

Annual  
Report  
2004



*Galileo Capital*

**HOLDINGS LIMITED**

Listed on The Stock Exchange of Hong Kong

## **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 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 newspaper. 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 the GEM of the Stock Exchange (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates the Company in relation to the listing of its shares on the Stock Exchange. The SFC and the Stock Exchange take no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.*

*This annual report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual 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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## LEGAL NAME OF THE COMPANY

Galileo Capital Holdings Limited

## DIRECTORS

### Executive Directors

Liu Ka Lim (*Chairman*)

Kan Siu Lun (*Chief Executive Officer*)

Sun Wai Tat, Victor (*Chief Executive Officer*)

Pong Wai Yan, Louis

### Independent Non-Executive Directors

Shum Kai Wing

Wong Yuk Man, Edmand

## AUDIT COMMITTEE

Shum Kai Wing

Wong Yuk Man, Edmand

## COMPANY SECRETARY

Ng Suk Fan

## COMPLIANCE OFFICER

Kan Siu Lun

## QUALIFIED ACCOUNTANT

Ng Suk Fan

## AUTHORIZED REPRESENTATIVES

Liu Ka Lim

Kan Siu Lun

## REGISTERED OFFICE

Century Yard, Cricket Square

Hutchins Drive, P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19th Floor, Club Lusitano

16 Ice House Street, Central

Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd

Butterfield House, Fort Street

P.O. Box 705, George Town

Grand Cayman, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited

G/F., Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

## PRINCIPAL BANKERS

Bank of China

DBS Bank (Hong Kong) Limited

## STOCK CODE

8029

## FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (the “Group”) recorded a turnover of HK\$4,339,022 for the year ended 31st March, 2004
- Gross profit was HK\$2,182,948 for the year ended 31st March, 2004
- Loss attributable to shareholders was HK\$2,382,868 for the year ended 31st March, 2004
- The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2004
- As at 31st March, 2004, the Group had cash on hand and in banks amounting to HK\$1,885,294

## CHAIRMAN'S STATEMENT

Hong Kong went through one of the most challenging periods in its recorded history last year. Similar to many companies providing financial and investment services in the Greater China region, the Group was clearly affected by the sluggish global economy and weak investor sentiments. The only silver lining behind the dark cloud was the resilience of the China economy despite the twin scourge of the Iraqi war and SARS crisis. Before local confidence has reached its lowest ebb, China has since May 2003 taken a number of new and supportive initiatives in boosting Hong Kong's economy such as the easing of restrictions for mainland tourists to visit Hong Kong under the Individual Visa Scheme, the Closer Economic Partnership Arrangement (CEPA), and the RMB business for banks in Hong Kong. These measures not only contributed decisively to a strong recovery of the business and tertiary sectors, they would, in the medium term, spur a deeper integration between Hong Kong and the developing economic regions of South and Central China. As a premium provider of financial services, the Group is well-positioned to benefit from the enormous growth of new business opportunities in the PRC market with the lowering of entry barriers to China under WTO. I am pleased to report the Group has managed to generate a profit of HK\$278,967 for the fourth quarter in this financial year despite the written off of fixed assets of approximately HK\$550,000.

While the Group is committed to its long term objectives of servicing Greater China area companies with financing needs, it is recognized that the Hong Kong market remains highly competitive for the finance industry. Continuing efforts have been and will be applied to improving the use of management and human resources so as to enable the Group to respond promptly to new business challenges in the near future. In this connection, I would like to express my appreciation for the staff of the Group for their dedication and understanding during the difficult year. They not only have been putting up with the disruptions and unexpected changes but also shown considerable commitment to excellence during the transition.

Finally, on behalf of the Board of Directors, I would like to express our gratitude to the Group's clients, our business partners and shareholders for their unwavering support over the past year.

**Liu Ka Lim**

*Chairman*

Hong Kong

25th June, 2004

## FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$4,340,000 for the year ended 31st March, 2004, representing an increase of 24.7% over last year's turnover of approximately HK\$3,480,000. As a result of a continuing cost control policy, the cost of services for the whole year has decreased from HK\$2,705,749 to HK\$2,156,074, a reduction of more than 20%. Administrative and general expenses likewise have shown a significant reduction of 36% to HK\$4,052,363 for the same period. For this reason, the net loss attributable to shareholders for the year ended 31st March, 2004 was HK\$2,382,868, a decrease of nearly 60% from that of last year at HK\$5,843,512.

Notwithstanding the difficult operating conditions in Hong Kong last year, we believe the Group has managed to achieve a sterling performance under a new management team. Our twin foci of pursuing higher turnover by expanding financial services while conserving operating cost will yield fruits when economic recovery gathers pace later this year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2004, the Group's net tangible assets amounted to approximately HK\$1,342,000 and net current assets amounted to approximately HK\$1,816,000. The Group had approximately HK\$1,885,000 cash on hand and bank balances, which was declined from approximately HK\$4,259,000 in the previous year primarily due to further loss incurred in the year. Total current liabilities of the Group were about HK\$819,000 as at the balance sheet date (2003: HK\$761,000), comprised of bank overdraft of HK\$6,000 and accruals. In addition, a loan advance of approximately HK\$1,401,000 from an executive director. The Group had neither any outstanding secured borrowing nor created any mortgage or charge on the Group's assets. Since the Group's assets and liabilities are mainly denominated in Hong Kong dollars, the Directors does not consider that the Group is significantly exposed to any material foreign currency exchange risk and thereby no related hedges were made by the Group.

## GEARING RATIO

The Group's gearing ratio, which was derived from the ratio of total borrowings to shareholders' funds was 100% (2003: 31.5%), such increase was due to further loss incurred in the current financial year.

## CAPITAL STRUCTURE

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

## MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR

The Group disposed four of its 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 during the year.

