



Galileo Capital Holdings Limited Listed on The Stock Exchange of Hong Kong

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Quarterly Report
2004





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 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 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 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 report.

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

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HIGHLIGHTS FOR THE THREE-MONTH PERIOD

- Turnover of the Group was HK\$120,000 for the three months ended 30 June 2004, representing a decrease of approximately 55% from the corresponding period last year.
- For the three months ended 30 June 2004, gross profit of the Group was HK\$60,000 as compared to the gross loss of HK\$193,603 recorded in the corresponding period last year.
- Net loss for the three months ended 30 June 2004 amounted to approximately HK\$685,000.
- Loss per share for the three months ended 30 June 2004 is HK0.09 cents.
- The Board of the Company does not recommend the payment of an interim dividend for the three months ended 30 June 2004.



CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2004 (UNAUDITED)

The Board of Directors (the "Board") of Galileo Capital Holdings Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

	Notes	For the three months ended 30 June	
		2004 HK\$ Unaudited	2003 HK\$ Unaudited
Turnover	2	120,000	266,389
Cost of services provided		(60,000)	(459,992)
Gross profit/(loss)		60,000	(193,603)
Other operating income		5,720	50,944
Administrative and general expenses		(720,105)	(1,073,924)
Other operating expenses		(30,213)	(28,308)
Loss from operations		(684,598)	(1,244,891)
Finance costs		–	(25,874)
Loss before taxation		(684,598)	(1,270,765)
Taxation	3	–	–
Net loss from ordinary activities attributable to shareholders		(684,598)	(1,270,765)
Loss per share			
Basic	4	HK(0.09 cents)	HK(0.2 cents)
Diluted	4	N/A	N/A

4 NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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

Service incomes are recognized on an accrual basis when services are rendered or on success basis depending on the terms of the underlying agreements and mandates.

3. Taxation

Hong Kong profits tax has not been provided for the three months ended 30 June 2004 and the corresponding period in 2003 as the Group did not generate any assessable profits in Hong Kong during these periods. No provision for overseas income tax has been provided for the three months ended 30 June 2004 and the corresponding period in 2003 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 30 June 2004, there were no significant deferred tax liabilities for which a recognition or provision would have been required (2003: Nil).

4. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2004 is based on the respective net loss attributable to shareholders of HK\$684,598 and the number of 800,000,000 ordinary shares of the Company in issue throughout the respective period. The basic loss per share in respect of the three months ended 30 June 2003 is based on the respective net loss attributable to shareholders of HK\$1,270,765 and the number of 800,000,000 ordinary shares of the Company in issue throughout the respective period. Diluted loss per share for the three months ended 30 June 2004 and 2003 is not presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

5. Reserves

There was no movement in reserves, other than accumulated losses, for the three months ended 30 June 2004.

6. Interim Dividend

The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2004 (2003: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

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Review of Financial Performance

For the period under review, the Group recorded a turnover of HK\$120,000, approximately 55% lower than that recorded in the corresponding period last year. The decrease is mainly due to the fact that a number of major deals were engaged with completion due later in the fiscal year. With the new management in place, the Group has adopted a prudent approach towards income recognition. In the three months ended 30 June 2004, only a small portion of the income was reported. It is currently expected that the bulk of the revenue will be recognized in subsequent financial periods as the deals are brought to a successful conclusion.

Both the cost of services provided and the administrative and general expenses declined significantly as a result of the adoption of an effective set of cost control measures introduced by senior management earlier in the year. As a result the net loss was reduced to approximately HK\$685,000 for the period under review. Compared to the corresponding period last year, this is a reduction of approximately 46%.

Business Review

For the three months ended 30 June 2004, Hong Kong's economy continued to show strong signs of recovery. This is in line with the healthy rebound seen in countries where our major trade partners operate, ie. the US, Europe and Japan. Hong Kong is therefore a direct beneficiary through the expansion of export trade and related services. An upsurge in the financial market activities was also noted with the renewed interest in the global stock markets and securities investments.

Whilst the Beijing government has introduced administrative measures to cool down the economy in mainland China, the negative impact on Hong Kong was mitigated by a sustained growth in inbound tourists under the individual visa scheme. The new Hangzhou representative office has commenced operation and would spearhead the Group's sustained efforts in promoting quality financial services to the local enterprises in Hangzhou, Shanghai and the surrounding areas.

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The Group has received approval to set up a wholly-owned subsidiary in the Cayman Islands for providing asset management services to overseas clients. Colleagues responsible are already actively pursuing suitable business opportunities. The increasing complexity of the asset management industry requires a global focus. The Group has therefore begun the process of identifying collaborative service providers offering complementary product range to meet the demands of the professional for more investment choices.

