Galileo Capital Group Limited

嘉利盈融資集團有限公司

stock code : 8029

Annual Report 2007

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

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This report, for which the directors of Galileo Capital Group Limited (the "Company") 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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chui Bing Sun *(Chairman)*
Lee Chi Shing, Caesar

Independent Non-Executive Directors

Siu Hi Lam, Alick
Kwok Kwan Hung
Chien Hoe Yong

AUDIT COMMITTEE

Siu Hi Lam, Alick
Kwok Kwan Hung
Chien Hoe Yong

COMPANY SECRETARY

Lee Chi Shing, Caesar

COMPLIANCE OFFICER

Lee Chi Shing, Caesar

QUALIFIED ACCOUNTANT

Chan Wai Hung

AUTHORIZED REPRESENTATIVES

Chui Bing Sun
Lee Chi Shing, Caesar

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Lo and Kwong C.P.A. Company Limited

PRINCIPAL SHARE REGISTRAR AND OFFICE

Butterfield Fund Services (Cayman) Limited
P.O. Box 705 GT, Butterfiled House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
DBS Bank (Hong Kong) Limited
Chiyu Banking Corporation Limited
Standard Chartered Bank

STOCK CODE

8029

FINANCIAL HIGHLIGHTS

– The Company and its subsidiaries (the "Group") recorded a turnover of HK$1,643,189 for the year ended March 31, 2007.

– Gross profit was HK$1,118,850 for the year ended March 31, 2007.

– Loss attributable to shareholders was HK$6,511,635 for the year ended March 31, 2007.

– The Directors do not recommend the payment of a final dividend for the year ended March 31, 2007.

– As at March 31, 2007, the Group had bank balances and cash amounting to HK$1,801,684.

CHAIRMAN'S STATEMENT

Since the change of controlling shareholder and a new management installed in 2006, the Group has had its main focus on providing quality funeral services in addition to the financial services. On the one hand, the strong and sustained growth momentum in the PRC economy contributed to an expanding demand for fund-raising and financial advisory activities in the international capital and securities markets. Whereas on the other hand, the aging population and the increasing death rate of Hong Kong have driven the demand growth of funeral services. 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.

For the year ended March 31, 2007, the Group recorded a turnover of HK$1,643,189 which is a decrease of 30%. This is mainly a result of 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 loss attributable to shareholders has increased from HK$1,931,800 recorded in the year ended March 31, 2006 to HK$6,511,635. 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. However, the administrative expenses will be reduced for the coming years due to the lower rental expenses by changing to the new office.

Going forward, we remain confident about the prospects of the financial service sector as a whole. However, it is our group policy to spend persistent efforts in pursuing worthwhile business opportunities in an increasingly challenging business environment. The Group would explore new ways and means to improve the operation of our business. This may include strategic alliances and diversification, like the funeral services. Through synergism and the availability of a broader range of investment and funeral service products, we expect to be able to deliver improved performance and hence, a better return to our shareholders in the near future.

Finally, on behalf of the Directors of the Group, I would like to express our sincere appreciation to the management and staff of the company for their dedication and hard work throughout the year as well as to shareholders and business partners for their commitment and continuous support.

Chui Bing Sun
Chairman

June 25, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

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 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. Ther 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

SEGMENTAL INFORMATION

Segment information is presented by way if 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OUTLOOK AND DEVELOPMENT

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.

DIRECTORS AND STAFF

EXECUTIVE DIRECTORS

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, aged 43, 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 November 1, 2004 to June 29, 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, aged 52, 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, aged 41, 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.

DIRECTORS AND STAFF

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.

QUALIFIED ACCOUNTANT

Ms. Chan Wai Hung, aged 38, 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 over 10 years' experience in the accounting and auditing field.

DIRECTORS' REPORT

The directors would like to present the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended March 31, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2007 are set out in the consolidated income statement on page 32.

The directors do not recommend the payment of any dividends.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 23 and 24 respectively to the consolidated financial statements.

RESERVES

The share premium account, in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares. Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at March 31, 2007 and 2006, the Company did not have any reserves available for distribution.