## EMPLOYEES INFORMATION

The total number of employees was 8 as at 31st March 2004 (31st March 2003: 21), and the total remuneration for the year 2004 was about HK\$2,379,000 (2003: HK\$2,816,000). The remuneration policy of the Group is reviewed and approved by the Board. Discretionary bonus is linked to performance of the individual specific to each case.

## CHARGES ON GROUP ASSETS

During the years ended 31st March 2004 and 2003, none of the Group's assets has been charged.

## CONTINGENT LIABILITIES

As at 31st March 2004, the Group had no contingent liabilities.

## SEGMENTAL INFORMATION

Segmental information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. Summary of the business segments is as follows:

- (a) the business brokerage and fund raising services segment provides services in connection with middle market mergers and acquisitions, and fund raising activities; and
- (b) the business consultancy services segment provides services to assist clients on various business or management issues.

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



## DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31st March 2004.

## BUSINESS REVIEW

In 2003, whilst Hong Kong's deflationary economy was still undergoing structural changes, the weak demand for financial services prompted the Board to critically assess the Group's corporate strategy and longer term business objectives. China with an insatiable appetite for sophisticated financial services and investment products remains the market of the future. Enterprise reform is the driving force behind the demand for a variety of financing vehicles which the domestic banks are currently unable to satisfy. In this connection, Hong Kong has increasingly been recognized as the indispensable destination of choice for mainland companies seeking funds through the capital market. At the same time, WTO membership has lowered entry barriers for institutional investors and international funds to take equity stakes in PRC enterprises with good potential for growth.

With a new shareholding structure and strong management team in place, the Group is able now to broaden the scope and volume of our business activities. Instead of focusing mainly on M&A advisory services to small and medium enterprises, the Group has in-house expertise to offer a wider range of financial products to clients in the greater China region. These services range from industry research, due diligence of potential investors' acquisition targets, access to funding sources through credit financing, mergers and acquisitions, corporate restructuring, asset disposal, rights issue, placing, and IPOs.

In order to better reflect the new identity of the Company, the shareholders have voted to change the name of the Group to Galileo Capital Holdings Limited in an Extraordinary General Meeting dated 28th January, 2004.

### Enterprise Asset and Equity Market Place

Following the disposal of four of the Group's 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, business activities in this area have been significantly reduced and is not considered part of the Group's core business for the period under review.

### Cost Rationalization

As a response to the continuing economic doldrums during 2003, the Group has made further progress in improving the efficient usage of its financial and human resources. Cost control measures have led to a significant reduction of the cost of services provided from HK\$2,705,749 to HK\$2,156,074. Further decrease in expenditure is expected in the coming year as the Group has adopted a new remuneration policy to take into account the employees' performance in specific assignments.

## BUSINESS DEVELOPMENT

The Group's sustained efforts to build up a presence in strategic locations in China have achieved a major breakthrough. In June 2004, the Hangzhou government has approved the Group in setting up a representative office in the municipality. This office will be responsible for promoting the Group's professional services to the local enterprises in Hangzhou and the surrounding areas, assisting them in corporate restructuring and raising capital for expansion. Hangzhou is situated in the most dynamic region of East China with a population of nearly 6.5 million. It is the capital of Zhejiang Province which as a province has one of the highest GDP in all China. The Group is committed to consider new offices in other locations or strategic alliances with PRC partners in line with the growth of our business volume and client base in mainland China.

Another area which the Group has identified strong potential for diversification is in asset management. China is poised to open up its asset management industry under WTO although the actual size is relatively small. Indeed, approval is obtained in June 2004 from the Cayman Islands authorities to establish an asset management vehicle as a wholly-owned subsidiary of the Group. This new subsidiary will provide service to institutions and professional investors outside Hong Kong.

## OUTLOOK

Since the first quarter of 2004, the Chinese economy has shown signs of imbalance and overheating. This is mainly due to the over-investment in fixed assets leading to severe shortages in commodities and raw material. Sectors affected include property, motor vehicle, steel, cement and other construction materials. Energy shortage and traffic congestion have also intensified in the major industrial regions across the country. The Central Government has therefore applied selective measures to dampen the unhealthy investment growth.

Preliminary economic indicators have shown that the government's efforts to slow down the economy were making progress. Industrial output on a year-to-year basis rose to a record level of 19.1% in April but since then has come down to 17.5% in May 2004. If the reduction in the excessive expansion of fixed assets, money supply and bank credit continues, the Chinese economy is due for a soft-landing. This should be seen as a healthy development in the longer term as quality companies will emerge stronger in the process. Furthermore, foreign investors have not scaled back their investments in China despite government measures to cool the economy.

## OUTLOOK AND DEVELOPMENT

With nearly 30% of the market capitalization, Hong Kong is fully acknowledged as the preferred place for overseas listings of mainland enterprises. Funds to be raised this year alone through initial public offerings (IPOs) in the greater China stock markets are expected to outweigh the U.S. market. Despite the recent austerity measures and a possible hike in interest rates, the PRC authorities are still encouraging domestic enterprises to seek overseas equity injection as the process will introduce better accounting standards, management techniques, corporate governance and increase transparency. The momentum of growth is likely to continue as China's state and private enterprises are either in the process of restructuring or seeking overseas funding to finance their expansion plans. Hong Kong has recently seen a number of high profile IPOs notwithstanding the recent market volatility. This is a good indication that there is huge demand for capital from qualified mainland enterprises. Perversely, the curb on credit expansion in the mainland may generate a greater interest among potential listing candidates to seek funding in Hong Kong.

Another encouraging development in the capital market is the concentration of asset management resources and expertise in Hong Kong. China is a decisive factor as more and more PRC related companies are listed and traded in the local stock market. The other reason is the Hong Kong government's determination to promote the territory as a hub for the asset management industry. A new tax law will be brought forward in due course which would have the effect of exempting local funds from paying profit tax if certain conditions are met. This legislative amendment would bring Hong Kong in line with major international financial centres such as New York and London where substantial funds are managed or traded on behalf of both local and offshore institutional investors. The Group is therefore keen to broaden its client base and believes that asset management service is both complementary and incidental to the Group's current scope of business.

