



Notes to the Proforma Financial Statements

For the year ended 31st March, 2002

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF PROFORMA FINANCIAL STATEMENTS

The Company was incorporated and registered in the Cayman Islands on 23rd January, 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Honeylink Agents Limited, a company incorporated in the British Virgin Islands, has been the ultimate holding company of the Company since 16th May, 2002.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the group formed after the completion of the Reorganisation on 16th May, 2002 (the “Group”).

The Reorganisation principally involved the exchange of shares of the Company with all the issued share capital of Get Nice Incorporated and the details are set out in the prospectus dated 24th May, 2002 issued by the Company.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these proforma financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group, or since the dates of incorporation of the companies now comprising the Group to 31st March, 2002. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the Group.

The shares of the Company were listed on the main board of the Stock Exchange on 6th June, 2002.

The Company is an investment holding company. The principal activities of the Group are the provision of financial services, including securities dealing and broking, futures and options broking, securities margin financing, corporate finance services, and brokerage of mutual funds and insurance-linked investment plans and products.

2. SIGNIFICANT ACCOUNTING POLICIES

The proforma financial statements have been prepared under the historical cost convention, as modified for the revaluation of property and investments in securities and in accordance with accounting principles generally accepted in Hong Kong except for the non-compliance with Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants described under basis of combination below. The principal accounting policies adopted are set out below:

Basis of combination

The proforma financial statements incorporate the financial statements of the Company and the companies which became the Company’s subsidiaries on 16th May, 2002 as set out in note 32 made up to the balance sheet date.

The proforma financial statements incorporate the effects of the Reorganisation completed on 16th May, 2002 (as described in note 1 above). For the purposes of the proforma presentation, the Reorganisation has been accounted for by using merger accounting. This treatment is not in accordance with SSAP 27 because, although the Reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements.

All significant inter-company transactions and balances between group enterprises are eliminated on combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

All transactions in securities trading are recorded on a trade date basis.

Commission and brokerage income, clearing and handling fees income and advisory fee income are recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Management fees are recognised when the services are provided.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the income statement. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant lease.

Retirement benefits scheme

The retirement benefits costs charged in the income statement represent the contribution payable in respect of the year to the Group's Mandatory Provident Fund Scheme.

Intangible assets

Trading rights in the Stock Exchange and Hong Kong Futures Exchange Limited (the "Futures Exchange") are stated at cost less amortisation. Amortisation is provided to write off the cost on a straight line basis over 10 years.

Provision for bad and doubtful debts

Provisions are made for doubtful debts as and when they are considered necessary by the directors. Factors under consideration include the net realisable value of the securities pledged by the clients, the financial condition and repayment records of the clients and the general economic conditions. When the directors consider that the chances of debt recovery are remote, the outstanding debt will be written off.

Property and equipment

Property and equipment are stated at cost less depreciation and amortisation, and accumulated impairment losses.

Land and buildings are stated in the proforma combined balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

Depreciation and amortisation is charged to write off the cost of property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, on the following rates per annum:

Leasehold land	Over the terms of the lease
Buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	20%
Motor vehicles	25%
Office equipment	20%
Furniture and fixtures	15%

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 any impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities, other than held-to-maturity debt securities, are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

3. TURNOVER

	2002 HK\$'000	2001 HK\$'000
Commission and brokerage	37,825	67,176
Underwriting and placing commission	6,745	5,235
Interest income from		
– clients	26,237	36,203
– financial institutions	515	1,543
– clearing house	89	357
Clearing and handling fees income	1,275	3,828
Advisory fee income	3,316	–
	76,002	114,342

Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions, namely, broking, securities margin financing, corporate finance and investments. These divisions are the basis on which the Group reports its primary segment information. The principal activities of these divisions are as follows:

- Broking – provision of stockbroking, futures and options broking, and mutual funds and insurance-linked investment plans and products broking
- Securities margin financing – provision of securities margin financing
- Corporate finance – provision of corporate advisory services
- Investments – holding of investments

Segment information about these businesses is presented below.