Prospects

The PRC government has already shown some success in slowing down the economy especially with the wasteful fixed investment sector. The need for quality financial and investment services is still growing and the growth is expected to persist for some time in the future. The Group is therefore in a favourable position to identify good business opportunities for both corporate finance and asset management services. With limited resources, it would not be practical and cost effective to expand too quickly by opening new offices. The Group would therefore aim to concentrate its efforts on providing a higher service level with a broader product range to a selective group of valued customers. In the area of asset management, apart from securing funds for management, the Group would, whenever suitable, introduce established clients with investment style and objectives different from those of ours to other asset managers in return for an arrangement fee.

By focusing on our core business and reinforcing key competence, the Group would strive for the ultimate goal of generating better returns on investment to our shareholders. The financial results for the rest of the year is expected to reflect an improvement in both income generated and earlier return to profitability.

Liquidity, Charge of Group Assets and Financial Resources

Despite the unaudited net loss of approximately HK\$685,000 for the three months ended 30 June 2004, the Group continued to be in a healthy liquidity position. As at 30 June 2004, the Group had approximately HK\$1,341,000 bank and cash balances, representing a decline from approximately HK\$1,885,000 as at 31 March 2004, primarily due to the loss incurred during the period under review. The Group does not have any borrowing except for advances from an executive director which amounted to approximately HK\$1,499,000. The Group did not have any outstanding secured borrowing, mortgage or charge as at 30 June 2004.



As at 30 June 2004, the Group had current assets of approximately HK\$1,611,000 and current liabilities stood at approximately HK\$345,000. The working capital ratio (current assets to current liabilities) was 4.67.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2004.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 June 2004, the Group had no significant exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

As at 30 June 2004, the Group employed 15 full time staff. Staff costs, excluding directors' emoluments were HK\$278,190 for the three months ended 30 June 2004. The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds, are also provided to employees where appropriate.

8 DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2004, the interests and short positions of the directors, chief executives and their respective associates (as defined under the GEM Listing Rules) of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Mr. Liu Ka Lim	Corporate (<i>Note</i>)	636,400,000	Interest of a controlled corporation	79.55

Note: These ordinary 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. Mr. Liu Ka Lim is the sole beneficial owner of Huge Profit Team Limited.

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 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 30 June 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.

During the year ended 31 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.

No share option was granted or exercised during the three months ended 30 June 2004. (As at 30 June 2003, there were a total of 13,000,000 of share options outstanding.) As at 30 June 2004, there was no share option outstanding under the scheme. The Company does not have any other share option scheme.

Save as disclosed above, during the three months ended 30 June 2004, none of the directors or chief executives or their respective associates (as defined under the GEM Listing Rules) of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 5.46 to 5.66 of the GEM Listing Rules.

10 DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors or their respective associates to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as is known to any directors or chief executives of the Company, as at 30 June 2004, the following person or corporations had equity interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company :

Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Liu Ka Lim (Note 1)	Corporate	636,400,000	Interest of a controlled corporation	79.55
Huge Profit Team Limited (Note 2)	Corporate	636,400,000	Interest of a controlled corporation	79.55
Link Wise Investments Limited (Note 3)	Corporate	636,400,000	Beneficial owner	79.55

Note 1: Mr. Liu Ka Lim is deemed, by virtue of the SFO, to be interested in these shares as 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: Huge Profit Team Limited is deemed, by virtue of the SFO, to be interested in these shares as the entire issued share capital of Link Wise Investments Limited is registered in the name of and is beneficially owned by Huge Profit Team Limited.

Note 3: 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.

Save as disclosed above, as at 30 June 2004, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders 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.

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, Mr. Shum Kai Wing and Mr. Wong Yuk Man, Edmand, the independent non-executive Directors of the Company and Mr. Shum Kai Wing was appointed the chairman of the Committee. The results for the three months ended 30 June 2004 had been reviewed by the Committee.

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 during the period under review.

12 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

GENERAL

As at the date of this announcement, the four executive Directors of the Company are Mr. Liu Ka Lim, Mr. Kan Siu Lun, Mr. Sun Wai Tat, Victor and Mr. Pong Wai Yan, Louis; and the two independent non-executive Directors of the Company are Mr. Shum Kai Wing and Mr. Wong Yuk Man, Edmand.

By Order of the Board
Galileo Capital Holdings Limited
Liu Ka Lim
Chairman

Hong Kong, 4 August 2004