Apart from an asset management licence in Cayman Islands, an application for a similar licence in Hong Kong would also be studied in due course. It is expected that the provision of the twin pillars of Corporate Finance and Asset Management services will enable the Group to build a strong foundation to serve clients in the greater China region who may require assistance in their financing or investment activities.

## PROGRESS AGAINST BUSINESS OBJECTIVES

Set out below is a comparison between the Group's actual business progress to date and its business objectives as set out in the Prospectus.

From 1st April, 2003 to 31st March, 2004

### **Business objectives as set out in the Prospectus:**

(1) Enhanced capability and capacity

Increase the number of staff in the valuation and research team from about 15

(2) Implement and develop artificial intelligence ("AI") and other advance technologies

(3) Establish alliances and collaborative customers in targeted sectors

(4) Geographical expansion and establishment of franchise/affiliate system

(5) Brand building

### **Actual business progress to date:**

The need for a larger research team is no longer an urgent issue as the Group can outsource required specialists as and when necessary. Hence, only two staff members were assigned to handle this function, no additional staff was recruited.

Client response to the new products during the year was lukewarm. It was decided additional investment should be discontinued until further notice. Therefore, Opphunt.com, the portal for our AI services was disposed during the year.

The Group will continue to identify suitable professional firms and individuals in the PRC to enhance synergism for a broader range of financial services.

The Hangzhou representative office and the asset management wholly-owned subsidiary have been set up are designed to achieve this business objective.

Establishing the Group's presence in strategic locations would lead to a greater awareness of the Group's brand in the market place.

## EXECUTIVE DIRECTORS

**Mr. Liu Ka Lim, Louis**, aged 48, joined the Group in January 2004 as the Chairman of the Company. He has over 15 years of professional experience in the fields of finance and accounting. Mr. Liu is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Liu is currently the Chairman of Wonderful World Holdings Limited, the shares of which are listed on the main board of the Stock Exchange.

**Mr. Kan Siu Lun, Philip**, aged 49, is the Chief Executive Officer of the Company. Mr. Kan has over 20 years of commercial experience. Currently, he is a non-executive Director of a public company listed in Hong Kong; he also serves as the Senior Adviser to the Board of Directors of another public company in Hong Kong. Prior to joining the Group in 2000, Mr. Kan held senior management position with the First Pacific Bank, HSBC, and Compaq Computer Limited where he served various clients of the Greater China region.

Mr. Kan obtained his MBA from the Henley Management College, Brunel University, UK. Mr. Kan also holds Fellow Membership of The Chartered Institute of Management (FCIM), and Institute of Management Services (FMS) UK.

**Mr. Sun Wai Tat, Victor**, aged 51, is the Chief Executive Officer of the Company. Mr. Sun has had extensive experience in banking and China business. Prior to joining the Group in April 2004, Mr. Sun was a Senior Consultant in Fiducia Limited in Hong Kong for 2 years. From 1977 to 2002, he has served the HSBC Group in various capacities both in their investment and commercial banking divisions. Before returning to Hong Kong in 2001, Mr. Sun was the Adviser of China Affairs of HSBC Holdings plc in London.

Mr. Sun obtained his BA degree in Financial Management from the University of Oregon and his MBA degree from University of Michigan.

**Mr. Pong Wai Yan, Louis**, aged 34, is the ex-chairman and director of the Company. Mr. Pong has extensive experience in equity financing, negotiation and completion of M&A and Restructuring transactions. He has worked for various international organisations in different countries and has been serving as advisors to many different corporations both in the U.S. and in Hong Kong, including Fortune 500 and listed companies.

Mr. Pong holds a Bachelor's degree in Commerce, majoring in Accounting from the University of British Columbia, Canada. He received a Master of Arts Degree in International Relations from the University of Flinders, Australia.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Shum Kai Wing**, aged 39, joined the Group as an independent non-executive director on 13th January, 2004. He graduated from City University of Hong Kong with a Bachelor degree of Accountancy in 1992. Mr. Shum is a fellow member of Chartered Association of Certified Accountants and an associate member of Hong Kong Society of Accountants and has over 13 years' accounting experience in commercial sectors.

**Mr. Wong Yuk Man, Edmand**, aged 47, joined the Group as an independent non-executive director on 13th January, 2004. Mr. Wong is a holder of Bachelor degree of Arts from the University of British Columbia. He has held various key communications roles in government agencies, the Hong Kong Jockey Club, and a major international charity.

## **QUALIFIED ACCOUNTANT**

Miss Ng Suk Fan, aged 33, joined the Group on 12 March 2004 as an accountant. Miss Ng holds a master degree in International Accounting from the City University of Hong Kong and is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. She has 9 years' experiences in accounting, auditing and taxation field.

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 31st March, 2004.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 12 to the financial statements.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 28th January, 2004, the name of the Company was changed 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.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 22.

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 past five financial years is set out on page 50.

## CHANGES IN SUBSTANTIAL SHAREHOLDERS

Following the completion of the mandatory unconditional cash offer made by Link Wise Investments Limited (“Link Wise”) on 27th November, 2003, Link Wise and parties acting in concert with Link Wise became the controlling shareholders of the Company. Details of the substantial shareholders as at 31st March, 2004 are disclosed under the Section headed “Substantial Shareholders”.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$1,021,357 on property, plant and equipment mainly because of the relocation of the Group's principal office. Property, plant and equipment with aggregate net book value of HK\$550,935 and HK\$41,376 were written off during the relocation and disposed of respectively. In addition, property, plant and equipment with aggregate net book value of HK\$42,630 were disposed of as a result of disposal of subsidiaries.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the authorised and issued share capital and share options of the Company during the year are set out in notes 15 and 16 respectively to the 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 31st March, 2004, the Company did not have any reserves available for distribution.

Details of movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 25.