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 35.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chui Bing Sun	(appointed on August 14, 2006)
Mr. Lee Chi Shing, Caesar	(appointed on August 14, 2006)
Mr. Liu Ka Lim	(resigned on August 14, 2006)
Mr. Kan Siu Lun	(resigned on August 14, 2006)
Mr. Sun Wai Tat, Victor	(resigned on August 14, 2006)
Ms. Lam So Ying	(resigned on August 14, 2006)
Ms. Sy Wai Shuen	(resigned on August 14, 2006)

Independent non-executive directors:

Mr. Siu Hi Lam, Alick	(appointed on August 14, 2006)
Mr. Kwok Kwan Hung	(appointed on August 14, 2006)
Mr. Chien Hoe Yong	(appointed on August 14, 2006)
Mr. Shum Kai Wing	(resigned on August 14, 2006)
Mr. Wong Yuk Man, Edmand	(resigned on August 14, 2006)
Mr. Chow Cheuk Lap	(resigned on August 14, 2006)

In accordance with Article 112 of the Company's Articles of Association, Mr. Chui Bing Sun and Mr. Lee Chi Shing, Caesar, Mr. Siu Hi Lam, Alick, Mr. Kwok Kwan Hung and Mr. Chien Hoe Yong, being directors appointed after the annual general meeting held on July 21, 2006, will retire at the forthcoming annual general meeting. All directors, being eligible, offer themselves for re-election.

Each executive director has entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than one-month prior written notice to the other.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at March 31, 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Mr. Chui Bing Sun	Corporate *(Note)*	586,450,000	Interest of a controlled corporation	60.77%

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

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

Pursuant to the new share option scheme adopted by the Company on December 5, 2006 (the "New Scheme"), one Director in the capacity as beneficial owner was granted share options to subscribe for shares of the Company, details of which as at March 31, 2007 were as follows:

Name of Director	Date of grant	Vesting period from	Vesting period until	Exercise price per share HK$	Exercise period from	Exercise period until	Number of share options outstanding as at March 31, 2007
Mr. Lee Chi Shing, Caesar	19/12/2006	19/12/2006	18/12/2007	0.418	19/12/2007	18/12/2016	2,500,000
	23/02/2007	23/02/2007	22/02/2008	0.3	23/02/2008	22/02/2017	1,000,000

Save as disclosed above, during the year ended March 31, 2007, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

DIRECTORS' REPORT

Save as disclosed above, during the year ended March 31, 2007, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding companies or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in note 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executives of the Company, as at March 31, 2007, the following person or corporations had equity interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
New Brilliant Investments Limited *(Note)*	Corporate	586,450,000	Beneficial owner	60.77%
20/20 International Limited *(Note)*	Corporate	586,450,000	Interest of a controlled corporation	60.77%
Chui Bing Sun *(Note)*	Corporate	586,450,000	Interest of a controlled corporation	60.77%

Note: New Brilliant Investments Limited is beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei. In addition, 20/20 International Limited is beneficially owned as to 70.4% by Mr. Chui Bing Sun. Accordingly, both 20/20 International Limited and Mr. Chui Bing Sun are deemed under the SFO to be interested in the 586,450,000 shares of the Company beneficially owned by New Brilliant Investments Limited as at March 31, 2007.

Save as disclosed above, as at March 31, 2007, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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.

DIRECTORS' REPORT

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-ISO 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 GME 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.

DIRECTORS' REPORT

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

Name of category of participant	At April 1, 2006	Granted during the year	Exercised during the year	At March 31, 2007	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]
	Number of share options							HK$
Director								
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
Consultants								
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
Other employees								
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**	**72,750,000**	–	–
Exercisable at the end of the year	**0.31**	**72,750,000**	–	–

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).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the services provided to the Group's largest client and five largest clients accounted for 41% and 54%, respectively of the total turnover for the year. In view of the nature of the Group's business, no purchasers and suppliers were noted.

In the opinion of the directors, none of the directors, their associates or any shareholders of the Company who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms not less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year ended March 31, 2007.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

The audit committee comprises three members, Messrs. Siu Hi Lam, Alick, Kwok Kwan Hung; and Chien Hoe Yong. All of them are independent non-executive directors of the Company.

