 2007 was about HK\$760,000. The remuneration policy was basically performance-linked and was subject to reviews by directors of from time to time.

PROSPECTS

It is generally believed that the usage of computer is very common in the business world. As a result, the demand for expertise on hardware and software application will remain strong. With the existing business of development of office automation and entertainment activities and the positive financial performance of Alliance Systems, the management is optimistic that the company will continue to grow in all aspects in a long run.

**1. LETTER ON UNAUDITED PRO FORMA STATEMENT INFORMATION OF
THE ENLARGED GROUP**

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Lo and Kwong C.P.A. Company Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group.

**LO AND KWONG C.P.A. COMPANY LIMITED**

Certified Public Accountants

Room 1304

Shanghai Industrial Investment Building

60 Hennessy Road, Wanchai

Hong Kong

Tel: (852) 2802 2187

Fax:(852) 2824 4091

23 November 2007

The Directors

Galileo Holdings Limited

2202, 22/F., Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") of Galileo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), Loyal King Investments Limited ("Loyal King"), Alliance Computer Services Limited ("Alliance Services") and Alliance Computer Systems Limited ("Alliance Systems") (together with the Group collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire share capital of Loyal King, 97% issued share capital of Alliance Services and 60% issued share capital of Alliance Systems and the Loan owed by Loyal King to First Cheer Holdings Limited (referred to as the "Vendor") (the "Proposed Acquisition") might have affected the financial information presented, for inclusion in Appendix V of the circular dated 23 November 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix V of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our work does not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and accordingly, we do not express any such assurance on the Unaudited Pro Forma Financial Information.

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at date covered by the Unaudited Pro Forma Financial Information or any future date; or
- the results of the Enlarged Group for periods covered by the Unaudited Pro Forma Financial Information or for any future periods.

Opinion

In our opinion:

- (a) The statement of unaudited pro forma financial information of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the statement of unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully

Lo & Kwong C.P.A. Company Limited
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP**(a) INTRODUCTION**

The following tables are illustrative unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Enlarged Group prepared in accordance with the Listing Rules for the purpose of illustration as if the Acquisition had been completed. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of Enlarged Group following completion of the Proposed Acquisition.

The unaudited pro forma balance sheet of the Enlarged Group is prepared based on the un-audited consolidated balance sheet of the Group as at 30 September 2007 extracted from the published interim report of the Group set out in Appendix I to this circular and the audited balances sheets of Loyal King, Alliance Services and Alliance Systems as at 31 August 2007 extracted from the accountants’ reports set out in Appendix II, III and IV respectively to this circular as if the Proposed Acquisition had been completed on 30 September 2007.

The unaudited pro forma income statement and cash flow statements of the Enlarged Group are prepared based on the income statement and cash flow statement of the Group for the year ended 31 March 2007 extracted from the published annual report of the Group set out in Appendix I to this circular and the audited income statement and cash flow statements of Loyal King, Alliance Services and Alliance Systems for the year ended 31 March 2007 extracted from the accountants’ reports set out in Appendix II, III and IV to this circular as if the Proposed Acquisition had been completed on 1 April 2006.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of Loyal King, Alliance Services and Alliance Systems as set out in Appendix II, III and IV to this circular and other financial information included elsewhere in this circular.