## 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. Liu Ka Lim	(appointed on 13th January, 2004)
Mr. Kan Siu Lun	
Mr. Pong Wai Yan, Louis	
Mr. Sun Wai Tat, Victor	(appointed on 8th May, 2004)
Mr. Yu Yan Chun	(resigned on 13th January, 2004)

Non-executive director:

Dr. Chan Man Hung	(resigned on 13th January, 2004)
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Independent non-executive directors:

Mr. Shum Kai Wing	(appointed on 13th January, 2004)
Mr. Wong Yuk Man, Edmand	(appointed on 13th January, 2004)
Mr. Leung Wai Man, Raymond	(resigned on 13th January, 2004)
Ms. Yu Yuk Ying, Vivian	(resigned on 13th January, 2004)

In accordance with Article 108 and 112 of the Company's Articles of Association, Messrs. Liu Ka Lim, Sun Wai Tat, Victor, Shum Kai Wing and Wong Yuk Man, Edmand being Directors appointed after the annual general meeting held on 28th August, 2003, shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 31st March, 2004, Mr. Liu Ka Lim was deemed to have corporate interest in 636,400,000 ordinary shares (representing 79.55% of the total issued ordinary shares of the Company) which are held by Link Wise Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital in Link Wise Investments Limited is registered in the name of and is beneficially owned by Huge Profit Team Limited. The entire issued share capital in Huge Profit Team Limited is registered in the name of and is beneficially owned by Mr. Liu Ka Lim.

Save as disclosed above, and other than nominee shares in certain subsidiaries held in trust for the Group, none of the Company's directors nor their associates, as at 31st March, 2004, has any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will be required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 324 and 347 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provision of the SFO); or (b) pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) to notify to the Company and the Stock Exchange as required in Rule 5.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 to the financial statements, no contracts of significance to which the Company 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 21 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed above in respect of a corporate interest beneficially held by Mr. Liu Ka Lim, a director of the Company, none of the directors, as at 31st March, 2004, is aware of any person who has interests or short positions in any shares or underlying shares which will be required to be disclosed pursuant to Rule 18.17B of the GEM Listing Rules, or to be recorded pursuant to Section 336 of the SFO in the register referred to therein.

## 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

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.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the services provided to the Group's largest client and five largest clients accounted for 60% and 98% 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 who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers.

## **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.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year ended 31st March, 2004.

## **PRE-EMPTIVE RIGHTS**

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

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Committee") on 29th November, 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. During the year, the Committee comprised two members, Ms. Yu Yuk Ying, Vivian and Mr. Leung Wai Man, Raymond, up to 13th January, 2004 when both of them resigned as independent non-executive directors. Mr. Shum Kai Wing and Mr. Wong Yuk Man, Edmand were appointed as members of the Committee on 13th January, 2004, both of them are independent non-executive directors of the Company with effect from that date.

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. Five audit committee meetings were held during the year.

The Group's financial statements for the year ended 31st March, 2004 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.

## AUDITORS

Messrs. Ernst & Young, who acted as auditors of the Company for the past three years, resigned as auditors of the Company and Messrs. Deloitte Touche Tohmatsu were appointed in their place.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Liu Ka Lim**

*Chairman*

Hong Kong

25th June, 2004

## **Deloitte.** 德勤

**TO THE SHAREHOLDERS OF**  
**GALILEO CAPITAL HOLDINGS LIMITED 嘉利盈融資控股有限公司**  
(Formerly known as L.P. Lammas International Limited 豐裕興業國際有限公司)  
(*incorporated in the Cayman Islands with limited liability*)

We have audited the financial statements on pages 22 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## **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 31st March, 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

25th June, 2004

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2004

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
Turnover	4	<b>4,339,022</b>	3,480,193
Direct costs		<b>(2,156,074)</b>	(2,705,749)
<hr/>			
Gross profit		<b>2,182,948</b>	774,444
Other operating incomes		<b>194,672</b>	141,858
Administrative expenses		<b>(4,052,363)</b>	(6,332,672)
Other operating expenses		<b>(602,502)</b>	(334,889)
<hr/>			
Loss from operations	6	<b>(2,277,245)</b>	(5,751,259)
Loss on disposal of subsidiaries	18	<b>(65,053)</b>	–
Finance costs	7	<b>(40,570)</b>	(92,253)
<hr/>			
Loss for the year		<b>(2,382,868)</b>	(5,843,512)
<hr/>			
Loss per share – Basic	10	<b>HK0.3 cents</b>	HK0.7 cents



# CONSOLIDATED BALANCE SHEET

At 31st March, 2004

	<i>Notes</i>	<b>2004</b> <b>HK\$</b>	2003 <i>HK\$</i>
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	<i>11</i>	<b>926,621</b>	951,873
<b>CURRENT ASSETS</b>			
Trade receivables	<i>13</i>	<b>620,000</b>	92,810
Prepayments, deposits and other receivables		<b>129,743</b>	354,121
Bank balances and cash		<b>1,885,294</b>	4,259,194
		<b>2,635,037</b>	4,706,125
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>813,163</b>	760,956
Unsecured bank overdrafts		<b>5,702</b>	–
		<b>818,865</b>	760,956
<b>NET CURRENT ASSETS</b>		<b>1,816,172</b>	3,945,169
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,742,793</b>	4,897,042
<b>NON-CURRENT LIABILITY</b>			
Amounts due to directors	<i>14</i>	<b>1,401,178</b>	1,172,559
		<b>1,341,615</b>	3,724,483
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>15</i>	<b>16,000,000</b>	16,000,000
Reserves		<b>(14,658,385)</b>	(12,275,517)
		<b>1,341,615</b>	3,724,483

The financial statements on pages 22 to 49 were approved and authorised for issue by the Board of Directors on 25th June, 2004 and are signed on its behalf by:

