



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

3Q

Third 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.

2 FINANCIAL SUMMARY

- Turnover of the Group was HK\$552,000 for the nine months ended 31 December 2004, representing a decrease of approximately 55% from the corresponding period in the previous fiscal year.
- For the nine months ended 31 December 2004, gross profit of the Group was HK\$428,918 as compared to the gross loss of HK\$192 recorded in the corresponding period in the previous fiscal year.
- Net loss of the Group for the nine months ended 31 December 2004 amounted to approximately HK\$2.19 million as compared to approximately HK\$2.66 million for the corresponding period in the previous fiscal year.
- Loss per share of the Group for the nine months ended 31 December 2004 is HK0.27 cents.
- The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 31 December 2004. (2003: Nil)

CONSOLIDATED RESULTS FOR THE THIRD QUARTER OF 2004 (UNAUDITED)

The Board of Directors (the "Board") of Galileo Capital Group Limited would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2004 respectively together with the comparative unaudited figures for the corresponding periods in the previous fiscal year as follows:

Unaudited Consolidated Profit and Loss Account

For the three months and nine months ended 31 December 2004

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2004 HK\$ Unaudited	2003 HK\$ Unaudited	2004 HK\$ Unaudited	2003 HK\$ Unaudited
Turnover	2	332,000	860,000	552,000	1,230,522
Cost of services provided		(33,082)	(404,268)	(123,082)	(1,230,714)
Gross profit/(loss)		298,918	455,732	428,918	(192)
Other operating income		4,535	14,010	15,060	113,671
Administrative and general expenses		(919,711)	(595,108)	(2,589,338)	(2,624,533)
Other operating expenses		(11,492)	(28,308)	(41,705)	(36,118)
Loss from operations		(627,750)	(153,674)	(2,187,065)	(2,547,172)
Finance costs		-	(1,905)	-	(49,610)
Loss before taxation		(627,750)	(155,579)	(2,187,065)	(2,596,782)
Taxation	3	-	-	-	-
Loss after taxation		(627,750)	(155,579)	(2,187,065)	(2,596,782)
Exceptional item					
Loss on disposal of subsidiaries		-	(65,053)	-	(65,053)
Net loss from ordinary activities attributable to shareholders		(627,750)	(220,632)	(2,187,065)	(2,661,835)
Loss per share					
Basic	4	HK(0.08 cents)	HK(0.03 cents)	HK(0.27 cents)	HK(0.33 cents)
Diluted	4	N/A	N/A	N/A	N/A

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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 Institute of Certified Public 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 and nine months ended 31 December 2004 and the corresponding periods 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 and nine months ended 31 December 2004 and the corresponding periods in 2003 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 31 December 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 and nine months ended 31 December 2004 are based on the respective net loss attributable to shareholders of HK\$627,750 and HK\$2,187,065 respectively 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 and nine months ended 31 December 2003 are based on the respective net loss attributable to shareholders of HK\$220,632 and HK\$2,661,835 respectively and the number of 800,000,000 ordinary shares of the Company in issue during the respective period. Diluted loss per share for the three months and nine months ended 31 December 2004 are not presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

5. Reserves

	Share premium <i>HK\$</i>	Merger deficit <i>HK\$</i> <i>(Note)</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 April, 2003	8,095,956	(119,998)	(20,251,475)	(12,275,517)
Loss for the period	-	-	(2,661,835)	(2,661,835)
At 31 December, 2003	8,095,956	(119,998)	(22,913,310)	(14,937,352)
At 1 April, 2004	8,095,956	(119,998)	(22,634,343)	(14,658,385)
Loss for the period	-	-	(2,187,065)	(2,187,065)
At 31 December, 2004	8,095,956	(119,998)	(24,821,408)	(16,845,450)

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

There was no movement in reserves, other than accumulated losses, for the three months and nine months ended 31 December 2004 respectively.

6. Interim dividend

The directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2004 respectively (2003: Nil).

6 MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the period under review, the Group recorded a turnover of HK\$552,000, representing a decrease of approximately 55% from the corresponding period in the previous fiscal year. The decrease is mainly due to the Group's prudent policy towards income recognition at completion of the business deals, many of which were due for subsequent financial periods.

