



Galileo Capital Holdings Limited
嘉利盈融資控股有限公司

THIRD QUARTERLY REPORT 2003

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”), the Securities and Futures Commission regulates the Company in relation to the listing of its shares on the Stock Exchange. The Securities and Futures Commission takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

	For the three months period ended	
	31 December 2003 HK\$	30 September 2003 HK\$
Turnover	860,000	113,333
Cost of sale	(404,268)	(366,455)
Gross profit/(loss)	455,732	(253,122)
Net loss from ordinary activities attributable to shareholders	(220,632)	(1,170,438)

FINANCIAL PERFORMANCE

For the three months under review, the Group's turnover was approximately HK\$860,000, representing an increase of 659% over the last quarter. As a result of tighter control of expenses, the cost of sales slightly increased to HK\$404,268 while administrative expenses decreased to HK\$595,108, representing an increase of 10% and a decrease of 36% respectively. The increase in turnover was attributable to the completion of a project, the fees of which were recognized on successful basis.

The Group's turnover increased by 20% when compared to the turnover of HK\$719,000 for the corresponding period in 2002. The Group has maintained its focus in the PRC market and would continue to explore opportunities contributed by the Closer Economic Partnership Arrangement (CEPA). It is anticipated that the benefits brought about by CEPA will be reflected in increase in turnover in the Hong Kong segment of the Group's turnover. Moreover, the management believes that the Group will benefit from the enormous business opportunities in the PRC in the long run, and the Group's performance will gradually improve when the resources invested in the PRC market materialize. Despite the increase in turnover, the cost of sales and administrative expenses decreased by 45% and 48% respectively. As a result, the net loss attributable to shareholders decreased by 82% as compared to the loss of HK\$1,258,000 in the corresponding period in 2002.

Although the turnover for the three months ended 31 December 2003 had gone up, the overall performance for the nine months ended 31 December 2003 declined when compared to the same period in 2002 due to the occurrence of an exceptional loss. During the period under review, the entire equity interest in four of the Group's wholly-owned subsidiaries, namely Hong Kong Enterprise Exchange Limited, Hong Kong Enterprise Market Limited, Hong Kong Enterprise Equity Market Limited and Hong Kong Enterprise Asset and Equity Market Limited were disposed resulting in a loss totaling HK\$65,000. For the nine months period under review, the Group achieved a turnover of approximately HK\$1,231,000 and recorded a gross loss of HK\$190, as compared to the turnover of HK\$2,944,000 and gross profit of HK\$297,000 for the corresponding period last year. However, the net loss attributable to shareholders for the current nine months period decreased by 34% from HK\$4,031,000 for the same period last year.

BUSINESS REVIEW

During the period under review, the Group continued to focus its efforts on strengthening its conventional business and in fostering the relationship established in the past years in the PRC market. The Group continued to focus on enhancing its brand name, improving in-house workflow and operational structure, maintaining its current network of strategic partners as well as forming new alliances, and most importantly, bolstering the quality of the services offered. The following summarizes the Group's key areas of business for the three months period ended 31 December 2003.

Enterprise Asset and Equity Market Place

Following the disposal of four of its subsidiaries, in particular, Hong Kong Enterprise Asset and Equity Market Limited and the redirection of the Group's resources to focus on the Group's business brokerage services, activities in the Enterprise Asset and Equity Market Place significantly diminished in the current quarter.

Business Developments

The Group continued to strive to offer professional, comprehensive, yet flexible services to SMEs in Hong Kong and in the PRC to cater to their different needs in equity financing. To continue to strengthen the Group's position as the region's leading M&A advisory specialist, efforts are constantly made to seek new business opportunities, to extend our services to cover a broader spectrum of clients and to improve the quality of services offered to clients.

In order to capitalize on the Group's connections in the PRC built up over the past years, the management plans to set up representative offices in strategic locations. These representative offices will enable more efficient marketing of the Group's services and may open paths towards the provision of more advisory services in the area of IPO and Merger & Acquisitions as well as fund raising exercise in the stock market.

Cost Effectiveness

Overall costs were confined to a level on par with that of last year's, while efficiency of the Group's day-to-day internal operations was improved. Measures will be taken by management to control costs so as to ensure the cost effectiveness of all future business activities. The project costing approach will be adopted and employees' remuneration will be linked to their performances and specific to the projects in which they participate.

OUTLOOK

The current bullish sentiment in Hong Kong is mainly prompted by the opportunities created by CEPA and the booming economy of the PRC. At the same time, the PRC's accession to the WTO has aroused investors' interest in PRC enterprises. M&A activities are expected to increase allowing more room for the Group's expansion into this arena.

The PRC has begun another round of privatization moves as a means to attract more foreign investment and rationalize the profitability of both state-owned and private enterprises. The Group will also seize this opportunity to bring more PRC enterprises to go for IPO in the Hong Kong Stock Exchange. While management observes that many PRC enterprises are growing rapidly, the Group will put more efforts in raising the required capital and bringing in advanced management skills to identified enterprises to fuel their growth.