**Liu Ka Lim**  
*Director*

**Sun Wai Tat, Victor**  
*Director*

# BALANCE SHEET

At 31st March, 2004

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
<b>NON-CURRENT ASSET</b>			
Interests in subsidiaries	<i>12</i>	<b>437,362</b>	3,822,816
<b>CURRENT ASSET</b>			
Bank balances		<b>5,000</b>	–
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>38,501</b>	98,333
Amount due to a subsidiary		<b>2,600</b>	–
		<b>41,101</b>	98,333
<b>NET CURRENT LIABILITIES</b>		<b>(36,101)</b>	(98,333)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>401,261</b>	3,724,483
<b>NON-CURRENT LIABILITY</b>			
Amount due to directors	<i>14</i>	<b>385,640</b>	–
		<b>15,621</b>	3,724,483
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>15</i>	<b>16,000,000</b>	16,000,000
Reserves		<b>(15,984,379)</b>	(12,275,517)
		<b>15,621</b>	3,724,483

**Liu Ka Lim**  
*Director*

**Sun Wai Tat, Victor**  
*Director*

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2004

	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$ (Note a)	Merger deficit HK\$ (Note b)	Accumulated losses HK\$	Total HK\$
<b>THE GROUP</b>						
At 1st April, 2002	16,000,000	8,095,956	–	(119,998)	(14,407,963)	9,567,995
Loss for the year	–	–	–	–	(5,843,512)	(5,843,512)
At 31st March, 2003	16,000,000	8,095,956	–	(119,998)	(20,251,475)	3,724,483
Loss for the year	–	–	–	–	(2,382,868)	(2,382,868)
<b>At 31st March, 2004</b>	<b>16,000,000</b>	<b>8,095,956</b>	<b>–</b>	<b>(119,998)</b>	<b>(22,634,343)</b>	<b>1,341,615</b>
<b>THE COMPANY</b>						
At 1st April, 2002	16,000,000	8,095,956	367,874	–	(14,895,835)	9,567,995
Loss for the year	–	–	–	–	(5,843,512)	(5,843,512)
At 31st March, 2003	16,000,000	8,095,956	367,874	–	(20,739,347)	3,724,483
Loss for the year	–	–	–	–	(3,708,862)	(3,708,862)
<b>At 31st March, 2004</b>	<b>16,000,000</b>	<b>8,095,956</b>	<b>367,874</b>	<b>–</b>	<b>(24,448,209)</b>	<b>15,621</b>

*Notes:*

- a. 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 capital of the Company issued in exchange therefor.
- b. The merger deficit of the Group represents the difference between the nominal value of the shares of acquired subsidiaries over the nominal value of the share capital of the Company issued in exchange therefor.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004

	<i>Note</i>	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
<b>OPERATING ACTIVITIES</b>			
Loss for the year		<b>(2,382,868)</b>	(5,843,512)
Adjustments for:			
Depreciation of property, plant and equipment		<b>411,668</b>	460,023
Interest expense		<b>40,570</b>	92,253
Interest income		<b>(6,544)</b>	(64,273)
Loss on disposal of subsidiaries		<b>65,053</b>	–
Write off of property, plant and equipment		<b>550,935</b>	–
Loss on disposal of property, plant and equipment		<b>32,890</b>	8,743
<hr/>			
Operating cash flows before movements in working capital		<b>(1,288,296)</b>	(5,346,766)
(Increase) decrease in trade receivables, prepayment, deposits and other receivables		<b>(428,310)</b>	1,301
Increase (decrease) in accruals and other payables		<b>352,207</b>	(133,591)
<hr/>			
Net cash used in operations		<b>(1,364,399)</b>	(5,479,056)
Interest received		<b>6,544</b>	64,273
<hr/>			
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(1,357,855)</b>	(5,414,783)
<hr/>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(1,021,357)</b>	(606,030)
Bank balance and cash disposed of upon disposal of subsidiaries	<i>18</i>	<b>(196,925)</b>	–
Proceeds from disposal of property, plant and equipment		<b>8,486</b>	1,598
<hr/>			
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,209,796)</b>	(604,432)
<hr/>			
<b>FINANCING ACTIVITIES</b>			
Repayment of amount due to a director		<b>(1,172,559)</b>	–
Interest paid		<b>(40,570)</b>	–
Advance from a director		<b>1,401,178</b>	116,554
<hr/>			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>188,049</b>	116,554

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004

	<i>Note</i>	<b>2004</b> <b>HK\$</b>	2003 <b>HK\$</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<b>(2,379,602)</b>	(5,902,661)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<b>4,259,194</b>	10,161,855
<hr/>			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<b>1,879,592</b>	4,259,194
<hr/>			
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<b>1,885,294</b>	4,259,194
Unsecured bank overdrafts		<b>(5,702)</b>	–
<hr/>			
		<b>1,879,592</b>	4,259,194
<hr/>			

# NOTES TO FINANCIAL STATEMENTS

*For the year ended 31st March, 2004*

## 1. GENERAL

The Company was incorporated in the Cayman Islands on 11th July, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Huge Profit Team Limited, incorporated in British Virgin Islands.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 12.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (the “HKFRS”) issued by the Hong Kong Society of Accountants (the “HKSA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP”) and Interpretations approved by the HKSA:

### **SSAP 12 (Revised) “Income taxes”**

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Revenue recognition**

Services incomes are recognised when services are rendered, on an accrual basis and in accordance with the terms of the underlying agreements and mandates.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less 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, using the straight-line method, at the following rates per annum:

Motor vehicles	20%
Computer equipment	30%
Office equipment	20%
Furniture and fixtures	20%

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Property, plant and equipment** *(continued)*

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### **Impairment**

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

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

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 3. 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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group 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 profit 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 realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

### Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

## 4. TURNOVER

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

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Business brokerage and fund raising services	<b>3,604,022</b>	3,120,193
Business consultancy services	<b>735,000</b>	360,000
	<b>4,339,022</b>	3,480,193

## 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. Summary of the business segments is as follows:

- (a) the business brokerage and fund raising services segment provides services in connection with middle market mergers and acquisitions, and fund raising activities; and

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 5. SEGMENT INFORMATION *(continued)*

- (b) the business consultancy services segment provides services to assist clients on various business or management issues.