The Group managed to continue its effective cost-savings measures with the result that a gross profit of HK\$428,918 was recorded for the nine months ended 31 December 2004. This compared favourably with the net loss of HK\$192 for the corresponding period in the previous fiscal year. The higher administrative and general expenses of HK\$919,711 for the third quarter ended 31 December 2004 (HK\$595,108 for the corresponding period in the previous fiscal year) could be ascribed to the fact that only identifiable variable costs, rather than fixed overheads, were allocated to direct costs but they should not be taken as an indication of an escalating trend for the future.

Net loss of the Group for the period under review reduced to approximately HK\$2.19 million from approximately HK\$2.66 million recorded during the corresponding period in the previous fiscal year.

Business Review

In 2004, the Group concentrated on expanding the scope of financial services and products. This was a necessary and worthwhile process as the Group was striving to become the financial service provider for mainland Chinese enterprises that seeking for overseas capital. The Group's Hangzhou representative and senior management continued to broaden contacts with the government officials and high net-worth individuals and to build up a solid and diversified client base for the Group in the years to come.

Prospects

The business environment for the Greater China area continues to be a major challenge for the financial services industry as a whole. The Group remain confident that the longer term investment outlook is promising notwithstanding uncertainties in the immediate future. Economy recovery for Hong Kong is well underway although its pace of growth depends on a number of external factors, such as China's ability to bring its economy to a soft-landing, the upward pressure on global interest rates and oil prices.

As there are unmistakable signs that investors are returning to the securities and capital markets, the Group would seize the opportunity to become more pro-active in arranging IPOs and devote more resources in handling mergers and acquisitions of good-quality Chinese enterprises as well as fund-raising for worthy projects. This would entail a closer working relationship with other financial institutions or form strategic alliances to share resources.

Liquidity, Charge of Group Assets and Financial Resources

As at 31 December 2004, the Group had approximately HK\$478,000 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\$2,066,000. There was also no outstanding secured borrowing, mortgage or charge as at 31 December 2004. For the foreseeable future, our liquidity position would not in any way be under pressure as the Group pursues an effective policy of prudence in managing its financial and capital resources.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2004.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 31 December 2004, the Group had no significant exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

As at 31 December 2004, the Group employed 15 full time staff. Staff costs, excluding directors' emoluments were approximately HK\$922,499 for the nine months ended 31 December 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 31 December 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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 (Note)	584,400,000	Interest of a controlled corporation	73.05%

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 has adopted a share option scheme (the "Scheme") pursuant to which the eligible participants (including any employee and 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) may be granted options to subscribe for shares of the Company. The Scheme will remain in force for a period of 10 years from 29 November 2000.

The exercise period of the share options granted is determined by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the respective date when the share options are granted, subject to the provisions for early terminations thereof.

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.

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

No share option was granted or exercised during the nine months ended 31 December 2004. (During the corresponding period in 2003, 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. At the end of the period, there was no share option outstanding.) As at 31 December 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 nine months ended 31 December 2004, none of the directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

DIRECTORS' 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, their respective associates to acquire such rights in any other body corporate.

10 SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER THE SFO

So far as is known to any directors or chief executives of the Company, as at 31 December 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	584,400,000	Interest of a controlled corporation	73.05%
Huge Profit Team Limited (Note 2)	Corporate	584,400,000	Interest of a controlled corporation	73.05%
Link Wise Investments Limited (Note 3)	Corporate	584,400,000	Beneficial owner	73.05%

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.

Saved as disclosed above, as at 31 December 2004, the Company had 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 (as defined in the GEM Listing Rules), 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 three members, Mr. Shum Kai Wing, Mr. Wong Yuk Man Edmand, and Mr. Chow Cheuk Lap, the independent non-executive Directors and Mr. Shum Kai Wing was appointed the chairman of the Committee. The results for the nine months ended 31 December 2004 had been reviewed by the Committee.

BOARD PRACTICES AND PROCEDURES

The Company had 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

PURCHASE, REDEMPTION OR SALE OF SHARES

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

12 DIRECTORS OF THE COMPANY

As at the date of this report, the three executive Directors of the Company are Mr. Liu Ka Lim, Mr. Kan Siu Lun and Mr. Sun Wai Tat, Victor; and three independent non-executive Directors of the Company are Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmand and Mr. Chow Cheuk Lap.

By order of the Board
Galileo Capital Group Limited
Liu Ka Lim
Chairman

Hong Kong, 3 February 2005