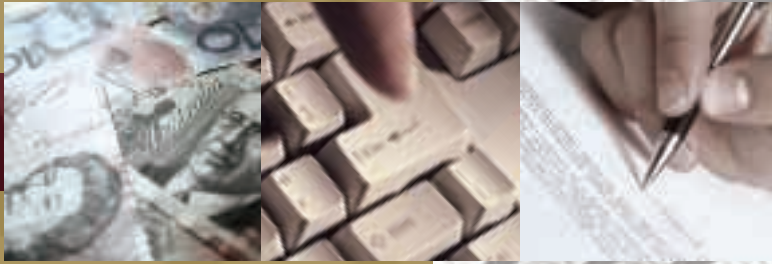




Galileo Capital Group Limited
嘉利盈融資集團有限公司



First Quarterly 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 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, make 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.

FINANCIAL SUMMARY

- Turnover of the Group was HK\$700,000 for the three months ended 30 June 2005, representing an increase of approximately 483% from the corresponding period in the previous fiscal year.
- For the three months ended 30 June 2005, gross profit of the Group was HK\$321,725 as compared to the gross profit of HK\$60,000 recorded in the corresponding period in the previous fiscal year.
- Net loss of the Group for the three months ended 30 June 2005 amounted to HK\$512,105 as compared to HK\$684,598 for the corresponding period in the previous fiscal year.
- Loss per share of the Group for the three months ended 30 June 2005 was HK0.06 cents.
- The Board of the Company does not recommend the payment of an interim dividend for the three months ended 30 June 2005 (2004: Nil).

CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2005 (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 ended 30 June 2005 together with the comparative unaudited figures for the corresponding period in the previous fiscal year as follows:

Unaudited Consolidated Profit and Loss Account

For the three months ended 30 June 2005

	Notes	For the three months ended 30 June	
		2005 HK\$ Unaudited	2004 HK\$ Unaudited
Turnover	2	700,000	120,000
Cost of services provided		(378,275)	(60,000)
Gross profit		321,725	60,000
Other operating income		12	5,720
Administrative and general expenses		(833,842)	(720,105)
Other operating expenses		–	(30,213)
Loss from operations		(512,105)	(684,598)
Finance costs		–	–
Loss before taxation		(512,105)	(684,598)
Taxation	3	–	–
Net loss from ordinary activities attributable to shareholders		(512,105)	(684,598)
Loss per share			
Basic	4	HK(0.06 cents)	HK(0.09 cent)
Diluted	4	N/A	N/A

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 ("HKICPA"). They have been prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005. The accounts are unaudited but have been reviewed by the Company's audit committee.

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 2005 and the corresponding period in 2004 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 2005 and the corresponding period in 2004 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 30 June 2005, there were no significant deferred tax liabilities for which a recognition or provision would have been required (2004: Nil).

4. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2005 is based on the respective net loss attributable to shareholders of HK\$512,105 and the 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 2004 is based on the respective net loss attributable to shareholders of HK\$684,598 and the 800,000,000 ordinary shares of the Company in issue during the respective period. Diluted loss per share for the three months ended 30 June 2005 and 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 2004	8,095,956	(119,998)	(22,634,343)	(14,658,385)
Loss for the period	–	–	(684,598)	(684,598)
At 30 June 2004	8,095,956	(119,998)	(23,318,941)	(15,342,983)
At 1 April 2005	8,095,956	(119,998)	(25,755,158)	(17,779,200)
Loss for the period	–	–	(512,105)	(512,105)
At 30 June 2005	8,095,956	(119,998)	(26,267,263)	(18,291,305)

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 ended 30 June 2005.

6. Interim dividend

The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the three months ended 30 June 2005, the Group recorded a turnover of HK\$700,000 representing an increase of approximately 483% when compared to that in the corresponding period in the last year. The upsurge in revenue is mainly attributable to the fact that some of the deals were brought to completion during the previous three months. As mentioned in the past, our Group has adopted a prudent policy that under normal circumstances income would only be reported as and when the deals have been brought to a successful conclusion.

