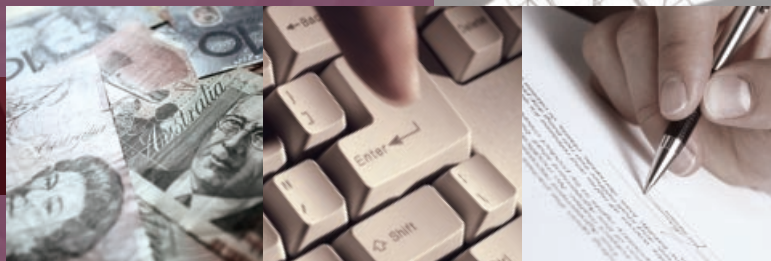




Galileo Capital Group Limited
嘉利盈融資集團有限公司

stock code : 8029



First Quarterly Report 2006

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\$280,000 for the three months ended 30 June 2006, representing a decrease of approximately 60% from the corresponding period in the previous fiscal year.
- For the three months ended 30 June 2006, gross profit of the Group was HK\$220,818 as compared to the gross profit of HK\$321,725 recorded in the corresponding period in the previous fiscal year.
- Loss attributable to shareholders of the Group for the three months ended 30 June 2006 amounted to HK\$611,255 as compared to HK\$512,105 for the corresponding period in the previous fiscal year.
- Loss per share of the Group for the three months ended 30 June 2006 is HK0.08 cent.
- The Board of the Company does not recommend the payment of an interim dividend for the three months ended 30 June 2006 (2005: Nil).

CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2006 (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 ended 30 June 2006 together with the comparative unaudited figures for the corresponding period in the previous fiscal year as follows:

Unaudited Consolidated Income Statement

For the three months ended 30 June 2006

	Notes	For the three months ended 30 June	
		2006 HK\$ Unaudited	2005 HK\$ Unaudited
Revenue	2	280,000	700,000
Direct costs		(59,182)	(378,275)
Gross profit		220,818	321,725
Other operating incomes		4	12
Administrative expenses		(832,076)	(833,842)
Finance costs		(1)	–
Loss before tax		(611,255)	(512,105)
Income tax expense	3	–	–
Loss for the period		(611,255)	(512,105)
Dividend	4	–	–
Loss per share			
Basic	5	HK(0.08 cent)	HK(0.06 cent)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at fair values.

The consolidated results of the Group for the three months ended 30 June 2006 are unaudited but have been reviewed by the Company's audit committee.

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated financial statements include applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006.

2. Revenue

Revenue represents the net amounts received and receivable from services provided by the Group to outside customers.

3. Income tax expense

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the three months ended 30 June 2006 and the same period in 2005.

4. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2006 (2005: Nil).

5. Loss per share

The calculation of basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the three months ended 30 June	
	2006	2005
	HK\$	HK\$
Loss for the period and loss for the purpose of determining basic loss per share	611,255	512,105
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of determining basic loss per share	800,000,000	800,000,000

Diluted loss per share figures have not been presented as the Company did not have any potential ordinary shares for both periods.

6. 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 2005	8,095,956	(119,998)	(25,755,158)	(17,779,200)
Loss for the three months ended 30 June 2005	–	–	(512,105)	(512,105)
At 30 June 2005	8,095,956	(119,998)	(26,267,263)	(18,291,305)
At 1 April 2006	8,095,956	(119,998)	(27,686,958)	(19,711,000)
Loss for the three months ended 30 June 2006	–	–	(611,255)	(611,255)
At 30 June 2006	8,095,956	(119,998)	(28,298,213)	(20,322,255)

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 2006.

7. Post balance sheet event

Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe, the substantial shareholders of the Company (the "Vendors"), entered into a share purchase agreement on 24 May 2006 (the "Share Purchase Agreement") with an independent third party (the "Offeror") to which the Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase 586,450,000 shares in aggregate (the "Sale Shares") at a total consideration of HK\$14,661,250. The Sale Shares representing approximately 73.3% of the existing issued share capital of the Company. Details of the Share Purchase Agreement have been announced on 29 May 2006. All the conditions of Share Purchase Agreement were fulfilled on 11 July 2006 and completion took place on the same date.

An amount up to HK\$4,792,737 due to Mr. Liu Ka Lim was waived upon the completion of the Share Purchase Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance

For the three months ended 30 June 2006, the Group recorded a turnover of HK\$280,000 representing a decrease of approximately 60% when compared to the corresponding period in the last fiscal year. The drop in revenue was mainly attributable to postponement in the completion of some of the deals during the past three 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 been maintained at similar level as that of the same period last year reflecting the effective control of overheads. Overall, the Group's net loss for the three months under review was approximately HK\$0.61 million as compared to HK\$0.51 million for the corresponding period last year. The loss per share was HK0.08 cents, an increase from the corresponding period last year of HK0.06 cents.

Business Review

For the three-month period under review, the local financial market shown mixed signs of direction with significant shrinkage in turnover of property transactions while the local stock market continued to seek for a clearer trend pending confirmation of interest rate hikes which to a certain extent would be affected by the unstable oil prices. Following a series of austerity measures which had been launched by China to curb the overheated property market, the resultant chain effect in tightening of money supply in other sectors of the economy was seen during the period under review. This has led to increased opportunity in offering our services in raising finance for high quality projects in the coming months. Whilst continuing to pursue a pro-active strategy in marketing our services, we continued to adopt a prudent and cost-saving approach in allocating our resources because of the challenging conditions of the external market. This is reflected in our confinement of administrative and general expenses.