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

### Business segments

The following table presents revenue and loss for the Group's business segments.

#### The Group

	Business		Business		Consolidated	
	brokerage and fund		consultancy services			
	raising services					
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover – external	<b>3,604,022</b>	3,120,193	<b>735,000</b>	360,000	<b>4,339,022</b>	3,480,193
Segment results	<b>(1,033,469)</b>	(4,813,984)	<b>98,462</b>	(547,860)	<b>(935,007)</b>	(5,361,844)
Other operating incomes					<b>194,672</b>	141,858
Unallocated expenses					<b>(1,642,533)</b>	(623,526)
Loss for the year					<b>(2,382,868)</b>	(5,843,512)

Analyses of the assets and liabilities of the business segments have not been prepared as most of the Group's assets and liabilities are unallocated. Accordingly, the directors consider that such information is not meaningful or representative for the purpose of the financial statements.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 5. SEGMENT INFORMATION *(continued)*

### Geographical segments

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

#### The Group

	Hong Kong		Mainland China		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover – external	<b>4,108,500</b>	2,805,050	<b>230,522</b>	675,143	<b>4,339,022</b>	3,480,193

	Hong Kong		Mainland China		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

Other segment information:

Segment assets	<b>3,561,658</b>	5,087,966	–	570,032	<b>3,561,658</b>	5,657,998
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Capital expenditure	<b>1,021,357</b>	575,933	–	30,097	<b>1,021,357</b>	606,030
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# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 6. LOSS FROM OPERATIONS

	2004 HK\$	2003 HK\$
Loss from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note 8</i> )	909,118	1,366,713
Other staff costs ( <i>Note</i> )	1,641,464	2,815,855
Retirement benefit scheme contributions, excluding directors	34,399	105,171
<hr/>		
Total staff costs	2,584,981	4,287,739
Allowance for bad and doubtful debts	–	324,049
Auditors' remuneration	200,000	135,000
Depreciation	411,668	460,023
Write off of property, plant and equipment	550,935	–
Loss on disposal of property, plant and equipment	32,890	8,743
and after crediting:		
Interest income	6,544	64,273
<hr/>		

*Note:* An amount of HK\$1,033,594 (2003: HK\$1,541,080) was included in direct cost.

## 7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on:		
Amount due to a director	40,368	92,253
Unsecured bank overdraft	202	–
<hr/>		
	40,570	92,253
<hr/>		

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Executive directors:		
Directors' fee	–	–
Salaries and other allowances	<b>879,988</b>	1,350,713
Retirement benefits scheme contributions	<b>3,000</b>	16,000
Non-executive director:		
Directors' fee	–	–
Salaries and other allowances	–	–
Retirement benefits scheme contributions	–	–
Independent non-executive directors:		
Directors' fee	<b>26,130</b>	–
Salaries and other allowances	–	–
Retirement benefits scheme contributions	–	–
<b>Total emoluments</b>	<b>909,118</b>	1,366,713

Details of emoluments by individual are as follows:

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Executive directors:		
Mr. Kan Siu Lun	<b>858,000</b>	700,000
Mr. Pong Wai Yan, Louis	<b>24,988</b>	509,000
Mr. Yu Yan Chun	–	157,713
Independent non-executive directors:		
Mr. Shum Kai Wing	<b>13,065</b>	–
Mr. Wong Yuk Man, Edmand	<b>13,065</b>	–
	<b>909,118</b>	1,366,713

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

### (b) Employees

The five highest paid individuals included one (2003: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2003: three) individuals, which fall within the band of nil to HK\$1,000,000 for each of the two years ended 31st March, 2004, are as follows:

	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Salaries and other benefits	<b>716,098</b>	1,090,166
Retirement benefit scheme contributions	<b>26,960</b>	34,640
Compensation for loss of office	<b>53,000</b>	–
	<hr/> <b>796,058</b>	<hr/> 1,124,806

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. For the period from 1st July, 2002 to 31st March, 2004, Mr. Pong Wai Yan, Louis agreed to waive his remuneration, he is entitled to in accordance with his service contract with the Company.

## 9. TAXATION

No provision for taxation has been made in the financial statements for the year ended 31st March, 2004 since the assessable profits of certain subsidiaries are wholly absorbed by tax losses brought forward. For the year ended 31st March, 2003, the Group incurred tax losses.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st March, 2004.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 9. TAXATION *(continued)*

The taxation can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK\$	%	HK\$	%
Loss for the year	<b>(2,382,868)</b>		(5,843,512)	
Tax at Hong Kong Profits Tax rate	<b>(417,002)</b>	<b>(17.5)</b>	(934,962)	(16.0)
Tax effect of expenses that are not deductible in determining taxable profit	<b>156,096</b>	<b>11.8</b>	158,299	2.7
Tax effect of income that is not taxable in determining taxable profit	<b>(1,140)</b>	–	(10,284)	(0.2)
Tax effect of utilisation of tax losses not previously recognised	<b>(48,010)</b>	<b>(2.0)</b>	–	–
Tax effect of unused tax losses not recognised	<b>310,056</b>	<b>7.7</b>	786,947	13.5
Taxation and effective tax rate for the year	–	–	–	–

## 10. LOSS PER SHARE

The computation of the basic loss per share for the year is based on the loss for the year of approximately HK\$2,382,868 (2003: HK\$5,843,512) and on the total number of 800,000,000 (2003: 800,000,000) shares of the Company in issue during the year.