The primary 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 of Directors. Four audit committee meetings were held during the year.

The Group's financial statements for the year ended March 31, 2007 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial statements complies with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures have been made.

DIRECTORS' REPORT

EMOLUMENT POLICY

The Group's emolument policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees where appropriate.

AUDITORS

Lo and Kwong C. P. A. Company Limited have acted as auditors of the Company for the year ended March 31, 2007. For the year ended March 31, 2006 and March 31, 2005, Homan CPA Limited and Deloitte Touche Tohmatsu acted as auditors of the Company respectively.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Lo and Kwong C. P. A. Company Limited as auditors of the Company.

On behalf of the Board

Chui Bing Sun
Chairman

Hong Kong
June 25, 2007

CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance for the enhancement of shareholder value. The Company believes that good corporate governance is not only in the interest of investors but also in the interest of the Company. It is also of the view that good corporate governance is a reflection of the standard and quality of the management and operations of the Company and it also helps sustain the long-term support of shareholders upon which the Company's success depends.

The Company closely monitors corporate governance development in Hong Kong and it regularly reviews its corporate governance practices in light of experience and evolving regulatory requirements to ensure that the Company keeps abreast of shareholders' expectations. The principles of corporate governance adopted by the Company emphasize a quality board, sound internal control, and transparency and accountability to shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 15 of the GEM Listing Rules throughout the year ended March 31, 2007.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms not less than the required standard of dealings ("Code of Conduct"). Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct for the year ended March 31, 2007.

BOARD OF DIRECTORS

The principal duty of the board of directors of the Company ("Board") is to ensure that the Company is properly managed in the interest of shareholders.

The Board, led by the Chairman, is responsible for the formulation of Company-wide strategies and policies, including an oversight of the management. Management is responsible for the day-to-day operations of the Company under the leadership of the Directors.

As at March 31, 2007, the Board comprised 5 Directors, including the Chairman, 1 Executive Director and 3 Independent Non-executive Directors. One of the Independent Non-executive Director has appropriate professional qualifications in accounting. Biographical details of the Directors are set out on pages 9 to 10.

In determining the independence of a Director , the Board would consider whether the Director has any direct or indirect material relationship with the Company and the Board follows the requirements set out in the GEM Listing Rules. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that the Board acts in the best interest of the Company. To ensure that Board meetings are planned and conducted effectively, the Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. With the support of all other members of the Board, the Chairman procures that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with shareholders.

The Board is responsible for all management functions of the Company. The Board meets regularly, and at least 4 times a year. Between scheduled meetings, senior management of the Group from time to time provides to Directors information on the activities and development of the businesses of the Group. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held 21 meetings during the year ended March 31, 2007 with an average attendance rate of over 60%.

CORPORATE GOVERNANCE REPORT

The attendance records of the Board meetings held in 2007 are set out below:

		Attended
Chairman		
Mr. Chui Bing Sun	(appointed on August 14, 2006)	14/14
Executive Directors		
Mr. Lee Chi Shing, Caesar	(appointed on August 14, 2006)	10/14
Mr. Liu Ka Lim	(resigned on August 14, 2006)	6/8
Mr. Sun Wai Tat, Victor	(resigned on August 14, 2006)	5/8
Mr. Kan Siu Lun	(resigned on August 14, 2006)	5/8
Ms. Lam So Ying	(resigned on August 14,2006)	6/8
Ms. Sy Wai Shuen	(resigned on August 14, 2006)	6/8
Independent non-executive Directors		
Mr. Siu Hi Lam, Alick	(appointed on August 14, 2006)	7/14
Mr. Kwok Kwan Hung	(appointed on August 14,2006)	6/14
Mr. Chien Hoe Yong	(appointed on August 14, 2006)	4/14
Mr. Shum Kai Wing	(resigned on August 14,2006)	6/8
Mr. Wong Yuk Man, Edmand	(resigned on August 14, 2006)	7/8
Mr. Chow Cheuk Lap	(resigned on August 14, 2006)	7/8

Save for the above regular board meetings of the Period, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision 7 business days in advance of each board meeting and the minutes within 3 business days after the meeting.

