



Chairman's Statement

I have the pleasure to present to the shareholders the first annual report of Get Nice Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2002.

The financial year ended 31st March, 2002 presented a challenging time for the financial service industry. The Group recorded a total turnover of HK\$76.0 million for the period under review, representing a decrease by approximately 33.5%. Net profit excluding non-recurring items like gain on disposal of shares in Hong Kong Exchanges and Clearing Ltd. in 2001 and revaluation deficit on land and buildings in 2002, dropped by 15.6% to HK\$26.3 million this year. On this basis, the net profit margin was however increased from 27.3% in 2001 to 34.7% this year, mainly resulting from the net realised gain on other securities of HK\$3.2 million, decrease in finance costs by HK\$11.5 million, contribution from the new business segments and general cost-cutting on the Group's operation.

The Directors recommend the payment of a final dividend of HK 3 cents per share in respect of the year 2002, to the shareholders whose names appear on the register of members of the Company on 5th September, 2002 to thank for the support of our shareholders. The proposed dividend will be paid on or about 12th September, 2002 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

Business segment performance

Stock and futures brokerage and interest income from margin financing

For the year under review, performance of the stock market was generally affected by the global economic slowdown and was further depressed by the terrorist attack on 11th September, 2001 in the USA. During the year ended 31st March, 2002, the average daily stock market turnover dropped to approximately HK\$7 billion, representing a decrease of 26% from last year. Such decline was accompanied by the adverse performance of Hang Seng Index which dropped to the annual lowest 8,934 on 21st September, 2001. It finally closed at 11,032 on 31st March, 2002, representing a decline of 13.5% over the period under review.

As a result, the commission and fee income from stock and futures brokerage decreased by 51.6% from approximately HK\$65.8 million in 2001 to approximately HK\$31.9 million this year. Interest income from margin financing has also reduced by about 29.6% from last year, mainly due to reduction in size of margin loans and unprecedented number of interest rate cut during the year.

Brokerage of insurance-linked investment plans and other investment products

This developing business segment performed well during such poor economic condition, achieving gross commission income of HK\$5.9 million which represented a growth of over 300% compared with last year. This was the result of the enlarged sales team to provide comprehensive financial advises to our clients.

Corporate finance

Since our licenses were granted by Securities and Futures Commission ("SFC") in May 2001, we have been actively involved in various kind of corporate finance activities including seven financial advisory assignments, seven independent financial advisory and a co-sponsorship role. This new stream of business successfully contributed HK\$3.3 million fee income to the Group, representing 4.4% of the total turnover.

Placing and underwriting of IPOs, rights issue and warrants

Despite the depressed condition in the capital-raising market, the Group had participated in more than 20 placing and underwriting deals during the year. With the support of our extensive sales force and our network in this field, the gross commission from placing and underwriting activities achieved an increment from HK\$5.2 million in 2001 to HK\$6.7 million this year.

Significant investment held

As at 31st March, 2002, the Group held an unlisted equity securities in DBS Diamond Holdings Limited, a company incorporated in Bermuda, with carrying amount of approximately HK\$43.1 million. During the year, a realised gain on holding this investment amounting HK\$4.9 million was recorded which was offset by realised losses on disposal of quoted unit trust and other securities of approximately HK\$1.7 million.



Chairman's Statement (continued)

Cost Control

In response to the poor business environment, the Board had carefully monitored the Group's operating costs. During the year, the Group leased an additional office premises and expanded the workforce to cope with the development of new business segments, which accounted for an increase of operating leases and staff cost by HK\$1.2 million and HK\$1.8 million respectively. However, with the tight control of running costs, other operating overhead was successfully reduced from HK\$14.0 million to HK\$10.5 million. The financial costs were also dropped by HK\$11.4 million which were mainly attributable to the decrease in general interest rate and that no interest was paid on subordinated loan.