Diluted loss per share is not presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both years.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 11. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Motor vehicles HK\$	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Total HK\$
<b>COST</b>					
At 1st April, 2003	649,505	677,332	306,806	959,435	2,593,078
Additions	–	157,806	138,246	725,305	1,021,357
Released on disposal of subsidiaries	(649,505)	(118,420)	(6,748)	(18,868)	(793,541)
Write off during office relocation	–	(506,323)	(285,331)	(950,424)	(1,742,078)
Other disposals	–	(58,118)	(18,885)	(38,795)	(115,798)
<b>At 31st March, 2004</b>	<b>–</b>	<b>152,277</b>	<b>134,088</b>	<b>676,653</b>	<b>963,018</b>
<b>DEPRECIATION</b>					
At 1st April, 2003	564,245	454,938	118,885	503,137	1,641,205
Provided for the year	42,630	134,850	56,226	177,962	411,668
Released on disposal of subsidiaries	(606,875)	(118,420)	(6,748)	(18,868)	(750,911)
Eliminated on other disposals	–	(44,236)	(9,172)	(21,014)	(74,422)
Eliminated on write off	–	(421,219)	(156,794)	(613,130)	(1,191,143)
<b>At 31st March, 2004</b>	<b>–</b>	<b>5,913</b>	<b>2,397</b>	<b>28,087</b>	<b>36,397</b>
<b>NET BOOK VALUES</b>					
<b>At 31st March, 2004</b>	<b>–</b>	<b>146,364</b>	<b>131,691</b>	<b>648,566</b>	<b>926,621</b>
At 31st March, 2003	85,260	222,394	187,921	456,298	951,873

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 12. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Unlisted shares, at cost	<b>567,874</b>	567,874
Amounts due from subsidiaries	<b>15,377,362</b>	15,992,445
	<b>15,945,236</b>	16,560,319
Impairment recognised	<b>(567,874)</b>	(567,874)
Allowance for amounts due from subsidiaries	<b>(14,940,000)</b>	(12,169,629)
	<b>437,362</b>	3,822,816

Details of the Company's subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation	Form of legal equity	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held		Principal activity
				Directly %	Indirectly %	
Galileo Asset Management Limited (formerly known as Hong Kong Asset and Equity Market Limited)	Hong Kong	Limited company	HK\$10,000	-	100	Dormant
Gailileo Capital Limited (formerly known as L.P. Lammas Asia Limited)	Hong Kong	Limited company	HK\$15,500,000	-	100	Provision of business information and business brokerage services
Golden Harvest Trading Limited	Hong Kong	Limited Company	HK\$2	-	100	Provision of administrative services for the Group
Galileo Capital Group (BVI) Limited (formerly known as L.P. Lammas International (BVI) Limited)	British Virgin Islands	Limited company	US\$10,000	100	-	Investment holding

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 12. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation	Form of legal equity	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held		Principal activity
				Directly %	Indirectly %	
LPL Group Limited	Hong Kong	Limited company	HK\$10,000	-	100	Dormant
Wealth Supply International Limited	British Virgin Islands	Limited company	US\$1	-	100	Dormant

The amounts due from subsidiaries are unsecured and non-interest bearing. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current assets.

All impairment loss was recognised in previous years. In the light of the recurring operating loss of these subsidiaries and unfavourable market conditions, the directors of the Company considered that the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of its identifiable net assets and no reversal of impairment losses are necessary as at the balance sheet date.

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

## 13. TRADE RECEIVABLES

The general credit terms is seven days from the date of issue of 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 31st March, 2004, all trade receivables, net of allowances, are outstanding less than 90 days (2003: less than 90 days).

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 14. AMOUNTS DUE TO DIRECTORS

### The Group

Name of directors	Notes	2004	2003
		HK\$	HK\$
Mr. Liu Ka Lim	(i)	1,401,178	–
Mr. Pong Wai Yan, Louis	(ii)	–	1,172,559
		<b>1,401,178</b>	<b>1,172,559</b>

### The Company

Name of directors	Note	2004	2003
		HK\$	HK\$
Mr. Liu Ka Lim	(i)	385,640	–

#### Notes:

- (i) The amount is unsecured and carries interest at 1.5% per annum. However, interest for the year ended 31st March, 2004 was waived by the director. In the opinion of directors, the amount will not be repayable within twelve months from the balance sheet date. Accordingly, the amount is classified as non-current liability.
- (ii) The amount was unsecured, carried interests at 6.5% per annum and was fully repaid during the year ended 31st March, 2004.

## 15. SHARE CAPITAL

	Number of shares 2004 & 2003	Amount 2004 & 2003 HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.02 each	6,000,000,000	120,000,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.02 each	800,000,000	16,000,000

# NOTES TO FINANCIAL STATEMENTS

*For the year ended 31st March, 2004*

## 16. SHARE OPTIONS

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 has 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 29th 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 31st March, 2004, 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.

In respect of the share options to be granted after the listing of the Company’s shares on the GEM 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 GEM of the Stock Exchange (the “Pre-IPO Share Options”), the subscription price of the Pre-IPO Share Options should not be less than the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 16. SHARE OPTIONS (continued)

The movement of the Pre-IPO Share Options, granted under the Scheme, during the year ended 31st March, 2004 were as follows:

Name or category of participant	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options (Note 2) HK\$	Number of shares options		
				At 1st April, 2002 and 1st April, 2003	Cancelled during the year (Note 3)	At 31st March, 2004
<b>Executive directors</b>						
Mr. Pong Wai Yan	29th November, 2000	14th June, 2001 to 13th June, 2006	0.20	1,400,000	(1,400,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.20	1,400,000	(1,400,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.02	1,000,000	(1,000,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2008	0.20	1,400,000	(1,400,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2008	0.02	1,400,000	(1,400,000)	–
				6,600,000	(6,600,000)	–
Mr. Kan Siu Lun	29th November, 2000	14th June, 2001 to 13th June, 2006	0.20	1,200,000	(1,200,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.20	1,200,000	(1,200,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.02	800,000	(800,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2008	0.20	1,200,000	(1,200,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2008	0.02	1,200,000	(1,200,000)	–
				5,600,000	(5,600,000)	–
Mr. Yu Yan Chun	29th November, 2000	14th June, 2001 to 13th June, 2006	0.20	400,000	(400,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.20	400,000	(400,000)	–
				800,000	(800,000)	–
<b>Senior management and other employees</b>						
In aggregate	29th November, 2000	14th June, 2001 to 13th June, 2006	0.20	1,000,000	(1,000,000)	–
	29th November, 2000	14th June, 2001 to 13th June, 2007	0.20	800,000	(800,000)	–
				1,800,000	(1,800,000)	–

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 16. SHARE OPTIONS *(continued)*

No share option was granted or exercised during the year ended 31st March, 2004.