Each of the Independent Non-executive Directors has entered into a letter of service with the Company for a term one year's period. All the Independent Non-executive Directors are subject to re-election at each annual general meeting of the Company.

Upon appointment, the Directors would receive an orientation review of the Company and its business from senior executives. Information and updates are provided to Directors regularly to ensure that Directors keep up with the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The Directors ensure the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is made in a timely manner. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Company attaining future profitable operations, the continuous financial support from Mr. Chui Bing Sun being available, and the availability of additional financing. The financial statements do not include any adjustments that would result from a failure to obtain such funding. The Directors consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 30 and 31.

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. The biographies of members of the Audit Committee are set out in the paragraph headed "Directors and Staff" above.

The Audit Committee held 5 meetings in 2007 with an average attendance rate of 100%.

The attendance records of the Audit Committee meetings held in 2007 are set out below:

Name of Member		**Attended**
Mr. Chien Hoe Yong *(Chairman)*	(appointed on August 14, 2006)	4/4
Mr. Siu Hi Lam, Alick	(appointed on August 14, 2006)	4/4
Mr. Kwok Kwan Hung	(appointed on August 14, 2006)	4/4
Mr. Shum Kai Wing	(resigned on August 14, 2006)	1/1
Mr. Wong Yuk Man, Edmand	(resigned on August 14, 2006)	1/1
Mr. Chow Cheuk Lap	(resigned on August 14, 2006)	1/1

CORPORATE GOVERNANCE REPORT

For 2007, the Audit Committee reviewed with senior management and the external auditors of the Company their respective audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended March 31, 2007 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Company and the annual report and accounts and quarterly reports and accounts of the Company, discussed with management and the external auditor, and reviewed significant financial reporting judgments contained in them. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

(a) any changes in financial reporting and accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the GEM Listing Rules and any other legal requirements in relation to financial reporting.

The audited consolidated results of the Group for the year ended March 31, 2007 have been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. For the year ended March 31, 2007, the Auditors of the Company received approximately HK$319,000 for audit services and HK$50,000 for non-audit services for compliance report.

REMUNERATIONS COMMITTEE

The Company has established a Remunerations Committee in March 2005. The current existing Remunerations Committee consists 3 Independent Non-executive Directors, namely, Mr. Siu Hi Lam, Alick, Mr. Kwok Kwan Hung and Mr. Chien Hoe Yong. The biographies of members of the Remuneration Committee are set out in the paragraph headed "Directors and Staff".

The Remunerations Committee would assist the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and also is responsible for the administration of the share option schemes adopted by the Company. Terms of reference of the Remunerations Committee are approved by the Directors.

CORPORATE GOVERNANCE REPORT

Executive Directors are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of the individual and the profitability of the Company, and propose to the Remunerations Committee for consideration and approval of remuneration packages for Directors and senior management. Executive Directors, however, do not participate in determining their own remuneration.

The Remunerations Committee held 1 meeting in 2007 with 100% attendance.

The attendance records of the Remunerations Committee meetings held in 2007 are set out below:

Name of Member		Attended
Mr. Chien Hoe Yong *(Chairman)*	(appointed on August 14, 2006)	1/1
Mr. Siu Hi Lam, Alick	(appointed on August 14, 2006)	1/1
Mr. Kwok Kwan Hung	(appointed on August 14, 2006)	1/1
Mr. Shun Kai Wing	(resigned on August 14, 2006)	N/A
Mr. Wong Yuk Man, Edmand	(resigned on August 14, 2006)	N/A
Mr. Chow Cheuk Lap	(resigned on August 14, 2006)	N/A

The remuneration of Directors and senior management was determined with reference to the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Director's emoluments for the year ended March 31, 2007 are set out in note 10 to the accounts.

NOMINATIONS COMMITTEE

A nomination committee is not necessary for the Company, after the Board reviewed the needs and current situation of the Company. The Board will be responsible for reviewing the profile of current directors and potential candidate of director to ensure that the composition of the Board is appropriate for the Company.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

An internal control system, being an integral part of the Company's operations, is a process effected by the Board and management team to provide reasonable assurance regarding the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Company assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual reports. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the website of the Stock Exchange.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 days' notice. The Chairman and Directors and external auditors are available to answer questions on the Company's businesses at the meeting.

