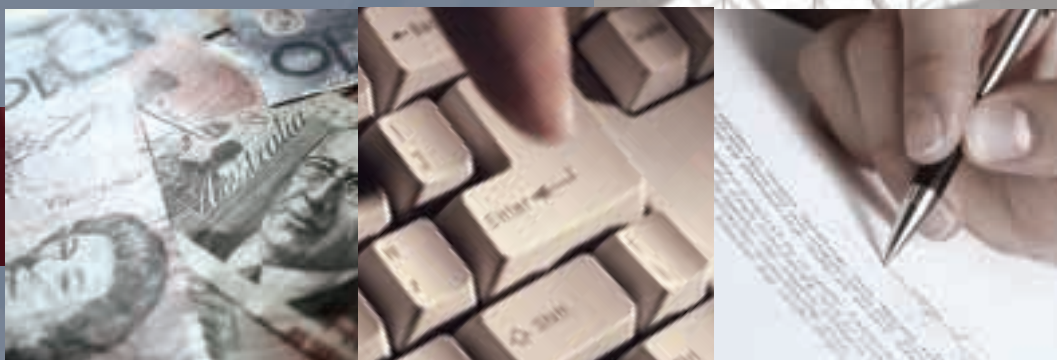




Galileo Capital Group Limited
嘉利盈融資集團有限公司



Annual Report 2005

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 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.

CONTENTS

Corporate Information	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	6-8
Outlook and Development	9
Directors, Senior Management and Staff	10-11
Directors' Report	12-17
Auditors' Report	18-19
Consolidated Income Statement	20
Consolidated Balance Sheet	21
Balance Sheet	22
Statement of Changes in Equity	23
Consolidated Cash Flow Statement	24-25
Notes to the Financial Statements	26-43
Financial Summary	44

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Liu Ka Lim (*Chairman*)
Kan Siu Lun (*Chief Executive Officer*)
Sun Wai Tat, Victor (*Chief Executive Officer*)

Independent Non-Executive Directors

Shum Kai Wing
Wong Yuk Man, Edmand
Chow Cheuk Lap

AUDIT COMMITTEE

Shum Kai Wing
Wong Yuk Man, Edmand
Chow Cheuk Lap

COMPANY SECRETARY

Ng Suk Fan, FCCA, CPA

COMPLIANCE OFFICER

Lam So Ying

QUALIFIED ACCOUNTANT

Ng Suk Fan, FCCA, CPA

AUTHORIZED REPRESENTATIVES

Liu Ka Lim
Kan Siu Lun
Sun Wai Tat, Victor

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\$916,054 for the year ended 31 March 2005.
- Gross profit was HK\$744,911 for the year ended 31 March 2005.
- Loss attributable to shareholders was HK\$3,120,815 for the year ended 31 March 2005.
- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005.
- As at 31 March 2005, the Group had cash on hand and in banks amounting to HK\$541,329.

CHAIRMAN'S STATEMENT

Hong Kong's economy has shown remarkable signs of recovery in 2004 but the pace of growth was uneven. The trade and tourist sectors have bounced back strongly while the tertiary and service sectors including financial services and investment banking have made slower progress. There were however a number of large Mainland enterprises seeking overseas listing and we would expect the trend to continue throughout 2005. Hong Kong's interest rates have remained low due to short-term influx of speculative funds betting on a possible Renminbi revaluation. This led to increased activities in both the property and equity markets towards the end of the year. In the first quarter of 2005, China was making some progress with reform and restructuring the economy while facing the hard choice of balancing between deceleration and overheating, both of which could pose serious pressure to stability.

For the year under review, the Group recorded a turnover of HK\$916,054, representing a net decrease of 79% from HK\$4,339,022 which was mainly attributable to the absence of any revenue from business brokerage and fund raising services which would only be recognized upon completion of the transactions. Reduction can also be seen in the gross profit figure while the loss attributable to shareholders has increased by 31% to HK\$3,120,815 as compared to HK\$2,382,868 recorded last year. The lacklustre performance of the Group should however be seen against the backdrop of our strong and persistent efforts to build up a sustainable client base. We remain confident that should the market conditions continue to improve, the valuable experience gained and business connections cultivated would enable the Group to outperform our competitors in the increasingly competitive market for financial services. We are confident that based on the transaction flow that are about to be concluded, the Group should generate positive cashflow. These deals would include IPOs, fund-raising and financial advisory agreements negotiated during the past year.