Both the cost of services and the administrative and general expenses have increased over the same period last year. This is largely a result of the economic recovery and the Group has been making greater use of personnel and other resources in marketing our services to potential clients. However, our management would like to point out that the higher cost as a proportion of revenue has decreased drastically when compared to that in the corresponding period in 2004 and the last fiscal year as a whole. As a result, the net loss was reduced to approximately HK\$512,000 for the period under review. Comparing to the corresponding period last year, this is a reduction of 25%. We would expect the trend to continue as our prudent cost control policy continues to take effect.

Business Review

During the period under review, business activities in Hong Kong and mainland China have picked up considerably. The Group has therefore experienced a strong demand for corporate finance and investment services from our many business contacts made in the recent past. Whilst the Group continued its process of broadening the relationships with other investment banks and financial service providers, we were able to make considerable headways in concluding agreements with a number of mainland clients through our network of associates based in Beijing and Hangzhou. It is anticipated that these fund-raising deals would be brought to the market in the next few months and the Group is expected to play a major role in providing the necessary support and services.

Prospects

There is every reason to believe that China will pursue a prudent policy in managing its economy. Both the securities and the banking industries are in dire need of structuring reform as the country is gearing up for a closer integration into the global economy. However, in the immediate future, the spectre of growing trade disputes as well as ongoing speculation about the impending Renminbi revaluation may have to be dealt with urgently. Whatever shape or form the government may intervene, it will continue the longstanding aim of maintaining stability by taking into account the effects of export competitiveness, inflationary pressures, inflow of foreign capital as well as the reform of the state sector. In this connection, it is more than likely that the authorities would prefer an incremental approach to taking a drastic step forward. Whilst this is a sensible strategy, it would in the short term fuel more speculative inflow of 'hot money' into the region adding to the buoyancy of the stock markets.

Whilst a greater inflow of capital to the securities and foreign exchange markets can be expected, the PRC government's subtle changes in economic policies would mean that the Group will have to be selective in identifying potential mainland and Hong Kong clients who will benefit from the revaluation of the Renminbi. These would include companies which derive most of their revenue from providing services to the domestic market and not as reliant on the growth of export. As the Group is planning to diversify its financial products to include dealings in securities and futures, we are confident that the brighter outlook in the immediate future would enable us to actively pursue lucrative deals from an increasingly demanding clientele.

Liquidity, Charge of Group Assets and Financial Resources

As of 30 June 2005, the Group made an unaudited net loss of approximately HK\$512,000 for the three months period. The Group has approximately HK\$378,000 cash and bank balances. This is a further decline of 30% from approximately HK\$541,000 as at 31 March 2005 due primarily to the loss incurred during the period under review. The Group did not have any outstanding secured borrowing, mortgage or charge as at 30 June 2005.

Contingent Liabilities

As at 30 June 2005, the Group had no material contingent liabilities.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 June 2005, the Group had no significant exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

The total number of employees was 15 as at 30 June 2005, and the total remuneration for the three months ended 30 June 2005 was approximately HK\$758,000. 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. 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. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

As at 30 June 2005, 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)	424,400,000	Interest of a controlled corporation	53.05%

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 three months ended 30 June 2005 (2004: Nil). As at 30 June 2005, there was no share option outstanding under the Scheme (2004: Nil). The Company does not have any other share option scheme.

Save as disclosed above, during the three months ended 30 June 2005, 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.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance to which the Group 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 period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER THE SFO

So far as is known to any directors or chief executives of the Company, as at 30 June 2005, 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 (<i>Note 1</i>)	Corporate	424,400,000	Interest of a controlled corporation	53.05%
Huge Profit Team Limited (<i>Note 2</i>)	Corporate	424,400,000	Interest of a controlled corporation	53.05%
Link Wise Investments Limited (<i>Note 3</i>)	Corporate	424,400,000	Beneficial owner	53.05%
Mr. Leong Sai Cheong, Joe	Personal	162,050,000	Beneficial owner	20.26%

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 30 June 2005, 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.

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.

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.

CORPORATE GOVERNANCE

None of the Company's directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the quarterly report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

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 three months ended 30 June 2005 had been reviewed by the Committee.

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.

BOARD OF DIRECTORS

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, 12 August, 2005