Shareholders have statutory rights to call for extraordinary general meetings by serving written requests to the Company and to put forward agenda items for consideration by shareholders. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular despatched to shareholders. The results of the poll are published on the Stock Exchange's website. Financial and other information is available on the Stock Exchange's website, which is updated regularly.

The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are welcome and can be addressed to our Company by mail.

VOTING BY POLL

In compliance with the requirements on the poll voting procedures, the Company has informed the Members in respect of the procedures for voting by poll and the rights of the Members in demanding for poll in each general meeting. Pursuant to Article 72 of the Company's Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded at any general meeting. In the general meetings held during the Year, the Company counted all proxy votes, and except where polls were required, chairman of each general meeting had expressly indicated to the members attending the meetings the levels of proxies lodged on each resolution, and the balance for and against the resolution, after each of the resolution had been dealt with on a show of hands.

Furthermore, Article 72 of the Articles of Association, a vote by poll may be demanded by:

(a) the Chairman of the meeting; or

(b) at least three members present in person or by proxy and entitled to vote; or

(c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right attend and vote at the meeting; or

(d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

In the general meetings held during the year, there were resolutions requiring polls either demanded by the chairmen of the meetings or required under the Listing Rules. In each general meeting, Tengis Limited, the Company's Hong Kong Branch Registrar, was instructed to act as scrutineer. In each general meeting held during the Year, the Company had ensured that where appropriate:

(i) the procedure for demanding a poll by the Shareholders before putting a resolution to the vote on a show of hands; and

(ii) the detailed procedures for conducting a poll and then answer any questions from the Shareholders whenever voting by way of a poll is required.

As such, the Company has complied with the requirements in relation to vote by poll.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
GALILEO CAPITAL GROUP LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Galileo Capital Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 75 which comprise the consolidated and Company's balance sheets as at March 31, 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group had incurred a consolidated net loss of HK$6,511,635 for the year ended March 31, 2007 while the Group had net consolidated current liabilities of HK$4,742,109 as at March 31, 2007. As explained in note 2 to the financial statements, the Group is currently undertaking a number of measures to relieve its current liquidity problems. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group attaining future profitable operations, the continuous financial support from the substantive shareholder and director, Mr. Chui Bing Sun ("Mr. Chui"), and the availability of additional financing. The financial statements do not include any adjustments that would result from a failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at March 31, 2007 and of Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants (Practising)

Hong Kong
June 25, 2007

Lo Wah Wai
Practising Certificate Number P02693

CONSOLIDATED INCOME STATEMENT

For year ended March 31, 2007

	Notes	**2007** **HK$**	2006 HK$
Turnover	*7*	**1,643,189**	2,357,000
Direct costs		**(524,339)**	(544,764)
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*	**(67,584)**	–
Loss before taxation	*9*	**(6,470,377)**	(1,931,800)
Income tax expense	*12*	**(41,258)**	–
Loss for the year		**(6,511,635)**	(1,931,800)
Dividend	*13*	**–**	–
Loss per share	*14*		
Basic		**HK(0.73) cent**	HK(0.24) cent
Diluted		**HK(0.66) cent**	N/A

CONSOLIDATED BALANCE SHEET

As at March 31, 2007

	Notes	2007 HK$	2006 HK$
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
		10,110,826	532,140
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
		2,583,112	758,941
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**	–
		7,325,221	5,002,081
NET CURRENT LIABILITIES		**(4,742,109)**	(4,243,140)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,368,717**	(3,711,000)
NON-CURRENT LIABILITIES			
Obligations under finance lease – long term portion	21	**(24,079)**	–
		5,344,638	(3,711,000)
CAPITAL AND RESERVES			
Share capital	23	**19,300,000**	16,000,000
Reserves		**(13,955,362)**	(19,711,000)
		5,344,638	(3,711,000)

The financial statement on pages 32 to 75 were approved and authorized for issue by the Board of Directors on June 25, 2007 and are signed on behalf by:

Chui Bing Sun
Director

Lee Chi Shing, Caesar
Director

BALANCE SHEET

As at March 31, 2007

	Notes	2007 HK$	2006 HK$
CURRENT ASSETS			
Amounts due from subsidiaries		**15,252,593**	6,857
Bank balances and cash		**998,184**	225,186
		16,250,777	232,043
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*	**5,000,000**	–
		6,852,484	5,020,443
		9,398,293	(4,788,400)
CAPITAL AND RESERVES			
Share capital	*23*	**19,300,000**	16,000,000
Reserves	*25*	**(9,901,707)**	(20,788,400)
		9,398,293	(4,788,400)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended March 31, 2007

	Share capital (note 23)	Reserves				
		Share premium	Merger deficit	Share option reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*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	19,300,000	17,090,836	(119,998)	3,272,393	(34,198,593)	5,344,638

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

	Notes	2007 HK$	2006 HK$
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**	–
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
Cash used in operations		**(3,539,941)**	(197,242)
Interest received		**53,389**	8
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)
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**	–
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
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,801,684**	330,821
ANALYSIS OF CASH AND CASH EQUIVALENT			
Bank balances and cash		**1,801,684**	330,821

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 form 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 again or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities, are derecognitised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

(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 doe 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, expect 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assts 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

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
	HK$	*HK$*
Business consultancy service income	**923,000**	2,357,000
Funeral services income	**690,189**	–
Rental income	**30,000**	–
	1,643,189	2,357,000

Segment information is presented by way if 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.

7. TURNOVER AND SEGMENT INFORMATION (Continued)

Income Statement
For the year ended March 31, 2007

	Business consultancy	Funeral services	Other	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
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)

7. TURNOVER AND SEGMENT INFORMATION (Continued)

Balance Sheet
As at March 31, 2007

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

Other information
For the year ended March 31, 2007

	Business consultancy	Funeral services	Other	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Capital additions	96,177	1,380	–	97,557
Depreciation	232,303	129,662	106,998	468,963

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.

7. TURNOVER AND SEGMENT INFORMATION (Continued)

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		Peoples' Republic of China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
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

8. FINANCE COSTS

	2007	2006
	HK$	*HK$*
Interest on:		
Other borrowings repayable within one year	**63,973**	–
Finance leases	**3,611**	–
	67,584	–

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

9. LOSS BEFORE TAXATION

	2007	2006
	HK$	*HK$*
Loss before taxation has been arrived at after charging(crediting):		
Directors' emoluments* *(Note 10)*	**2,291,889**	836,325
Staff costs	**1,351,069**	1,184,419
Retirement benefit scheme contributions, excluding directors	**61,434**	53,405
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)

* 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				
	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Share Options granted	Total	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Share Options granted	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Old director: *(Note 1)*										
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: *(Note 2)*										
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	294,192	1,618,713	27,165	351,819	2,291,889	180,000	640,765	15,560	–	836,325

Notes:

1. 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.

2. 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.

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

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	2006
	HK$	*HK$*
Salaries and other benefits	**412,366**	655,000
Retirement benefit scheme contributions	**14,775**	29,750
Share options granted	**27,819**	–
	454,960	684,750

Their emoluments were within the following bands:

	2007	2006
	Number of employees	Number of employees
HK$nil to HK$1,000,000	**2**	3

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	2006
	HK$	*HK$*
Loss before taxation	**(6,470,377)**	(1,931,800)
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 recongnised	**1,519,411**	291,990
Tax expense for the year	**41,258**	–

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 *(note 23(a))*	**93,808,219**	–
Effect of exercise of share options *(note 23(b))*	**232,877**	–
Weighted average number of ordinary shares for the purpose of basic loss per share	**894,041,096**	800,000,000

(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	**86,740,385**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**980,781,481**	800,000,000

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.

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

15. GOODWILL

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

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	Computer equipment	Office equipment	Furniture and fixtures	Motor vehicle	Leasehold improvement	Sub-total	Investment property	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
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	3,705,000	62,076	105,818	288,942	230,952	785,224	5,178,012	2,600,000	7,778,012
At March 31, 2006	–	70,520	83,715	377,905	–	–	532,140	–	532,140

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 Directly %	Indirectly %	Principal activities
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 ant time during the year.