Looking ahead, we expect the regulatory environment to be a major challenge for the financial service providers operating in both China and Hong Kong. One indication is on the tightening of approval procedures for domestic private enterprises in the PRC seeking overseas listings. Sales of PRC assets had also been made more cumbersome for foreign purchasers. These measures may initially have a dampening effect on the small and medium-size firms seeking to raise funds abroad but in the longer run, we hope to see a reduction of speculative activities and improvement in corporate governance for the private enterprises. In response to the changes in our business environment, the Group will consider to apply for the licenses for securities and futures as well as commodities. The diversification to brokerage business would allow us to strengthen our return on investment, improve capital utilisation by broadening revenue sources of a recurring nature. Our goal is not only to strive for excellence in the marketplace but also to improve shareholders' value in the years to come.

Finally, I would like to express my gratitude to the members of the board of directors, the staff of the Group as well as our clients and business associates for their hard work, dedication and support to the Group over the past year.

Liu Ka Lim
Chairman

Hong Kong
16 June 2005

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded a turnover of HK\$916,054 for the year ended 31 March 2005, representing a decrease of 79% over last year's turnover of approximately HK\$4,340,000. The decrease was mainly due to the fact that almost all of the deals under negotiation needed more time for completion. Many of these clients are scheduled to conclude their agreements with the Group during the next financial year.

The cost of services for the whole year has continued its downward trend from HK\$2,156,074 recorded in 2004 to HK\$171,143, a reduction of 92%. As a result, the gross profit margin for the year was 81.3%, a notable improvement over 50.3% achieved in 2004. However, since this is a direct cost to turnover, we would expect some increase as in line with a higher turnover anticipated for the future.

Administrative and general expenses together with other operating expenses made a useful reduction of 16.6% to HK\$3,880,786 compared to HK\$4,654,865 in 2004. Notwithstanding the fact that our cost control policy would continue to be in place, the decline in administrative and operating expenses would not be as significant since much of the expenses are fixed items such as rentals and utilities.

The net loss for the year ended 31 March 2005 was HK\$3,120,815, an increase of nearly 31%. Since all cost and expenditure items were kept current, the higher loss figure mainly reflected the much smaller turnover recorded for the year with the bulk of the revenue due from clients to be recognised in future financial periods when the deals are successfully concluded.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2005, the Group has a negative net tangible assets amounted to HK\$1,779,200 and a net current assets amounted to HK\$282,826. Net tangible assets value has turned negative mainly because the amount due to a director has gone up from HK\$1.4 million to nearly HK\$2.8 million. This amount was unsecured and carried interest at 1.5% per annum which for the year under review was waived. The Group had approximately HK\$541,000 cash on hand and bank balances as of 31 March 2005 which is a decline of more than 70% due to further loss incurred in the year.

GEARING RATIO

The Group's gearing ratio which was derived from the ratio of total borrowings to shareholders funds was 100% (2004: 100%).

CAPITAL STRUCTURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES INFORMATION

The total number of employees was 16 as at 31 March 2005 (31 March 2004: 8), and the total remuneration for the year 2005 was approximately HK\$1,608,000 (2004: HK\$2,379,000). 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.

The Group may offer options to reward employees who make significant contributions and to retain key staffs pursuant to the share option scheme of the Group. Particulars of the scheme are set out in the relevant section of this report.

CHARGES ON GROUP ASSETS

During the years ended 31 March 2005 and 2004, none of the Group's assets had been charged.

CONTINGENT LIABILITIES

As at 31 March 2005, the Group had no contingent liabilities.

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
- (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.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2005.

BUSINESS REVIEW

2004 was a pivotal year for the Group as the new shareholders and management team have taken over the running of the business. The Group moved quickly to implement an effective set of cost control measures while at the same time, took steps to ensure that existing and new client relationships did not suffer as a result of our policy of entrenchment. Through cooperation with other investment banks and financial service providers, we have managed to conclude protracted negotiations with a few promising PRC clients for fund-raising, placement, credit facilities. These deals would generate considerable income should they be concluded and would raise the Group's profile through its participation in new and secondary offerings in Hong Kong during the next financial year.

The Hangzhou representative office has been promoting the Group's expertise to local state and private enterprises. A number of interesting deals from the Northern and Western regions of China have also been received through our associates in Beijing. We have begun the process of picking out the private firms with better prospect to consider how they would benefit from using our financial services.