(b) PRO FORMA CONSOLIDATED BALANCE SHEET

	The Group at	Loyal King at	Alliance	Alliance	Pro forma adjustments			Pro forma
	30 September	31 August	Systems at	Services at	(Note e1)	(Note e2)	(Note e3)	Enlarged
	2007	2007	2007	2007	(Note e1)	(Note e2)	(Note e3)	Group
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	
NON-CURRENT ASSETS								
Goodwill	1,166,407	–	–	–		192,951,177		194,117,584
Investments in subsidiaries	–	26,000,000	–	–	194,000,000	(220,000,000)		–
Investment property	2,600,000	–	–	–				2,600,000
Property, plant and equipment	4,987,395	–	279,219	–				5,266,614
	<u>8,753,802</u>	<u>26,000,000</u>	<u>279,219</u>	<u>–</u>				<u>201,984,198</u>
CURRENT ASSETS								
Inventories	87,436	–	36,000	–				123,436
Trade receivables	145,293	–	1,613,591	–				1,758,884
Prepayment, deposits and other receivables	20,280,658	–	265,902	207,673	(20,000,000)			754,233
Amount due from a subsidiary	–	–	–	–		6,112,500	(6,112,500)	–
Bank balances and cash	40,528,296	–	634,153	149,654	(20,000,000)			21,312,103
	<u>61,041,683</u>	<u>–</u>	<u>2,549,646</u>	<u>357,327</u>				<u>23,948,656</u>
CURRENT LIABILITIES								
Accruals and other Payables	1,241,418	19,500,000	1,062,384	–		(19,500,000)		2,303,802
Amount due a shareholder	–	6,112,500	–	–			(6,112,500)	–
Deposit received	30,000	–	–	–				30,000
Amount due to a director	27,284	–	–	–				27,284
Obligations under finance leases – current portion	27,255	–	–	–				27,255
Bank loan	253,484	–	–	–				253,484
Tax payables	48,853	–	385,955	130,000				564,808
	<u>1,628,294</u>	<u>25,612,500</u>	<u>1,448,339</u>	<u>130,000</u>				<u>3,206,633</u>
NET CURRENT ASSETS/(LIABILITIES)								
	<u>59,413,389</u>	<u>(25,612,500)</u>	<u>1,101,307</u>	<u>227,327</u>				<u>20,742,023</u>
TOTAL ASSETS LESS CURRENT LIABILITIES								
	<u>68,167,191</u>	<u>387,500</u>	<u>1,380,526</u>	<u>227,327</u>				<u>222,726,221</u>
NON-CURRENT LIABILITIES								
Bank loan	3,684,893	–	–	–				3,684,893
Obligations under finance leases – long term portion	20,174	–	–	–				20,174
	<u>3,705,067</u>	<u>–</u>	<u>–</u>	<u>–</u>				<u>3,705,067</u>
	<u>64,462,124</u>	<u>387,500</u>	<u>1,380,526</u>	<u>227,327</u>				<u>219,021,154</u>
CAPITAL AND RESERVES								
Share capital	23,964,000	387,500	20,000	200,000	5,600,000	(607,500)		29,564,000
Reserves	40,498,124	–	1,360,526	27,327	148,400,000	(1,387,853)		188,898,124
Minority interest	–	–	–	–		559,030		559,030
	<u>64,462,124</u>	<u>387,500</u>	<u>1,380,526</u>	<u>227,327</u>				<u>219,021,154</u>

(c) PRO FORMA CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	The Group <i>HK\$</i> (audited)	Alliance Systems <i>HK\$</i> (audited)	Alliance Services <i>HK\$</i> (audited)	Pro forma Enlarged Group <i>HK\$</i>
Turnover	1,643,189	6,597,637	3,652,500	11,893,326
Direct costs	<u>(524,339)</u>	<u>(3,232,715)</u>	<u>(2,132,005)</u>	<u>(5,889,059)</u>
Gross profit	1,118,850	3,364,922	1,520,495	6,004,267
Other operating income	4,854,451	1,429	9,100	4,864,980
Administrative expenses	(12,376,094)	(1,990,510)	(667,979)	(15,034,583)
Finance costs	<u>(67,584)</u>	<u>–</u>	<u>–</u>	<u>(67,584)</u>
(Loss)/profit before taxation	(6,470,377)	1,375,841	861,616	(4,232,920)
Income tax expenses	<u>(41,258)</u>	<u>(91,975)</u>	<u>(150,783)</u>	<u>(284,016)</u>
(Loss)/profit for the year	<u><u>(6,511,635)</u></u>	<u><u>1,283,866</u></u>	<u><u>710,833</u></u>	<u><u>(4,516,936)</u></u>
Attribution to:				
– Equity holders of the company	(6,511,635)	770,320	689,508	(5,051,807)
– Minority interests	<u>–</u>	<u>513,546</u>	<u>21,325</u>	<u>534,871</u>
	<u><u>(6,511,635)</u></u>	<u><u>1,283,866</u></u>	<u><u>710,833</u></u>	<u><u>(4,516,936)</u></u>

(d) PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS*For the year ended 31 March 2007*