Financial review

The Group maintained a high level of liquid assets as required by the Financial Resources Rules promulgated by the SFC. As at 31st March, 2002, the Group's net current assets amounted to HK\$182.9 million. Besides, the Group had outstanding borrowings of approximately HK\$186.7 million, comprising bank overdraft of HK\$86.2 million, other bank loan of HK\$39.0 million, amount due to a director of HK\$1.5 million and a subordinated loan of HK\$60.0 million. These fundings were mainly procured to finance margin loan granted to securities margin clients. The bank borrowings are principally on a floating rate basis.

The gearing ratio of the Group, being total debts over total assets, as at 31st March, 2002 was approximately 52%.

As at 31st March, 2002, the Group's borrowings and facilities from banks and a licensed money lender were secured by margin client's pledged securities of approximately HK\$608.1 million, the Group's investments in securities with carrying value of HK\$43.1 million, personal guarantees given by two directors and corporate guarantee given by a related company.

As at 31st March, 2002, the Group had available facilities from banks and a financial institution amounting to HK\$514 million of which HK\$388.8 million was not utilized.

The business activities of the Group do not expose to material fluctuations in exchange rates as majority of the transactions are denominated in Hong Kong dollars. Small portion of the revenues are denominated in USD but the risk is kept to minimum because of the pegged exchange rate.

As at 31st March, 2002, the Group had no material contingent liabilities and no material capital commitment.

Regulatory environment

The businesses which the Group operates are highly regulated and the relevant members of the Group are required to be registered with the SFC and other relevant regulatory bodies. During the year ended 31st March, 2002, there were a number of changes in relevant rules and regulations, including Code of Conduct for Persons Registered with the SFC, Corporate Finance Adviser Code of Conduct, Guidance Notes on Continuous Professional Training and so on.

The Group responded to the changes promptly during the year. New securities account opening forms, new clients declaration statements were adopted, while new facilities such as digital telephone recording system was installed to meet the new requirements. Besides, continuous training courses were organised to ensure the registered persons keep abreast of the development on relevant rules and regulations.

Staff

As at 31st March, 2002, the Group had a total of 35 full time employees and 83 account executives, 20 of whom were also employed as full time employees of the Group. The staff are remunerated based on industry practice and performance of individual staff.



Chairman's Statement (continued)

USE OF PROCEEDS OF THE SHARE OFFER

Following the successful listing of the Company's shares on the main board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 6th June, 2002, we have applied part of the listing proceeds according to the plans as mentioned in the prospectus:

	HK\$ (million)
Expansion of margin financing activities	13.0
Working capital of placing activities	10.0
Reducing bank borrowings	10.0
General working capital	8.3
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	41.3
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The remaining balance of the net proceeds was placed into short term deposit and saving account. It is currently intended that they will be used in the coming years for the purposes as set out in the prospectus.

PROSPECTS

By obtaining a listing status on the Stock Exchange, the Board believes that the Group will benefit from a higher market profile and an enhanced reputation in the financial industry. This in turn is advantageous for the Group in recruiting staff of high calibre and attracting new customers. As mentioned in our prospectus, the Group intends to apply totalling HK\$7 million in the area of promotion and expansion of sales forces.

The Group also places much effort on developing new business segments so as to shift ourselves from a traditional brokerage firm to a one-stop financial service centre. This strategy has proved to be successful as the gross revenue from the business of corporate finance, placing and underwriting and brokerage of other investment products has increased from HK\$6.6 million in 2001 to HK\$16 million this year. In the coming years, we expect that increased synergies among these new segments with the traditional brokerage business would further strengthen our competitive edge.

Although the overall market condition in 2001 was difficult, we hold a positive view on the investment market in Hong Kong due to the strong fundamentals and resilient nature of the Hong Kong economy. The Board also believes that, in the long run, the Hong Kong stock market will continue to serve as the Asian pillar of the global stock market and will remain attractive to different type of investors. Now the Group has well-positioned itself by obtaining a listing status and shifting to a one-stop financial service centre. We are confident that the Group will surely benefit when the investment environment improves.

APPRECIATION

On behalf of the Board, I wish to express my thanks to our committed staff and account executives for their hard work and dedication, and to our shareholders for their continuing support.

By Order of the Board

Hung Hon Man
Chairman

Hong Kong, 25th July, 2002