OUTLOOK AND DEVELOPMENT

While it is expected that the global investment condition continues its process of recovery in 2005, China's economy has not been a minor concern to the leaders in Beijing. The government had started to implement a series of macro-economic controls since April 2004 to slow down the rapid growth and engineer a soft-landing but the austerity measures were not effective enough to curb over-investment or lending. Externally, the country is also facing growing pressures on issues such as currency revaluation and excessive textile exports. Given the country's growing share of world output, international trade and investment, it is no longer possible to ignore the irreversible effects of a full integration into the global economy. This has led to a growing realisation that besides maintaining stability, the country must be vigilant enough to accelerate reforms on related sectors, such as privatisation of state assets, banking and financial markets, and further market access to other industries e.g. telecommunications, transport, financial services and the media.

Management has been paving way to establish a network of customers who are interested in trading in securities and futures. For this reason, the Group is planning to apply for licences to deal in securities and futures as well as commodities. This is a new business opportunity which will broaden our revenue base and we intend to launch the service as soon as possible in anticipation of a growing demand from customers.

Until China is able to make substantial progress in reforming both the securities industry and capital market, Hong Kong remains the preferred destination for PRC enterprises intending to go public. However, as a reaction against some recent events involving corporate scandals, both the Hong Kong and U.S. regulatory authorities have tightened up their rules for newcomers to the stock exchanges. We believe the better-run firms in the Greater China region should be given the chance to select the best listing destination for raising capital, including Singapore or even London. In this connection, the Group is actively pursuing a strategy of cooperating with its network partners in other countries who are able to add value and complement the services provided. The aim is to provide a diversified and comprehensive range of products and experience to suit the needs of an increasingly quality-conscious and price-driven clientele.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Liu Ka Lim, aged 49, 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 Institute of Certified Public Accountants. Mr. Liu is currently a director and the Chairman of Wonderful World Holdings Limited, the shares of which are listed on the main board of the Stock Exchange. He is also an independent non-executive director of a public company in Hong Kong.

Mr. Kan Siu Lun, aged 50, is the Chief Executive Officer of the Company. Mr. Kan has over 21 years of experience in the commercial field. Currently, he is a senior adviser to the board of directors of a listed 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 52, is the Chief Executive Officer of the Company. Mr. Sun has extensive experience in banking and China business. Prior to joining the Group in April 2004, Mr. Sun had been a Senior Consultant in Fiducia Limited in Hong Kong for 2 years. From 1977 to 2002, he served the HSBC Group in various senior 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shum Kai Wing, aged 40, joined the Group as an independent non-executive director on 13 January 2004. He graduated from City University of Hong Kong with a Bachelor's degree of Accountancy in 1992. Mr. Shum is a fellow member of Chartered Association of Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants and has over 14 years' accounting experience in commercial sectors.

Mr. Wong Yuk Man, Edmand, aged 48, joined the Group as an independent non-executive director on 13 January 2004. Mr. Wong is a holder of Bachelor's degree of Arts from the University of British Columbia. He has held various key roles in communication departments of government agencies, the Hong Kong Jockey Club, a major international charitable organisation, and the premier tertiary institution in Hong Kong.

Mr. Chow Cheuk Lap, aged 53, joined the Group as an independent non-executive director on 27 August 2004. Mr. Chow graduated with a Bachelor of Science degree in Economics. He was qualified as a solicitor in 1983 and is currently a partner of a solicitor firm in Hong Kong. Mr. Chow has been an independent non-executive director of Anex International Holdings Limited since 18 July 1991.

SENIOR MANAGEMENT

Ms. Lam So Ying, aged 32, joined the Group in May 2004 as its chief operating officer. Ms. Lam graduated from Hong Kong Baptist University in Business Management in 1996 and is a member of the Association of Business Executives (ABE) in the United Kingdom. She has more than 10 years of administration and supervisory experience in the commercial sector.

QUALIFIED ACCOUNTANT

Ms. Ng Suk Fan, aged 33, joined the Group on 12 March 2004 as the qualified accountant. Miss Ng holds a master's 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 Institute of Certified Public Accountants. She has 10 years' experience in accounting, auditing and taxation field.

DIRECTORS' REPORT

The directors would like to present the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 13 to the financial statements.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting held on 23 July 2004, the name of the Company was changed from Galileo Capital Holdings Limited 嘉利盈融資控股有限公司 to Galileo Capital Group Limited 嘉利盈融資集團有限公司.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 20.

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 44.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 16 and 17 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 31 March 2005 and 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 23.