Notes:

1. The vesting period of the share options was from the date of the grant until the commencement of the exercise period.
2. The exercise price of the share option was subject to adjustment in the case of rights or bonus issue or other similar changes in the Company's share capital.
3. During the year ended 31st March, 2004, all share option holders agreed to cancel their outstanding options at a nominal consideration pursuant to an offer made by Link Wise Investments Limited, the current immediate holding company of the Company.

## 17. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	<b>Accelerated tax depreciation</b> <i>HK\$</i>	<b>Tax losses</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1st April, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	(92,316)	92,316	–
– as restated	(92,316)	92,316	–
Credit (Charge) to income statement for the year	(20,748)	20,748	–
At 31st March, 2003	(113,064)	113,064	–
Credit (Charge) to income statement for the year	42,556	(42,556)	–
Disposal of subsidiaries	897	(897)	–
Effect of change in tax rate	(10,600)	10,600	–
Net Credit (Charge) to income statement for the year	32,853	(32,853)	–
<b>At 31st March, 2004</b>	<b>(80,211)</b>	<b>80,211</b>	<b>–</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 17. DEFERRED TAX *(continued)*

For the purpose of balance sheet presentation, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Deferred tax liabilities	<b>(80,211)</b>	(113,064)
Deferred tax assets	<b>80,211</b>	113,064
	<hr/> <b>—</b>	<hr/> <b>—</b>

At 31st March, 2004, the Group has unused tax losses of approximately HK\$18,590,000 (2003: HK\$17,093,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$458,000 (2003: HK\$707,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$18,132,000 (2003: HK\$16,386,000) due to the unpredictability of future profit streams.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 18. DISPOSAL OF SUBSIDIARIES

	<b>2004</b>
	<b>HK\$</b>
Net assets disposed of:	
Property, plant and equipment	42,630
Trade and other receivables	195,502
Bank balances and cash	196,925
Accruals and other payables	(300,000)
	<hr/>
	135,057
Loss on disposal	(65,053)
	<hr/>
Total consideration	70,004
	<hr/>
Satisfied by:	
Consideration receivable	70,004
	<hr/>
Net cash outflow arised on disposal:	
Bank balances and cash disposed of	(196,925)
	<hr/>

The amount of consideration receivable is non-interest bearing. In the opinion of directors, the amount will be settled within twelve months from the balance sheet date. Accordingly, the amount of consideration receivable is included in prepayment, deposits and other receivables.

The subsidiaries disposed of during the year contributed HK\$230,522 (2003: HK\$381,759) to the Group's turnover and HK\$292,235 (2003: HK\$179,659) to the Group's loss from operations.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 19. OPERATING LEASE COMMITMENTS

The Group made approximately HK\$706,361 (2003: HK\$686,856) minimum lease payments under operating leases during the year in respect of office premises.

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

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	594,864	576,267
In the second to fifth year inclusive	1,090,584	111,900
	<hr/>	<hr/>
	1,685,448	688,167

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

At 31st March, 2004, the Company had no other commitments under non-cancellable operating lease (2003: Nil).

## 20. 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 from those of the Group in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll cost or HK\$1,000 for each of its employees to the Scheme, which contribution is matched by the employees.

# NOTES TO FINANCIAL STATEMENTS

*For the year ended 31st March, 2004*

## **21. RELATED PARTY TRANSACTIONS**

During the year, the Group charged Ice House Fur Trading Limited (“Ice House Fur”, formerly known as Pacific Power Communication Limited) in which, Mr. Pong Wai Yan, Louis, a director of the Company, had a beneficial interest, for the provision of management services to Ice House Fur. The amount received for the year ended 31st March, 2004 were approximately HK\$40,000 (2003: Nil).

The directors have represented that the above transaction was undertaken in the ordinary course of business and terms were mutually agreed between the Group and Ice House Fur.

Save as disclosed above and the amounts due to directors disclosed in note 14, there were no other transactions with related parties during the year ended 31st March, 2004 or balances with them at 31st March, 2004.

## SUMMARY OF THE CONSOLIDATED/COMBINED RESULTS

	For the year ended 31st March,				
	2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	8,035,363	3,786,885	2,925,619	3,480,193	<b>4,339,002</b>
Profit (loss) before taxation	5,029,021	(4,582,706)	(10,512,530)	(5,843,512)	<b>(2,382,868)</b>
Taxation	(600,000)	(41,834)	–	–	–
Net profit (loss) for the year	4,429,021	(4,624,540)	(10,512,530)	(5,843,512)	<b>(2,382,868)</b>

## SUMMARY OF THE CONSOLIDATED/COMBINED ASSETS AND LIABILITIES

	As at 31st March,				
	2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	4,209,932	21,437,893	11,426,294	5,657,998	<b>3,561,658</b>
Total liabilities	3,400,823	1,357,368	1,858,299	1,933,515	<b>2,220,043</b>
Shareholders' funds	809,109	20,080,525	9,567,995	3,724,483	<b>1,341,615</b>

*Notes:*

1. The summary of the combined results of the Group for the year ended 31st March, 2000 has been extracted from the Company's prospectus dated 5th December, 2000 and was prepared based on the audited financial statements of the companies comprising the Group as if the structure of the Group had been in existence throughout that financial year.
2. The summary of the assets and liabilities of the Group as at 31st March, 2000 and 2001 are extracted from the published audited financial statements for the year ended 31st March, 2001, prepared on the basis as if the structure of the Group had been in existence at both dates.