



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



Third 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, 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.

FINANCIAL SUMMARY

- Turnover of the Group was HK\$1,819,000 for the nine months ended 31 December 2005, representing an increase of approximately 230% from the corresponding period in the previous fiscal year.
- For the nine months ended 31 December 2005, gross profit of the Group was HK\$1,328,655 as compared to the gross profit of HK\$428,918 recorded in the corresponding period in the previous fiscal year.
- Net loss of the Group for the nine months ended 31 December 2005 amounted to approximately HK\$1.24 million as compared to approximately HK\$2.19 million for the corresponding period in the previous fiscal year.
- Loss per share of the Group for the nine months ended 31 December 2005 is HK0.16 cents.
- The Board of the Company does not recommend the payment of an interim dividend for the nine months ended 31 December 2005 (2004: Nil).

CONSOLIDATED RESULTS FOR THE THIRD QUARTER OF 2005 (UNAUDITED)

The Board of Directors (the "Board") of Galileo Capital Group Limited (the "Company") 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 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

Unaudited Consolidated Profit and Loss Account

For the three months and nine months ended 31 December 2005

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2005 HK\$ Unaudited	2004 HK\$ Unaudited	2005 HK\$ Unaudited	2004 HK\$ Unaudited
Turnover	2	1,089,000	332,000	1,819,000	552,000
Cost of services		(97,071)	(33,082)	(490,345)	(123,082)
Gross profit		991,929	298,918	1,328,655	428,918
Other operating income		750	4,535	778	15,060
Administrative and general expenses		(844,885)	(919,711)	(2,570,570)	(2,589,338)
Other operating expenses		-	(11,492)	-	(41,705)
Profit/(Loss) from operations		147,794	(627,750)	(1,241,137)	(2,187,065)
Finance costs		-	-	-	-
Profit/(Loss) before taxation		147,794	(627,750)	(1,241,137)	(2,187,065)
Taxation	3	-	-	-	-
Net profit/(loss) from ordinary activities attributable to shareholders		147,794	(627,750)	(1,241,137)	(2,187,065)
Earnings/(Loss) per share					
Basic	4	HK0.02 cents	HK(0.08 cents)	HK(0.16 cents)	HK(0.27 cents)
Diluted	4	N/A	N/A	N/A	N/A

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. Basis of Preparation

The consolidated results of the Group for the three and nine months ended 31 December 2005 are unaudited but have been reviewed by the Group's audit committee.

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong, accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRSs") which have become effective for accounting periods beginning on or after 1 January 2005. The Group has applied all these new HKFRSs in the preparation of the unaudited consolidated results.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2005 except for the new adoption of new HKFRSs. The adoption of the new HKFRSs has had no material impact on the Group's results of operations and financial position.

2. Turnover

Service income is 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 2005 and the corresponding periods 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 and nine months ended 31 December 2005 and the corresponding periods in 2004 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 31 December 2005, there were no significant deferred tax liabilities for which a recognition or provision would have been required (2004: Nil).

4. Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share for the three months and nine months ended 31 December 2005 is based on the respective net earnings/(loss) attributable to shareholders of HK\$147,794 and HK\$(1,241,137) 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 2004 are based on the respective net loss attributable to shareholders of HK\$627,750 and HK\$2,187,065 and the number of 800,000,000 ordinary shares of the Company in issue during the respective period. Diluted earnings/(loss) per share for the three months and nine months ended 31 December 2005 are not presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic earnings/(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 nine months ended 31 December 2004	–	–	(2,187,065)	(2,187,065)
At 31 December 2004	8,095,956	(119,998)	(24,821,408)	(16,845,450)
At 1 April, 2005	8,095,956	(119,998)	(25,755,158)	(17,779,200)
Loss for the nine months ended 31 December 2005	–	–	(1,241,137)	(1,241,137)
At 31 December 2005	8,095,956	(119,998)	(26,996,295)	(19,020,337)

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 2005 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 2005 respectively (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the nine months ended 31 December 2005, the Group recorded a turnover of HK\$1,819,000 representing an increase of approximately 230% when compared to the corresponding period in the last fiscal year. The upsurge in revenue is mainly attributable to some of the deals being brought to completion during the past nine months. As mentioned in the past, our Group has adopted a prudent policy of only recognizing income as and when the deals have been brought to a successful conclusion or when non-refundable retainer fees are received.

The cost of services has increased over the same period last year reflecting the trend of economic recovery in the Greater China region since the first quarter of 2005. Business activities across the whole spectrum of financial services have shown encouraging growth from the upturn in the capital market. Overall, the Group's net loss for the nine months under review was approximately HK\$1.24 million as compared to HK\$2.19 million for the corresponding period last year. The loss per share was HK0.16 cents, an improvement from the corresponding period last year of HK0.27 cents.