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
Mr. Kan Siu Lun
Mr. Sun Wai Tat, Victor *(appointed on 8 May 2004)*
Mr. Pong Wai Yan, Louis *(resigned on 1 September 2004)*

Independent non-executive directors:

Mr. Shum Kai Wing
Mr. Wong Yuk Man, Edmand
Mr. Chow Cheuk Lap *(appointed on 27 August 2004)*

In accordance with Article 108 of the Company's Articles of Association, Mr. Kan Siu Lun will retire by rotation; and in accordance with Article 112 of the Company's Articles of Association, Mr. Chow Cheuk Lap being director appointed after the annual general meeting held on 23 July 2004, will retire at the forthcoming annual general meeting. Both directors, being eligible, offer themselves for re-election.

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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 March 2005, Mr. Liu Ka Lim was deemed to have corporate interest in 424,400,000 ordinary shares (representing 53.05% 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 of Link Wise Investments Limited is registered in the name of and is beneficially owned by Huge Profit Team Limited. 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.

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 31 March 2005, had 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 Sections 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 provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to notify to the Company and the Stock Exchange pursuant to Rules 5.46 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 22 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 22 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and disclosed pursuant to Rule 18.17B of the GEM Listing Rules shows that, other than the interests disclosed above in respect of Mr. Liu Ka Lim, a director of the Company, the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Leong Sai Cheong, Joe	Beneficial owner	162,050,000	20.26%

Other than as disclosed above, the Company has not been notified of any other relevant interest or short positions in the issued share capital of the Company as at 31 March 2005.

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.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the services provided to the Group's largest client and five largest clients accounted for 57% and 100%, respectively of the total turnover for the year. In view of the nature of the Group's business, no purchasers and suppliers were noted.

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

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.

CORPORATE GOVERNANCE

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 31 March 2005.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

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

PRE-EMPTIVE RIGHTS

There 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 audit committee comprises three members, Messrs. Shum Kai Wing, Wong Yuk Man, Edmand; and Chow Cheuk Lap. All of them are independent non-executive directors of the Company.

The primary duties of the audit committee are to review the Company's annual and quarterly financial reports and to provide advice and comments thereon to the Board of Directors. Four audit committee meetings were held during the year.

The Group's financial statements for the year ended 31 March 2005 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.

EMOLUMENT POLICY

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

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two years. For the year ended 31 March 2003. Messrs. Ernst & Young acted as auditors of the Company.

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
16 June 2005

AUDITORS' REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF GALILEO CAPITAL GROUP LIMITED

嘉利盈融資集團有限公司

(FORMERLY KNOWN AS GALILEO CAPITAL HOLDINGS LIMITED

嘉利盈融資控股有限公司)

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 20 to 43 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 Institute of Certified Public 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.

AUDITORS' REPORT

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 31 March 2005 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
16 June 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$	2004 <i>HK\$</i>
Turnover	5	916,054	4,339,022
Direct costs		(171,143)	(2,156,074)
Gross profit		744,911	2,182,948
Other operating income		15,062	194,672
Administrative expenses		(3,839,082)	(4,052,363)
Other operating expenses		(41,704)	(602,502)
Loss from operations	7	(3,120,813)	(2,277,245)
Loss on disposal of subsidiaries	19	-	(65,053)
Finance costs	8	(2)	(40,570)
Loss for the year		(3,120,815)	(2,382,868)
Loss per share – Basic	11	HK0.39 cents	HK0.30 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2005

	<i>Notes</i>	2005 HK\$	2004 <i>HK\$</i>
NON-CURRENT ASSET			
Property, plant and equipment	12	733,558	926,621
CURRENT ASSETS			
Trade receivables	14	–	620,000
Prepayments, deposits and other receivables		117,120	129,743
Bank balances and cash		541,329	1,885,294
		658,449	2,635,037
CURRENT LIABILITIES			
Accruals and other payables		375,589	813,163
Unsecured bank overdrafts		34	5,702
		375,623	818,865
NET CURRENT ASSETS		282,826	1,816,172
TOTAL ASSETS LESS CURRENT LIABILITIES		1,016,384	2,742,793
NON-CURRENT LIABILITY			
Amount due to a director	15	2,795,584	1,401,178
		(1,779,200)	1,341,615
CAPITAL AND RESERVES			
Share capital	16	16,000,000	16,000,000
Reserves		(17,779,200)	(14,658,385)
		(1,779,200)	1,341,615

The financial statements on pages 20 to 43 were approved and authorised for issue by the Board of Directors on 16 June 2005 and are signed on its behalf by:

Liu Ka Lim
Director

Sun Wai Tat, Victor
Director

BALANCE SHEET

At 31 March 2005

	<i>Notes</i>	2005 HK\$	2004 <i>HK\$</i>
NON-CURRENT ASSET			
Interests in subsidiaries	13	<u>66,641</u>	<u>437,362</u>
CURRENT ASSET			
Bank balances		<u>13,549</u>	<u>5,000</u>
CURRENT LIABILITIES			
Accruals and other payables		162,622	38,501
Amount due to a subsidiary		-	2,600
Unsecured bank overdraft		34	-
		<u>162,656</u>	<u>41,101</u>
NET CURRENT LIABILITIES		(149,107)	(36,101)
TOTAL ASSETS LESS CURRENT LIABILITIES		(82,466)	401,261
NON-CURRENT LIABILITY			
Amount due to a director	15	<u>2,795,584</u>	<u>385,640</u>
		<u>(2,878,050)</u>	<u>15,621</u>
CAPITAL AND RESERVES			
Share capital	16	16,000,000	16,000,000
Reserves		(18,878,050)	(15,984,379)
		<u>(2,878,050)</u>	<u>15,621</u>

Liu Ka Lim
Director

Sun Wai Tat, Victor
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2005

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i> <i>(Note a)</i>	Merger deficit <i>HK\$</i> <i>(Note b)</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
At 1 April 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)
At 31 March 2004	16,000,000	8,095,956	–	(119,998)	(22,634,343)	1,341,615
Loss for the year	–	–	–	–	(3,120,815)	(3,120,815)
At 31 March 2005	16,000,000	8,095,956	–	(119,998)	(25,755,158)	(1,779,200)
THE COMPANY						
At 1 April 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)
At 31 March 2004	16,000,000	8,095,956	367,874	–	(24,448,209)	15,621
Loss for the year	–	–	–	–	(2,893,671)	(2,893,671)
At 31 March 2005	16,000,000	8,095,956	367,874	–	(27,341,880)	(2,878,050)

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 31 March 2005

	<i>Notes</i>	2005 HK\$	2004 <i>HK\$</i>
OPERATING ACTIVITIES			
Loss from operations		(3,120,813)	(2,277,245)
Adjustments for:			
Depreciation of property, plant and equipment		212,375	411,668
Bad debts written off		10,004	–
Interest income		(26)	(6,544)
Loss on disposal of property, plant and equipment		2,050	32,890
Write off of property, plant and equipment		–	550,935
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(2,896,410)	(1,288,296)
Decrease (increase) in trade receivables, prepayments, deposits and other receivables		622,619	(428,310)
(Decrease) increase in accruals and other payables		(437,574)	352,207
		<hr/>	<hr/>
Net cash used in operations		(2,711,365)	(1,364,399)
Interest received		26	6,544
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(2,711,339)	(1,357,855)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,362)	(1,021,357)
Proceeds on disposal of property, plant and equipment		4,000	8,486
Bank balance and cash disposed of upon disposal of subsidiaries	<i>19</i>	–	(196,925)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(21,362)	(1,209,796)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Advance from a director		1,394,406	1,401,178
Interest paid		(2)	(40,570)
Repayment of amount due to a director		–	(1,172,559)
		<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES		1,394,404	188,049
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

	2005	2004
<i>Notes</i>	HK\$	<i>HK\$</i>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,338,297)	(2,379,602)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>1,879,592</u>	<u>4,259,194</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	<u>541,295</u>	<u>1,879,592</u>
Bank balances and cash	541,329	1,885,294
Unsecured bank overdrafts	(34)	(5,702)
	<u>541,295</u>	<u>1,879,592</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. GENERAL

The Company was incorporated in the Cayman Islands on 11 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 the British Virgin Islands.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 13.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net liabilities at 31 March 2005. A major shareholder of the Company has agreed to provide financial support to ensure the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has considered those other new HKFRSs but does not expect that the issuance of those new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

4. 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 31 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 or where condition attached to the relevant agreements and mandates is in satisfaction of the relevant condition.

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 accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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 is 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.

Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees. All leases other than finance leases are classified as 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

5. TURNOVER

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

	2005	2004
	HK\$	HK\$
Business brokerage and fund raising services	–	3,604,022
Business consultancy services	916,054	735,000
	916,054	4,339,022

6. 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
- (b) the business consultancy services segment provides services to assist clients on various business or management issues.