	The Group <i>HK\$</i> (audited)	Alliance Systems <i>HK\$</i> (audited)	Alliance Services <i>HK\$</i> (audited)	Pro forma adjustments <i>(Note e1)</i> <i>HK\$</i> (unaudited)	Pro forma Enlarged Group <i>HK\$</i>
OPERATING ACTIVITIES					
(Loss)/profit before taxation	(6,470,377)	1,364,859	861,616		(4,243,902)
Adjustments for:					
Depreciation	468,963	–	–		468,963
Waive of amount due to an ex-director	(4,792,737)	–	–		(4,792,737)
Impairment loss recognised in respect of goodwill	2,332,815	–	–		2,332,815
Share based payment expenses	3,272,393	–	–		3,272,393
Interest income	(53,389)	–	–		(53,389)
Interest expense	67,584	–	–		67,584
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Operating cash flows before movements in working capital	(5,174,748)	1,364,859	861,616		(2,948,273)
Decrease/(increase) in inventories	4,170	–	–		4,170
(Increase)/decrease in trade receivable, prepayment, deposits and other receivables	(239,578)	(2,357,246)	490,214		(2,106,610)
Changes in amount due to/ (from) a related company	–	929,033	(929,033)		–
Increase/(decrease) in accruals and other payables	681,847	721,302	(185,220)		1,217,929
Increase in amount due to a director	1,188,368	–	–		1,188,368
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
CASH (USED IN)/ GENERATED FROM OPERATIONS	(3,539,941)	657,948	237,577		(2,644,416)
Interest received	53,389	–	–		53,389
Tax expense paid	–	–	(15,762)		(15,762)
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	<u>(3,486,552)</u>	<u>657,948</u>	<u>221,815</u>		<u>(2,606,789)</u>
INVESTING ACTIVITIES					
Acquisition of subsidiary	(12,184,767)	–	–	(39,216,193)	(51,400,960)
Purchase of property, plant and equipment	(58,511)	–	–		(58,511)
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,243,278)</u>	<u> </u>	<u> </u>		<u>(51,459,471)</u>

	The Group <i>HK\$</i> (audited)	Alliance Systems <i>HK\$</i> (audited)	Alliance Services <i>HK\$</i> (audited)	Pro forma adjustments <i>(Note e1)</i> <i>HK\$</i> (unaudited)	Pro forma Enlarged Group <i>HK\$</i>
FINANCING ACTIVITIES					
Proceeds from other borrowings	5,000,000	–	–		5,000,000
Proceeds from issuance of share capital	11,200,000	10,000	–		11,210,000
Transaction costs on issuance of share capital	(405,120)	–	–		(405,120)
Proceeds from share option exercised	1,500,000	–	–		1,500,000
Payment of finance lease liabilities	(26,603)	–	–		(26,603)
Interest paid	(67,584)	–	–		(67,584)
Dividend paid	–	(200,000)	–		(200,000)
	<u>17,200,693</u>	<u>(190,000)</u>	<u>–</u>		<u>17,010,693</u>
NET CASH FROM FINANCING ACTIVITIES					
	<u>17,200,693</u>	<u>(190,000)</u>	<u>–</u>		<u>17,010,693</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS					
	1,470,863	467,948	221,815		(37,055,567)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
	<u>330,821</u>	<u>–</u>	<u>175,573</u>	(783,807)	<u>(277,413)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD					
	<u><u>1,801,684</u></u>	<u><u>467,948</u></u>	<u><u>397,388</u></u>	(40,000,000)	<u><u>(37,332,980)</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	<u><u>1,801,684</u></u>	<u><u>467,948</u></u>	<u><u>397,388</u></u>		<u><u>(37,332,980)</u></u>

(e) NOTES OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The purchase consideration HK\$194 million would be settled by (i) issuance of 280,000,000 consideration shares of the Company at a price of HK\$0.55 per share and (ii) balancing HK\$40,000,000 would be paid by cash.

In this case, we assume all consideration shares in favor of the Vendor will be delivered to the Vendor upon completion.

The net cash outflow arising from the Proposed Acquisition totaling to HK\$39,216,193 has been arrived at based on (i) the portion of cash consideration should be paid by the Company totaling HK\$ 40,000,000, net of (ii) the cash and cash equivalents from Alliance Services and Alliance Systems totaling to HK\$783,807 as at 31 August 2007, which was assumed to be acquired by the Group upon the Proposed Acquisition.

2. On 18 September 2007, the Group entered into an agreement with the Vendors to purchase the entire issue share capital of Loyal King and the shareholders' loans owed by Loyal King to the Vendors. As Loyal King owns 97% and 60% share holdings in Alliance Services and Alliance Systems respectively, and thus after the completion of the Proposed Acquisition, the Group also has 97% and 60% share holdings in Alliance Services and Alliance Systems.