18. INVENTORIES

	The Group	
	2007	2006
	HK$	*HK$*
Merchandize, at cost	**95,030**	–

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
	HK$	*HK$*
Mr. Liu Ka Lim	**–**	4,362,737
Mr. Chui Bing Sun	**758,368**	–
	758,368	4,362,737

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**	–
	124,955	–	**109,666**	–
Less: Future finance charges	**(15,289)**	–	**–**	–
Present value of lease obligations	**109,666**	–	**109,666**	–
Less: Amount due for settlement within one year shown under current liabilities			**(85,587)**	–
Amount due for settlement after one year			**24,079**	–

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	**6,000,000,000**	120,000,000
Issued and fully paid:		
At April 1, 2005 and March 31, 2006	**800,000,000**	16,000,000
Issuance of shares *(note a)*	**160,000,000**	3,200,000
Effect of exercise of share options *(note b)*	**5,000,000**	100,000
At March 31, 2007	**965,000,000**	19,300,000

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-ISO 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 GME Listing Rules and the note immediately followed the rule. No further share options will be granted under the Pre-IPO Share Options Plan.

24. SHARE OPTION SCHEMES (Continued)

(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.

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24. SHARE OPTION SCHEMES (Continued)

(b) New Scheme (Continued)

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:

	Number of share options							
Name of category of participant	At April 1, 2006	Granted during the year	Exercised during the year	At March 31, 2007	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$
Director								
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
Consultants								
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
Other employees								
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.

24. SHARE OPTION SCHEMES (Continued)

(b) New Scheme (Continued)

(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).

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

24. SHARE OPTION SCHEMES (Continued)

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**	**72,750,000**	–	–
Exercisable at the end of the year	**0.31**	**72,750,000**	–	–

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	17,090,836	367,874	3,272,393	(30,632,810)	(9,901,707)

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.

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For year ended March 31, 2007

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 *HK$*	Tax losses *HK$*	Total *HK$*
At April 1, 2005	(91,191)	91,191	–
(Charge) credit to the income statement for the year	6,705	(6,705)	–
At March 31, 2006	(84,486)	84,486	–
(Charge) credit to the income statement for the year	(164,098)	164,098	–
At March 31, 2007	**(248,584)**	**248,584**	**–**

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

	2007 ***HK$***	2006 *HK$*
Deferred tax liabilities	**(248,584)**	(84,486)
Deferred tax assets	**248,584**	84,486
	–	–

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
	HK$	HK$
Short-term benefits	1,049,031	980,765
Post-employment benefits	27,165	22,560
Share options granted	379,638	–
	1,455,834	1,003,325

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
	HK$	HK$
Within one year	230,626	495,720
In the second to fifth year inclusive	461,252	–
	691,878	495,720

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

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

28. OPERATING LEASE COMMITMENTS (Continued)

(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
	HK$	*HK$*
Within one year	**180,000**	–

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.

	HK$
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 *(Note 15)*	4,665,629
Total consideration	12,185,118
Satisfied by:	
Cash	12,185,118
Net cash outflow arising on acquisition:	
Cash consideration	12,185,118
Less: Bank balances and cash acquired	(351)
	12,184,767

NOTES TO THE FINANCIAL STATEMENTS

For year ended March 31, 2007

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).

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED RESULTS

	For the year ended March 31				
	2003	2004	2005	2006	**2007**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Turnover	3,480,193	4,339,022	916,054	2,357,000	**1,643,189**
Loss for the year	(5,843,512)	(2,382,868)	(3,120,815)	(1,931,800)	**(6,511,635)**

SUMMARY OF THE CONSOLIDATED ASSETS AND LIABILITIES

	As at March 31				
	2003	2004	2005	2006	**2007**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Total assets	5,657,998	3,561,658	1,392,007	1,291,081	**12,693,938**
Total liabilities	(1,933,515)	(2,220,043)	(3,171,207)	(5,002,081)	**(7,349,300)**
Shareholders' funds/ (Capital deficiency)	3,724,483	1,341,615	(1,779,200)	(3,711,000)	**5,344,638**