In determining the Group's geographical segments, turnover is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

6. SEGMENT INFORMATION – continued

Business segments

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

THE GROUP

	Business brokerage and fund		Business		Consolidated	
	raising services		consultancy services			
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover – external	-	3,604,022	916,054	735,000	916,054	4,339,022
Segment results	-	(1,033,469)	(2,169,653)	98,462	(2,169,653)	(935,007)
Other operating income					15,062	194,672
Unallocated expenses					(966,222)	(1,536,910)
Loss from operations					(3,120,813)	(2,277,245)
Loss on disposal of subsidiaries					-	(65,053)
Finance costs					(2)	(40,570)
Loss for the year					(3,120,815)	(2,382,868)

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 THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

6. SEGMENT INFORMATION – continued

Geographical segments

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

THE GROUP

	Hong Kong		China's Mainland		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover – external	390,000	4,108,500	526,054	230,522	916,054	4,339,022
	Hong Kong		China's Mainland		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Other segment information:						
Segment assets	1,392,007	3,561,658	–	–	1,392,007	3,561,658
Capital expenditure	25,362	1,021,357	–	–	25,362	1,021,357

7. LOSS FROM OPERATIONS

	2005	2004
	HK\$	HK\$
Loss from operations has been arrived at after charging:		
Directors' emoluments (Note 9)	419,627	909,118
Other staff costs (Note)	1,198,524	1,641,464
Retirement benefit scheme contributions, excluding directors	54,306	34,399
Total staff costs	1,672,457	2,584,981
Bad debts written off	10,004	–
Auditors' remuneration	250,000	200,000
Depreciation of property, plant and equipment	212,375	411,668
Write off of property, plant and equipment	–	550,935
Loss on disposal of property, plant and equipment	2,050	32,890
and after crediting:		
Interest income	26	6,544

Note: An amount of HK\$50,000 (2004: HK\$1,033,594) was included in direct cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

8. FINANCE COSTS

	2005 HK\$	2004 <i>HK\$</i>
Interest on:		
Amounts due to directors	–	40,368
Unsecured bank overdrafts	2	202
	2	40,570

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

	2005 HK\$	2004 <i>HK\$</i>
Executive directors:		
Directors' fee	–	–
Salaries and other allowances	253,896	879,988
Retirement benefits scheme contributions	9,898	3,000
Independent non-executive directors:		
Directors' fee	155,833	26,130
Salaries and other allowances	–	–
Retirement benefits scheme contributions	–	–
Total emoluments	419,627	909,118

Details of emoluments by individual are as follows:

	2005 HK\$	2004 <i>HK\$</i>
Executive directors:		
Mr. Liu Ka Lim	24,198	–
Mr. Kan Siu Lun	2,000	858,000
Mr. Sun Wai Tat, Victor	237,596	–
Mr. Pong Wai Yan, Louis	–	24,988
Independent non-executive directors:		
Mr. Shum Kai Wing	60,000	13,065
Mr. Wong Yuk Man, Edmand	60,000	13,065
Mr. Chow Cheuk Lap	35,833	–
	419,627	909,118

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(b) Employees

The five highest paid individuals included one (2004: one) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2004: four) individuals, which fall within the band of nil to HK\$1,000,000 for each of the two years ended 31 March 2005, are as follows:

	2005	2004
	HK\$	HK\$
Salaries and other benefits	710,833	716,098
Retirement benefit scheme contributions	29,700	26,960
Compensation for loss of office	–	53,000
	740,533	796,058

During the year ended 31 March 2005, no emoluments (31 March 2004: HK\$53,000) 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 1 July 2002 to 31 March 2004, Mr. Pong Wai Yan, Louis agreed to waive his emolument, which he was entitled to in accordance with his service contract with the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

10. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

No provision for taxation has been made in the financial statements for the year ended 31 March 2005 and 2004 since the Group incurred tax losses for both years.

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

	2005		2004	
	HK\$	%	HK\$	%
Loss for the year	<u>(3,120,815)</u>		<u>(2,382,868)</u>	
Tax at Hong Kong Profits Tax rate	(546,143)	(17.5)	(417,002)	(17.5)
Tax effect of expenses not deductible for tax purpose	52,953	1.7	156,096	6.5
Tax effect of income not taxable for tax purpose	(5)	-	(1,140)	-
Utilisation of tax losses previously not recognised	-	-	(48,010)	(2.0)
Tax effect of tax losses not recognised	<u>493,195</u>	<u>15.8</u>	<u>310,056</u>	<u>13.0</u>
Taxation and effective tax rate for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. LOSS PER SHARE

The computation of the basic loss per share for the year is based on the loss for the year of HK\$3,120,815 (2004: HK\$2,382,868) and on the total number of 800,000,000 (2004: 800,000,000) shares of the Company in issue during the year.