Loyal King and its subsidiary are, therefore, considered by the Directors as subsidiaries of the Group because both of them will be controlled by the Group after the completion of the Proposed Acquisition. The balance sheet of both companies will be consolidated with that of the Group from the date on which control is transferred to the Group.

The adjustment is to reflect the effect of the Proposed Acquisition on the consolidated balance sheet of the Group as if the Proposed Acquisition had taken place on 30 September 2007. The goodwill was determined based on consideration HK\$ 194 million and adjusting the following:

- i Shareholders' loan owed by the original shareholders of the Targeted Group to the existing shareholders totaling HK\$6,112,500 acquired by the Group.
- ii Off-setting the outstanding consideration of HK\$19,500,000 payable by the Group to the original owners of Targeted Group.
- iii. Off-setting the following amounts stated in balance sheets of Loyal King, Alliance Systems and Alliance Services:

	Balance sheets of		
	Loyal King	Alliance Systems	Alliance Services
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
– Investments in subsidiaries	26,000,000	–	–
– Share capital	387,500	20,000	200,000
– Pre-acquisition reserves	–	1,360,526	27,327

- iv. Adding back the amount of share of minority interest HK\$559,030, which belong to minority shareholders of Alliance Systems and Alliance Services at 31 August 2007.

On completion of the Proposed Acquisition, the fair value of the consideration and the net assets of the Targeted Group will have to be assessed, As a result of the assessment, the amount of goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual goodwill at the date of completion of the Proposed Acquisition may be different from that presented above.

3. It represents the inter-company balance eliminated.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Acquisition were and will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
6,000,000,000	Shares	120,000,000
<i>Issued and fully paid or credited as fully paid:</i>		
1,200,200,000	Shares in issue as at the Latest Practicable Date	24,004,000
280,000,000	Consideration Share to be issued upon completion of the Acquisition	5,600,000
<u>1,480,200,000</u>	Shares	<u>29,604,000</u>

All the Shares in issue and to be issued (when fully paid) rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

As at the Latest Practicable Date, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Consideration Shares.

The Shares are listed on the Stock Exchange. No part of the share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

3. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chui Bing Sun

Mr. Chui Bing Sun, aged 30, has over seven years of experience in hedge fund and portfolio management, finance and accounting. He has been a fund manager of two global hedge funds for the last five years. Prior to this, Mr. Chui has worked for two international accounting firms. Mr. Chui is a certified public accountant and a Chartered Financial Analyst charterholder.

Mr. Lee Chi Shing, Caesar

Mr. Lee Chi Shing, Caesar, aged 44, is experienced in corporate management and internal control. He was an executive director of Tanrich Financial Holdings Limited, a company listed on the main board of the Stock Exchange, from 1 November 2004 to 29 June 2005. In 2000, he joined Ernst and Young, an international accounting firm, as a senior manager. He has worked in the Inland Revenue Department for over 15 years after his graduation. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. In addition, he is a member of the Society of Registered Financial Planners. Mr. Lee graduated from the Department of Accountancy of Hong Kong Polytechnic University in 1985. He later obtained a Master degree in International Accountancy in 2001.

Independent non-executive Directors

Mr. Siu Hi Lam, Alick

Mr. Siu Hi Lam, Alick, aged 53, is the managing director of Fortune Take International Limited, which has been engaging in consultancy services, since February 2004. Mr. Siu has worked in the finance and banking field for more than 25 years. He had been the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America. He was responsible for business development and credit risk management. Mr. Siu obtained a Master degree in Business Administration from the University of Hull in 1995.

Mr. Kwok Kwan Hung

Mr. Kwok Kwan Hung, aged 42, has extensive experience in investment banking, financial management and auditing. He has held various senior positions in two investment banking groups and an international accounting firm. Currently, he is a director and responsible officer of a licensed corporate finance firm in Hong Kong which provides corporate finance and other advisory services. He is also an independent non-executive director of Nam Hing Holdings Limited, a company listed on the main

board of the Stock Exchange. Mr. Kwok is a qualified accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. He holds a Bachelor degree in Science from the University of London.