Moreover, riding on the fact that the PRC has posted strong foreign direct investment (FDI) growth in recent months and has maintained its status as the most attractive foreign direct investment destination, it is anticipated that foreign investments would continue to flood into the PRC using M&A as the tool.

With Hong Kong serving as a gateway for foreign investors to establish their presence in the PRC, the Group has positioned itself to bridge investment opportunities in the Greater China Region and potential investors worldwide to explore the possibility of co-operation through M&A.

LIQUIDITY, CHARGE ON GROUP ASSETS AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had approximately HK\$834,000 cash on hand, which declined from HK\$4,259,000 as at 31 March 2003 primarily due to the loss incurred during the current nine-month period. The Group does not have any borrowing except for temporary advances of HK\$16,000 from two executive directors. The Group did not have any outstanding secured borrowing, mortgage or charge as at 31 December 2003.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2003.

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 31 December 2003, the Group had no significant exposures under foreign exchange contracts, interest or currency swaps or other financial derivatives.

EMPLOYEE INFORMATION

As at 31 December 2003, the Group employed 11 full time staff. Staff costs, excluding directors' emoluments were HK\$1,545,944 for the nine months ended 31 December 2003 (2002: HK\$2,232,781). The Group's remuneration policy is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees. The Group has also adopted a share option scheme whereby employees of the Group may be granted options to subscribe for shares in the Company.

RESULTS

The Board of Directors (the “Board”) of Galileo Capital Holdings Limited (formerly known as L.P. Lammas International Limited) (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	<i>Notes</i>	Three months ended 31 December		Nine months ended 31 December	
		2003 HK\$ Unaudited	2002 HK\$ Unaudited	2003 HK\$ Unaudited	2002 HK\$ Unaudited
Turnover	2	860,000	719,000	1,230,522	2,943,693
Cost of services provided		(404,268)	(736,021)	(1,230,714)	(2,646,932)
Gross profit/(loss)		455,732	(17,021)	(192)	296,761
Other revenue		14,010	13,950	113,671	311,473
Administrative and general expenses		(595,108)	(1,135,598)	(2,624,533)	(4,463,319)
Other operating expenses		(28,308)	(95,000)	(36,118)	(103,742)
Loss from operating activities		(153,674)	(1,233,669)	(2,547,172)	(3,958,827)
Finance costs		(1,905)	(24,549)	(49,610)	(71,706)
Loss before tax		(155,579)	(1,258,218)	(2,596,782)	(4,030,533)
Tax	3	0	0	0	0
Loss after tax		(155,579)	(1,258,218)	(2,596,782)	(4,030,533)
Exceptional item	4				
Loss on disposal of subsidiaries		(65,053)	0	(65,053)	0
Net loss from ordinary activities attributable to shareholder		(220,632)	(1,258,218)	(2,661,835)	(4,030,533)
Loss per share					
Basic	5	HK(0.03 cents)	HK(0.2 cents)	HK(0.3 cents)	HK(0.5 cents)
Diluted	5	N/A	N/A	N/A	N/A

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and the accounting standards issued by The Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

2. TURNOVER

Turnover represents the net invoiced value of services provided.

3. TAX

Hong Kong profits tax has not been provided for the three months and nine months ended 31 December 2003 as the Group did not generate any assessable profits in Hong Kong during the period (2002: Nil). No provision for overseas income tax has been made for the three months and nine months ended 31 December 2003 and the corresponding periods in 2002 as the Group did not earn any assessable profits in other jurisdictions during these periods.

As at the balance sheet date, there were no significant deferred tax liabilities for which a recognition/provision has not been made (2002: Nil).

4. Exceptional Item

The exceptional item represents the loss of HK\$65,053 on disposal of 4 of the Group's subsidiaries.

5. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 31 December 2003 is based on the respective net loss attributable to shareholders of HK\$220,632 and HK\$2,661,835 and the weighted average number of 800,000,000 ordinary shares of the Company in issue during the respective periods. The basic loss per share in respect of the three months and nine months ended 31 December 2002 is based on the respective net loss attributable to shareholders of HK\$1,258,218 and HK\$4,030,533 and the weighted average number of 800,000,000 ordinary shares of the Company in issue during the respective periods. Diluted loss per share for the three months and nine months ended 31 December 2003 and 2002 has not been shown as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the periods.

6. RESERVES

There were no movements in reserves of the Group, other than accumulated losses, for the three months and nine months ended 31 December 2003.

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2003 (2002: Nil).

8. DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2003, none of the directors or chief executive of the Company has any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 5.40 to 5.58 of the GEM Listing Rules.

9. DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from the disclosure under the heading "Share Option Scheme" in note 10, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

10. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") of which the eligible participants include any employee (including any executive director) of the Company or any of its subsidiaries, who is full time employment with the Company or any such subsidiary at the time when an option is granted to such employee. The Scheme will remain in force for a period of 10 years commencing on 29 November 2000.

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. At 31 December 2003, there was no outstanding share options 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 date of the offer of the share options. The subscription price of the share options to be granted will be a price to be determined by the directors, but may not be less than the highest of the closing price of the shares on the GEM on the date of grant of the particular option or the average of the closing prices of the shares on GEM 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.

The Company granted options to certain eligible participants prior to the listing of the Company's shares on GEM (the "Pre-IPO Share Options") at subscription prices which were not less than the nominal value of the shares.

The movement of the Pre-IPO Share Options granted under the Scheme during the period were as follows:

Name or category of participant	Number of shares options			Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2003	Cancelled during the period	At 31 December 2003			
Executive directors						
Mr. Pong Wai Yan	1,400,000	(1,400,000)	0	29 November 2000	14 June 2001 to 13 June 2006	0.20
	1,400,000	(1,400,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.20
	1,000,000	(1,000,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.02
	1,400,000	(1,400,000)	0	29 November 2000	14 June 2001 to 13 June 2008	0.20
	1,400,000	(1,400,000)	0	29 November 2000	14 June 2001 to 13 June 2008	0.02
	6,600,000	(6,600,000)	0			
Mr. Kan Siu Lun	1,200,000	(1,200,000)	0	29 November 2000	14 June 2001 to 13 June 2006	0.20
	1,200,000	(1,200,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.20
	800,000	(800,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.02
	1,200,000	(1,200,000)	0	29 November 2000	14 June 2001 to 13 June 2008	0.20
	1,200,000	(1,200,000)	0	29 November 2000	14 June 2001 to 13 June 2008	0.02
	5,600,000	(5,600,000)	0			
Mr. Yu Yan Chun	400,000	(400,000)	0	29 November 2000	14 June 2001 to 13 June 2006	0.20
	400,000	(400,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.20
	800,000	(800,000)	0			
Senior management and other employees						
In aggregate	1,000,000	(1,000,000)	0	29 November 2000	14 June 2001 to 13 June 2006	0.20
	800,000	(800,000)	0	29 November 2000	14 June 2001 to 13 June 2007	0.20
	1,800,000	(1,800,000)	0			

11. SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following person/companies had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Number of shares held	Percentage of issued shares
Huge Profit Team Limited (<i>Note 1</i>)	636,400,000	79.55
Link Wise Investments Limited (<i>Note 2</i>)	636,400,000	79.55
Mr. Liu Ka Lim	636,400,000	79.55

Note 1: The entire issued share capital of Huge Profit Team Limited is registered in the name of and is beneficially owned by Mr. Liu Ka Lim.

Note 2: These shares are held by Link Wise Investments Limited, the entire issued share capital of which is registered in the name of and is beneficially owned by Huge Profit Team Limited.

12. COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

13. AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. During the period under review, the Committee comprised two members, Ms. Yu Yuk Ying, Vivian and Mr. Leung Wai Man, Raymond, who were independent non-executive Directors. Both of them resigned on 13 January 2004.

Mr. Shum Kai Wing and Mr. Wong Yuk Man Edmand were appointed as members of the Committee on 13 January 2004, both of them are independent non-executive Directors of the Company with effect from 13 January 2004.

14. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

15. CORPORATE MATTERS

On 24 October 2003, WYP Holdings Limited (“WYP”), the substantial shareholder of the Company, entered into a conditional Sale and Purchase Agreement with Link Wise Investments Limited (“Link Wise”), pursuant to which Link Wise agreed to purchase and WYP agreed to sell an aggregate of 636,400,000 shares (“Sale Shares”) of the Company for a total consideration of HK\$11,000,000 subject to fulfillment of certain conditions as set out in the Company’s announcement dated 3 November 2003. The Sale Shares represent 79.55% of the entire issued share capital of the Company as at the date hereof. The Sale and Purchase Agreement was completed on 27 November 2003 and the unconditional general offer made by Link Wise was closed on 22 December 2003.

16. CHANGE OF COMPANY NAME

At the Extraordinary General Meeting of the Company held on 28 January 2004, the Special Resolution in respect of the change of the Company’s name from L. P. Lammas International Limited 豐裕興業國際有限公司 to Galileo Capital Holdings Limited 嘉利盈融資控股有限公司 was duly approved by the shareholders of the Company. The Registrar of Companies in Cayman Islands issued a Certificate of Incorporation on Change of Name dated 30 January 2004 and the Registrar of Companies in Hong Kong issued a Certificate of Registration on Change of Name of Oversea Company dated 4 March 2004.

By order of the Board
Galileo Capital Holdings Limited
Kan Siu Lun
Director

Hong Kong, 16 March 2004