Business Review

For the nine-month period under review, the local economy has been coping more than adequately with the twin scourges of interest rate hikes and the soaring oil prices. Despite the volatility in the currency and stock markets, our earlier optimism on the strength and resilience of the economy of the Greater China region proved to be on target. The Group has begun to see its consistent efforts of fostering relationships with prime corporate clients yield fruits. Whilst continuing to pursue a pro-active strategy in marketing our services, we have adopted a prudent and cost-saving approach in allocating our resources because of the challenging conditions of the external market. This is reflected in the strong upsurge of our turnover of over 200% with a slight reduction in administrative and general expenses. It is anticipated that the results of the full year should further validate the Group's effective management approach. The macroeconomic tightening process in China has restricted local banks from lending directly to sectors of excessive growth, such as real estate and fixed asset investments. The Group with its connections to international banks and high net-worth individuals in the region has successfully arranged financing for some of these deals. Income derived from these transactions is expected to materialise during the remaining period of the current fiscal year and/or early next year.

Prospects

We believe that 2006 would be a year of further strengthening of the economy. Although being mid-term election year in the US, there may be renewed pressure on China to reevaluate its currency which would probably result in further widening of the trading band. Stability of the economy and modernization of the weak banking system continue to be the main agenda for reform. The Chinese government is expected to pursue an evolving policy of encouraging even-handed developments in all sectors by discouraging investment in fixed assets. On the other hand, there is a need to boost domestic demand – the other engine of economic growth. Market liberalization under WTO protocol as well as the opening up of the state sector will inevitably lead to interesting business opportunities for foreign service providers and investors. Since the changeover of management and shareholders, the Group has come through the most difficult period unscathed. We believe our fund-raising and financial advisory services will be in strong demand as the need to serve Chinese enterprises expands in the near future. In view of the increasing demands of our clients for flexibility and alternative sources of capital, we are exploring possibilities of listing in other markets, such as the AIM board in London. By forming useful and beneficial alliances with the London-based investment banks, we are able to offer our clients an attractive platform to one of the most liquid capital markets in the world whose listing requirements at the initial stage and on an on-going basis are more business oriented and they are disclosure based. This is a significant breakthrough and will in the years to come be a major selling point for the Group in marketing its comprehensive financial products to valuable clients in the region.

Liquidity, Charge of Group Assets and Financial Resources

During the nine months ended 31 December 2005, the Group's operation was mainly financed by the internal financial resources of the Group and its major shareholder.

As of 31 December 2005, the Group incurred an unaudited net loss of approximately HK\$1,241,000 for the nine months period. The Group had approximately HK\$597,000 cash and bank balance. This represents an increase of approximately 10% from approximately HK\$541,000 as at 31 March 2005. The Group did not have any outstanding secured borrowing, mortgage or charge as at 31 December 2005.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2005.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 31 December 2005, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

The total number of employees was 14 as at 31 December 2005, and the total remuneration for the nine months ended 31 December 2005 was approximately HK\$1,630,000. 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 31 December 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 nine months ended 31 December 2005 (2004: Nil). As at 31 December 2005, there was no share option outstanding under the Scheme (2004: Nil). Other than the Scheme, the Group does not have any other share option scheme.

Save as disclosed above, during the nine months ended 31 December 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 SFO

So far as is known to any Directors or chief executives of the Company, as at 31 December 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 (Note 1)	Corporate	424,400,000	Interest of a controlled corporation	53.05%
Huge Profit Team Limited (Note 2)	Corporate	424,400,000	Interest of a controlled corporation	53.05%
Link Wise Investments Limited (Note 3)	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.

Save as disclosed above, as at 31 December 2005, the Company was not 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 any 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, all of them are independent non-executive Directors and Mr. Shum Kai Wing was appointed as the Chairman of the Committee. The results for the nine months ended 31 December 2005 were reviewed by the Committee.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee ("Remuneration Committee") on 18 March 2005 with the majority of its members thereof being independent non-executive Directors. During the period under review, the Remuneration Committee comprised three members, Mr. Shum Kai Wing, Mr. Wong Yuk Man, Edmand; and Mr. Chow Cheuk Lap, all of them are independent non-executive Directors and Mr. Shum Kai Wing was appointed as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

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 LISTED SECURITIES

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

DIRECTORS OF THE COMPANY

As at the date of this report, the five executive Directors of the Company are Mr. Liu Ka Lim, Mr. Kan Siu Lun, Mr. Sun Wai Tat, Victor; Miss Lam So Ying and Miss Sy Wai Shuen; 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, 7 February 2006