Diluted loss per share figure 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 THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

12. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Computer equipment	Office equipment	Furniture and fixtures	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
COST				
At 1 April 2004	152,277	134,088	676,653	963,018
Additions	16,500	8,862	–	25,362
Disposals	(6,540)	–	–	(6,540)
At 31 March 2005	162,237	142,950	676,653	981,840
DEPRECIATION				
At 1 April 2004	5,913	2,397	28,087	36,397
Provided for the year	48,796	28,248	135,331	212,375
Eliminated on disposals	(490)	–	–	(490)
At 31 March 2005	54,219	30,645	163,418	248,282
NET BOOK VALUES				
At 31 March 2005	108,018	112,305	513,235	733,558
At 31 March 2004	146,364	131,691	648,566	926,621

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	567,874	567,874
Amounts due from subsidiaries	16,717,578	15,377,362
	17,285,452	15,945,236
Impairment recognised	(567,874)	(567,874)
Allowance for amounts due from subsidiaries	(16,650,937)	(14,940,000)
	66,641	437,362

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

13. INTERESTS IN SUBSIDIARIES – continued

Details of the Company's subsidiaries at 31 March 2005 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	Hong Kong	Limited company	HK\$10,000	–	100	Provision of financial advisory for non Hong Kong markets
Galileo Asset Management Group Limited	The Cayman Islands	Limited company	US\$10,000	–	100	Inactive
Galileo Capital Limited	Hong Kong	Limited company	HK\$15,500,000	–	100	Provision of business information, business brokerage and financial advisory services
Golden Harvest Trading Limited	Hong Kong	Limited company	HK\$2	–	100	Provision of administrative services for the Group
Galileo Capital Group (BVI) Limited	British Virgin Islands	Limited company	US\$10,000	100	–	Investment holding
Galileo Financial Services Limited (formerly known as "LPL Group Limited")	Hong Kong	Limited company	HK\$10,000	–	100	Inactive
Wealth Supply International Limited	British Virgin Islands	Limited company	US\$1	–	100	Inactive

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 losses were recognised in previous years. In light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the directors of the Company consider that the carrying amount of the investment cost and amount due from subsidiaries have 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

14. 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 31 March 2004, all trade receivables, net of allowances, were outstanding for less than 90 days.

15. AMOUNT DUE TO A DIRECTOR

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Mr. Liu Ka Lim	<u>2,795,584</u>	<u>1,401,178</u>	<u>2,795,584</u>	<u>385,640</u>

The amount is unsecured and carries interest at 1.5% per annum. However, interests were waived by the director for both years. The amount will not be repayable within the next twelve months from the balance sheet date. Accordingly, the amount is classified as non-current liability.

16. SHARE CAPITAL

	2005 and 2004	
	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.02 each	<u>6,000,000,000</u>	<u>120,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each	<u>800,000,000</u>	<u>16,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

17. SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") of which the eligible participants (including any employee and executive director of the Company or any of its subsidiaries, who has full time employment with the Company or any such subsidiary at the time) may be granted an option to subscribe for shares of the Company. The Scheme will remain in force for a period of 10 years from 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.

The offer of a grant of share options may be accepted within 21 days inclusive of, and from the date of the offer. The exercise period of the share options granted is determined by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the respective date when the share options are granted, subject to the provisions for any terminations thereof.

In respect of the share options to be granted after the listing of the Company's shares on the 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 THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

17. SHARE OPTIONS – continued

The movement of the Pre-IPO Share Options, granted under the Scheme, during the years ended 31 March 2004 and 31 March 2005 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		
				Outstanding at 1 April 2003	Cancelled during the year ended 31 March 2004 (Note 3)	Outstanding at 31 March 2004 and at 31 March 2005
<i>Executive directors</i>						
Mr. Kan Siu Lun	29 November 2000	14 June 2001 to 13 June 2006	0.20	1,200,000	(1,200,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.20	1,200,000	(1,200,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.02	800,000	(800,000)	-
	29 November 2000	14 June 2001 to 13 June 2008	0.20	1,200,000	(1,200,000)	-
	29 November 2000	14 June 2001 to 13 June 2008	0.02	1,200,000	(1,200,000)	-
				<u>5,600,000</u>	<u>(5,600,000)</u>	<u>-</u>
Mr. Pong Wai Yan, Louis (resigned on 1 Septemebr, 2004)	29 November 2000	14 June 2001 to 13 June 2006	0.20	1,400,000	(1,400,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.20	1,400,000	(1,400,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.02	1,000,000	(1,000,000)	-
	29 November 2000	14 June 2001 to 13 June 2008	0.20	1,400,000	(1,400,000)	-
	29 November 2000	14 June 2001 to 13 June 2008	0.02	1,400,000	(1,400,000)	-
				<u>6,600,000</u>	<u>(6,600,000)</u>	<u>-</u>
Mr. Yu Yan Chun (former director)	29 November 2000	14 June 2001 to 13 June 2006	0.20	400,000	(400,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.20	400,000	(400,000)	-
				<u>800,000</u>	<u>(800,000)</u>	<u>-</u>
<i>Senior management and other employees</i>						
In aggregate	29 November 2000	14 June 2001 to 13 June 2006	0.20	1,000,000	(1,000,000)	-
	29 November 2000	14 June 2001 to 13 June 2007	0.20	800,000	(800,000)	-
				<u>1,800,000</u>	<u>(1,800,000)</u>	<u>-</u>