Mr. Chien Hoe Yong

Mr. Chien Hoe Yong, aged 44, is currently an executive director of Mingyuan Medicare Development Company Limited, a company listed on the main board of the Stock Exchange. Mr. Chien has extensive experience in international investment banking, corporate advisory and financial accounting with international reputable companies and banks. He has held senior managerial positions in several major investment banking firms in Hong Kong.

Senior management

Ms. Chan Wai Hung, aged 39, joined the Group in September 2005 as the qualified accountant. Ms. Chan holds a Bachelor degree in Accounting from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. She has 10 years' experience in the accounting and auditing field.

The business address of the directors and the senior management of the Company is Unit 2202, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

4. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The duties of the audit committee are to review the Company's annual and quarterly financial reports and to provide advice and comments thereon to the Board. The audit committee comprises three independent non-executive Directors, namely, Mr. Siu Hi Lam, Alick, Mr. Kwok Kwan Hung and Mr. Chien Hoe Yong. Mr. Chien Hoe Yong was appointed as the chairman of the audit committee. The biographies of members of the audit committee are set out in the paragraph headed "DIRECTORS AND SENIOR MANAGEMENT" above.

5. DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executive of the Company

(1) Long positions in the shares of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors, were as follows:

Long position in the Shares:

Name of Director	Nature of interest	Number of Shares held	Capacity	Percentage of issued shares
Mr. Chui Bing Sun	Corporate (Note)	304,960,000	Interest of a controlled corporation	25.41%

Note: These Shares were owned by New Brilliant, the issued share capital of which is beneficially owned as to 80% by 20/20 International Ltd. 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 Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors.

(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, details of which as at the Latest Practicable Date were as follows:

Name of Director	Date of grant	Vesting period		Exercise price per share HK\$	Exercise period		Number of options outstanding as at the Latest Practicable Date
		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	750,000
	01/11/2007	-	-	1.47	01/11/2007	31/10/2017	250,000
Mr. Kwok Kwan Hung	26/03/2007	26/03/2007	25/03/2008	0.33	26/03/2008	25/03/2017	750,000
	01/11/2007	-	-	1.47	01/11/2007	31/10/2017	250,000
Mr. Siu Hi Lam, Alick	26/03/2007	26/03/2007	25/03/2008	0.33	26/03/2008	25/03/2017	750,000
	01/11/2007	-	-	1.47	01/11/2007	31/10/2017	250,000

Save as disclosed above, none of the Directors or their respective associates was granted share options to subscribe for Shares, nor had exercised such rights as at the Latest Practicable Date.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following entity or person (not being a Director or chief executive of the Company) had, or was taken or deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares:

Name of Shareholders	Nature of interests	Number of Shares held	Capacity	(Approximate)
				Percentage of issued Shares
New Brilliant Investments Limited (Note 1)	Corporate	304,960,000	Beneficial owner	25.41%
20/20 International Limited (Note 1)	Corporate	304,960,000	Interest of a controlled corporation	25.41%
Premier United Limited (Note 2)	Corporate	190,000,000	Beneficial owner	15.83%
Chan Ping Che (Note 2)	Corporate	190,000,000	Interest of a controlled corporation	15.83%
Lam Shiu May (Note 2)	Corporate	190,000,000	Interest of a controlled corporation	15.83%

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 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, the Directors and chief executive of the Company were not aware of any entities or persons who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, 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.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or the management shareholders of the Company and their respective associates has an interest in a business, apart from the business of the Group, which competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within the two years immediately preceding the Latest Practicable Date and are, or may be material:

- (a) the placing agreement dated 30 August 2006 entered into among the Company, New Brilliant and a placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to procure purchasers to purchase, and New Brilliant has agreed to sell, up to 160,000,000 existing Shares, at the placing price of HK\$0.07 per Share;
- (b) the subscription agreement dated 30 August 2006 entered into between the Company and New Brilliant, pursuant to which New Brilliant has conditionally agreed to subscribe for up to 160,000,000 new Shares at a price of HK\$0.07 per Share;
- (c) the sale and purchase agreement dated 6 November 2006 entered into by the Company in relation to the acquisition of Cheung Shing Funeral Limited (“Cheung Shing”) beneficially owned by Mr. Woo Shik Man, Ms. Cheung Kam Man, and Ms. Kong Sau Ping at a consideration of HK\$5.1 million;
- (d) the sale and purchase agreement dated 6 November 2006 entered into by the Company in relation to the acquisition of Grand Sea Limited;
- (e) the placing agreement dated 20 August 2007 entered into among the Company, New Brilliant and a placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to procure purchasers to purchase, and New Brilliant has agreed to sell, up to 194,700,000 existing Shares, at the placing price of HK\$0.275 per Share;