Prospects

We are of the view that the capital market in Hong Kong will continue its growth in light of the recovery of the local economy and the close link with the PRC which has also a very strong economic growth. As the financial services and the investment banking sectors of Hong Kong still remain highly competitive, we believe that there is a huge demand for our fund-raising and financial advisory services especially from Chinese enterprises. Though there is a change of shareholding from July 2006, the new Chairman and the incoming directors will continue with the existing business of the Group until a new management team is formed in August 2006. We understand that the new management team will conduct a review of the financial position and operations of the Group in order to formulate a long-term strategy for it and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. As the nature of the Group's business is people-oriented, the new management team believes that expertise is one of its most important assets and will continue to solicit appropriate key personnel to increase its network in financial sectors both in Hong Kong and China.

Liquidity, Charge of Group Assets and Financial Resources

During the three months ended 30 June 2006, the Group's operation was mainly financed by the internal financial resources of the Group and its major shareholder.

As of 30 June 2006, the Group incurred an unaudited loss of approximately HK\$611,000 for the three-month period. The Group had approximately HK\$517,000 cash and bank balance. This represents an increase of approximately 56% from approximately HK\$331,000 as at 31 March 2006. The Group did not have any outstanding secured borrowing, mortgage or charge as at 30 June 2006.

Contingent Liabilities

On 12 November 2004, Galileo Asset Management Limited (“GAML”), a wholly owned subsidiary of the Company, entered into a consultancy agreement (the “Consultancy Agreement”) with a client (the “Client”). On 7 January 2006, the Client lodged a claim with GAML for RMB800,000.

In the opinion of an independent legal advisor, the Client had been in breach of the Consultancy Agreement as it was repeatedly in default of making payment as agreed under the Consultancy Agreement. In view of the above, it is advised that GAML is not obliged to return the fee to the Client. Accordingly, the Directors consider the RMB800,000 to be non-refundable upfront fee payable under the Consultancy Agreement, and no liability has been assumed and accordingly, the amount of RMB800,000 has not been accounted for in the income statement.

The Directors consider that the outcome of the claim referred above will not have a material adverse effect on the financial position of the Group.

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. As at 30 June 2006, the Group had no exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employee Information

The total number of employees was 13 as at 30 June 2006, and the total remuneration for the three months ended 30 June 2006 was approximately HK\$394,000. 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 staff 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 2006, 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 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.

There was no outstanding share option as at 30 June 2006 and 30 June 2005.

The Directors consider that the Scheme does not comply with certain supplementary guidance published by the Stock Exchange concerning Rule 23.03(13) of the GEM Listing Rules and the note immediately followed the rule. Since there are other elements of the Scheme currently being studied by the Directors and would most likely be amended in the near future, the Directors decide to amend the Scheme in an Extraordinary General Meeting as soon as such studies are finalized.

No share option was granted or exercised during the three months ended 30 June 2006 (2005: Nil).

Save as disclosed above, during the three months ended 30 June 2006, 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 30 June 2006, 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 1)	Corporate	424,400,000	Interest of a controlled corporation	53.05%
Link Wise Investments Limited (Note 1)	Corporate	424,400,000	Beneficial owner	53.05%
Leong Sai Cheong, Joe	Personal	162,050,000	Beneficial owner	20.26%
New Brilliant Investments Limited (Note 2)	Corporate	586,450,000	Beneficial owner	73.31%
20/20 International Limited (Note 2)	Corporate	586,450,000	Interest of a controlled corporation	73.31%
Chui Bing Sun (Note 2)	Corporate	586,450,000	Interest of a controlled corporation	73.31%

Note 1: Link Wise Investments Limited was the registered owner of the 424,400,000 shares of the Company as at 30 June 2006. Mr. Liu Ka Lim is the sole beneficial owner of the entire issued share capital of Huge Profit Team Limited, which in turn is the sole beneficial owner of the entire issued share capital of Link Wise Investments Limited. Accordingly, both Huge Profit Team Limited and Mr. Liu Ka Lim are deemed under the SFO to be interested in these 424,400,000 shares of the Company as at 30 June 2006.

Note 2: New Brilliant Investments Limited is beneficially owned as to 80% by 20/20 International Limited and as to 20% by Ms. Zhang Ze Mei. In addition, 20/20 International Limited is wholly and beneficially owned by Mr. Chui Bing Sun. Accordingly, both 20/20 International Limited and Mr. Chui Bing Sun are deemed under the SFO to be interested in the 586,450,000 shares of the Company beneficially owned by New Brilliant Investments Limited as at 30 June 2006.

Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe, the then substantial shareholders of the Company (the "Vendors"), entered into a share purchase agreement on 24 May 2006 (the "Share Purchase Agreement") with New Brilliant Investments Limited (the "Offeror"), pursuant to which the Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase 586,450,000 shares of the Company in aggregate (the "Sale Shares") at a total consideration of HK\$14,661,250. The Sale Shares represented approximately 73.3% of the existing issued share capital of the Company as at 30 June 2006. Details of the Share Purchase Agreement were announced on 29 May 2006. All the conditions of Share Purchase Agreement were fulfilled on 11 July 2006 and completion took place on the same date. Accordingly, as from 11 July 2006, each of Mr. Liu Ka Lim, Huge Profit Team Limited, Link Wise Investments Limited and Mr. Leong Sai Cheong, Joe ceased to be a substantial shareholder (as defined under the SFO) of the Company.

Save as disclosed above, as at 30 June 2006, 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 three months ended 30 June 2006 were reviewed by the Committee.

REMUNERATION COMMITTEE

According to the Code on Corporate Governance Practices, the Company established its remuneration committee on 18 March 2005. 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. Concerning the change of directors, the Board has provided further details in another announcement dated 14 August 2006.

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

Hong Kong, 14 August 2006