No share option was granted or exercised during the years ended 31 March 2004 and 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

17. SHARE OPTIONS – continued

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 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.

18. 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.

	Accelerated tax depreciation <i>HK\$</i>	Tax losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 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	–
	<hr/>	<hr/>	<hr/>
At 31 March 2004	(80,211)	80,211	–
(Charge) credit to income statement for the year	(10,980)	10,980	–
	<hr/>	<hr/>	<hr/>
At 31 March 2005	(91,191)	91,191	–

At 31 March 2005, the Group has unused tax losses of approximately HK\$21,185,000 (2004: HK\$18,304,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$521,000 (2004: HK\$458,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$20,664,000 (2004: HK\$17,846,000) due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

19. DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK\$	HK\$
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)
	<u>–</u>	<u>–</u>
	–	135,057
Loss on disposal	–	(65,053)
	<u>–</u>	<u>–</u>
Total consideration	–	70,004
	<u>–</u>	<u>–</u>
Satisfied by:		
Consideration receivable	–	70,004
	<u>–</u>	<u>–</u>
Net cash outflow arised on disposal:		
Bank balances and cash disposed of	–	(196,925)
	<u>–</u>	<u>–</u>

The amount of consideration receivable was non-interest bearing. The amount was settled during the year ended 31 March 2005.

The subsidiaries disposed of during the year ended 31 March 2004 contributed HK\$230,522 to the Group's turnover and HK\$292,235 to the Group's loss from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

20. OPERATING LEASE COMMITMENTS

The Group made approximately HK\$611,844 (2004: HK\$706,361) and HK\$120,000 (2004: Nil) minimum lease payments under operating leases during the year in respect of office premises and motor vehicle respectively.

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

	THE GROUP	
	2005 HK\$	2004 HK\$
Within one year	684,864	594,864
In the second to fifth year inclusive	495,720	1,090,584
	<u>1,180,584</u>	<u>1,685,448</u>

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

The Company had no operating lease commitments for both years.

21. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all its qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK\$1,000 for each of its employees to the Scheme per month, which contribution is matched by the employees.

22. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2004, the Group charged Ice House Fur Trading Limited ("Ice House Fur") in which, Mr. Pong Wai Yan, Louis, a former director of the Company, had a beneficial interest, for the provision of management services to Ice House Fur. The amount charged for the year ended 31 March 2004 were approximately HK\$40,000.

The directors had 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.

Details of the amount due to a director are disclosed in note 15.

FINANCIAL SUMMARY

SUMMARY OF THE CONSOLIDATED RESULTS

	For the year ended 31 March				2005 HK\$
	2001 HK\$	2002 HK\$	2003 HK\$	2004 HK\$	
Turnover	<u>3,786,885</u>	<u>2,925,619</u>	<u>3,480,193</u>	<u>4,339,022</u>	<u>916,054</u>
Loss before taxation	(4,582,706)	(10,512,530)	(5,843,512)	(2,382,868)	(3,120,815)
Taxation	<u>(41,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the year	<u>(4,624,540)</u>	<u>(10,512,530)</u>	<u>(5,843,512)</u>	<u>(2,382,868)</u>	<u>(3,120,815)</u>

SUMMARY OF THE CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				2005 HK\$
	2001 HK\$	2002 HK\$	2003 HK\$	2004 HK\$	
Total assets	21,437,893	11,426,294	5,657,998	3,561,658	1,392,007
Total liabilities	<u>1,357,368</u>	<u>1,858,299</u>	<u>1,933,515</u>	<u>2,220,043</u>	<u>3,171,207</u>
Shareholders' funds	<u>20,080,525</u>	<u>9,567,995</u>	<u>3,724,483</u>	<u>1,341,615</u>	<u>(1,779,200)</u>