- (f) the subscription agreement dated 20 August 2007 entered into between the Company and New Brilliant, pursuant to which New Brilliant has conditional agreed to subscribe for up to 194,700,000 new Shares at a price of HK\$0.275 per Shares;
- (g) the placing agreement dated 15 October 2007 entered into between the Company and the placing agent, pursuant to which the placing agent has agreed, on a best effort basis, to place up to 80,000,000 Shares at the placing price of HK\$1.58 per Share; and
- (h) the S&P Agreement.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

10. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made.

11. EXPERTS AND CONSENTS

- (a) The following are the qualifications of the experts who have given an opinion or advice, which is contained or referred to in this circular:

Name	Qualifications
Lo and Kwong C.P.A. Company Limited	Certified public accountants

- (b) As at the Latest Practicable Date, Lo and Kwong C.P.A. Company Limited did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Lo and Kwong C.P.A. Company Limited has given and have not withdrawn its written consents to the issue of this circular with the inclusion of its letters and reports and references to its name in the form and context in which it is included.
- (d) Lo and Kwong C.P.A. Company Limited does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Company were made.

12. GENERAL

- (a) The secretary and compliance officer of the Company is Mr. Lee Chi Shing, Caesar whose qualification is detailed under the section headed “Directors and senior management” in this appendix.
- (b) The qualified accountant of the Company is Ms. Chan Wai Hung whose qualification is detailed under the section headed “Directors and senior management” in this appendix.
- (c) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 2202, 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The share registrar and transfer office of the Company in the Cayman Islands is Butterfield Fund Services (Cayman) Limited, P.O. Box 705 GT, Butterfield House, 68 Fort Street, George Town, Grand Cayman, Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (e) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese text in case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at Unit 2202, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 March 2006 and 31 March 2007;
- (c) the half-yearly financial results of the Company for the six months ended 30 September 2007;
- (d) the financial information of the Loyal King Group as set out in Appendices II, III and IV to this circular;
- (e) the letter on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;
- (f) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (g) the written consents referred to in the section headed "Experts and consents" in this appendix; and
- (h) this circular.



Galileo Holdings Limited
嘉利福控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8029)

NOTICE IS HEREBY GIVEN that a extraordinary general meeting (the “**Meeting**”) of Galileo Holdings Limited (the “**Company**”) will be held on Wednesday, 12 December 2007 at 4:00 p.m. at Unit 2202, 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement (the “**Agreement**”) dated 18 September 2007 and entered into among Galileo Capital Group (BVI) Limited (the “**Purchaser**”), a wholly owned subsidiary of the Company, as purchaser, First Cheer Holdings Limited (the “**Vendor**”) as vendor and Mr. Cheng Ting Kong (the “**Guarantor**”) as guarantor in relation to the sale and purchase of 50,000 shares of US\$1.00 each in the issued share capital of Loyal King Investments Limited (“**Loyal King**”), representing the entire issued share capital of Loyal King, and all obligations, liabilities and debts owing or incurred by Loyal King to the Vendor on or at any time prior to the completion (the “**Completion**”) of the Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, at a total consideration of HK\$194 million, a copy of which has been produced to this Meeting marked “A” and signed by the chairman of this Meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary or expedient for the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;
- (c) the allotment and issue of an aggregate of 280,000,000 ordinary shares (the “**Consideration Shares**” and each a “**Consideration Share**”) of HK\$0.02 each of the Company credited as fully paid at an issue price of HK\$0.55 per Consideration Share to the Vendor pursuant to the Agreement be and is hereby approved; and

NOTICE OF THE EGM

- (d) any one or more Directors be and are hereby authorised to allot and issue the Consideration Shares in accordance with the terms of the Agreement and to take all steps necessary or expedient in its opinion to implement and/or give effect to the allotment and issue of the Consideration Shares.”

On behalf of the Board
Galileo Holdings Limited
Chui Bing Sun
Chairman

Hong Kong, 23 November 2007

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 2202, 22nd Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the above Meeting or any adjournment thereof should he so wish.
3. Where there are joint holders of any Share, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any Share stands shall for this purpose be deemed joint holders thereof.