Proforma combined income statement for the year ended 31st March, 2002

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
REVENUE					
Turnover	46,254	26,025	3,723	–	76,002
RESULTS					
Segment profit	7,625	16,073	2,329	3,357	29,384
Unallocated income and expenses					(3,053)
Profit before taxation					26,331
Taxation					(4,637)
Profit for the year					21,694

Proforma combined balance sheet as at 31st March, 2002

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
ASSETS					
Segment assets	51,911	260,386	5,695	43,229	361,221
Unallocated corporate assets					22
Consolidated total assets					361,243
LIABILITIES					
Segment liabilities	22,083	197,037	320	–	219,440
Unallocated corporate liabilities					1,646
Consolidated total liabilities					221,086



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31st March, 2002

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
Additions of property and equipment	2,340	-	26	-	2,366
Amortisation of intangible assets	125	-	-	-	125
Depreciation and amortisation of property and equipment	2,828	-	18	-	2,846
Revaluation deficit on land and buildings	4,653	-	-	-	4,653

Proforma combined income statement for the year ended 31st March, 2001

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
REVENUE					
Turnover	78,370	35,972	-	-	114,342
RESULTS					
Segment results	25,180	11,784	(200)	97	36,861
Unallocated income and expenses					56,139
Profit before taxation					93,000
Taxation					(5,873)
Profit for the year					87,127

Proforma combined balance sheet as at 31st March, 2001

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
ASSETS					
Segment assets	54,692	225,422	3,664	6,186	289,964
Unallocated corporate assets					778
Consolidated total assets					290,742
LIABILITIES					
Segment liabilities	21,980	131,210	53	-	153,243



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31st March, 2001

	Broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Combined HK\$'000
Additions of property and equipment	4,558	–	65	–	4,623
Amortisation of intangible assets	126	–	–	–	126
Depreciation and amortisation of property and equipment	3,297	–	13	–	3,310
Allowance for bad and doubtful debts	–	3,282	–	–	3,282

Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and profit before taxation are derived from Hong Kong. In addition, the Group's assets are located in Hong Kong.

5. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Dividend income	414	97
Gain on disposal of property and equipment	1,600	–
Net realised gain on other securities	3,168	–
Sundry income	49	254
Management fees received from related companies	–	240
	5,231	591

6. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
– bank loans and overdrafts wholly repayable within five years	6,651	13,284
– subordinated loan wholly repayable within five years	–	4,264
Bank charges	308	866
	6,959	18,414

7. STAFF COSTS

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	11,270	12,346
Contributions to retirement benefits scheme	401	148
	11,671	12,494



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

8. PROFIT BEFORE TAXATION

	2002 HK\$'000	2001 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	397	309
Amortisation of intangible assets (included in other operating expenses)	125	126
Operating lease rentals in respect of rented premises	5,139	3,943
Realised and unrealised losses on trading securities	225	–
Net (gains) losses on error trades	(7)	16
	–	–

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments (executive directors):		
Salaries and other benefits	1,341	1,329
Bonus	–	99
Commission received	1,001	3,643
Contributions to retirement benefits scheme	53	19
	2,395	5,090

The emoluments as shown above were paid to the directors as follows:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	8	6
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1

During the year, the directors were entitled on a priority basis to the use of the motor vehicles which were held by the Group. The cost of these motor vehicles as at 31st March, 2002 was approximately HK\$1,554,000 (31.3.2001: HK\$5,146,000). The depreciation for the year was approximately HK\$390,000 (2001: HK\$1,286,000).

None of the directors has waived any emoluments during the year.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

The five highest paid individuals included two (2001: four) directors of the Company and their emoluments are set out above. The emoluments of the remaining three (2001: one) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,196	251
Bonus	-	20
Contributions to retirement benefits scheme	30	4
	1,226	275

The aggregate emoluments of the remaining three (2001: one) individuals mentioned above were less than HK\$1,000,000.

During the year, no emoluments were paid by the Group to 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.

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax		
Current year	5,047	6,057
Overprovision in prior year	(410)	(184)
	4,637	5,873

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profit for the year.

The Group did not have any significant unprovided deferred taxation for the year and at the balance sheet date.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

11. DIVIDENDS

No dividend was paid or declared by the Company during the period from 23rd January, 2001 (date of incorporation) to 31st March, 2002. However, during the year, the following subsidiaries of the Company had paid dividends to their then shareholders prior to the Reorganisation and subsequent to 31st March, 2002, the directors of the Company proposed a final dividend of HK3 cents per share be paid to the shareholders of the Company whose names appear in the register of members on 5th September, 2002.

	2002 HK\$'000	2001 HK\$'000
Declared and paid		
Get Nice Investment Limited ("GNI")	20,000	38,744
Get Nice Capital Limited ("GNC")	600	–
Get Nice Futures Company Limited ("GNF")	–	23,969
	20,600	62,713
Final, proposed		
The Company	9,000	–
	29,600	62,713

The proposed final dividend of the Company is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

Subsequent to 31st March, 2002, GNI also declared a final dividend of HK\$10,000,000 be paid to the Company.

12. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the combined net profit during the year and on 225,000,000 shares of the Company in issue during the year on the assumption that the Reorganisation had been completed on 1st April, 2000.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

13. PROPERTY AND EQUIPMENT

	Leasehold land and building HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COST OR VALUATION						
At 1st April, 2001	12,567	6,106	5,146	6,407	1,091	31,317
Additions	–	419	–	1,947	–	2,366
Deficit on revaluation	(5,067)	–	–	–	–	(5,067)
Disposals	–	–	(3,592)	–	–	(3,592)
At 31st March, 2002	7,500	6,525	1,554	8,354	1,091	25,024
Comprising:						
At cost	–	6,525	1,554	8,354	1,091	17,524
At valuation	7,500	–	–	–	–	7,500
	7,500	6,525	1,554	8,354	1,091	25,024
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	164	3,972	4,368	2,616	1,008	12,128
Provided for the year	250	1,307	390	821	78	2,846
Eliminated on revaluation	(414)	–	–	–	–	(414)
Eliminated on disposals	–	–	(3,592)	–	–	(3,592)
At 31st March, 2002	–	5,279	1,166	3,437	1,086	10,968
NET BOOK VALUES						
At 31st March, 2002	7,500	1,246	388	4,917	5	14,056
At 31st March, 2001	12,403	2,134	778	3,791	83	19,189

The carrying amount of leasehold land and buildings comprises buildings situated on:

- land in Hong Kong under long lease
- land in Hong Kong under medium-term lease

2002 HK\$'000	2001 HK\$'000
6,600	10,067
900	2,336
7,500	12,403

The leasehold land and buildings of the Group in Hong Kong were valued at 31st March, 2002 by Insignia Brooke, Chartered Surveyors, on an open market value basis. Insignia Brook is not connected with the Group.

If leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation approximately HK\$12,153,000.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

14. INTANGIBLE ASSETS

	HK\$'000
COST	
At 1st April, 2001 and at 31st March, 2002	1,258
AMORTISATION	
At 1st April, 2001	126
Charged for the year	125
At 31st March, 2002	251
NET BOOK VALUES	
At 31st March, 2002	1,007
At 31st March, 2001	1,132

The intangible assets represent three trading rights in the Stock Exchange and one trading right in the Futures Exchange which are stated at cost less amortisation.

15. INVESTMENTS IN SECURITIES

	2002 HK\$'000	2001 HK\$'000
Non-current assets		
Other securities		
Quoted unit trusts	-	6,186
Current assets		
Trading securities		
Listed equity securities	151	-
Other securities		
Unlisted equity securities (Note)	43,078	-
	43,229	-
Market value of listed equity securities	151	-
Market value of quoted unit trusts	-	6,186
	151	6,186

Note: Unlisted equity securities as at 31st March, 2002 is the Group's investment in DBS Diamond Holdings Limited, a company incorporated in Bermuda, with carrying amount of approximately HK\$43,078,000. These unlisted securities are pledged to banks for general banking facilities provided to the Group.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

16. OTHER NON-CURRENT ASSETS

	2002 HK\$'000	2001 HK\$'000
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	150	150
Contribution in cash to compensation fund	400	400
Guarantee fund contributed to HKSCC	150	150
Reserve fund contribution to HKFE Clearing Corporation Limited ("HKFECC")	1,500	1,500
	2,200	2,200

17. TRADE DEBTORS

	2002 HK\$'000	2001 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	9,536	12,240
– HKSCC	1,366	–
Loans to securities margin clients		
– Directors and their associates	6,015	2,937
– Other margin clients	234,639	202,726
Accounts receivable from HKFECC arising from the business of dealing in futures contracts	1,367	2,180
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	1,037	–
Amounts receivable arising from the business of providing corporate advisory services	1,475	–
	255,435	220,083

The settlement terms of accounts receivable from cash clients and HKSCC are two days after trade date, and from HKFECC is one day after trade date.

Except for the loans to securities margin clients and commission receivable from brokerage of mutual funds and insurance-linked investment plans and products as mentioned below, all the above balances aged within 30 days.

Loans to securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products are settled within 60 days after the Group has submitted the subscription application/policies to the fund managers/policy issuers. The age of this balance is within 60 days.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

18. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of related entity	Terms	At	At	Maximum amount
		31.3.2002 HK\$'000	1.4.2001 HK\$'000	outstanding during the year HK\$'000
Alex International Limited ("AIL")	Unsecured, repayable on demand and non-interest bearing	52	28	52
Get Nice Gold Company	Unsecured, repayable on demand and non-interest bearing	19	1	19
		71	29	71

Messrs. Hung Hon Man and Shum Kin Wai, Frankie have beneficial interests in AIL and Mr. Hung Hon Man has a beneficial interest in Get Nice Gold Company.

19. AMOUNTS DUE FROM DIRECTORS

Details of the amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director	Terms	At	At	Maximum amount
		31.3.2002 HK\$'000	1.4.2001 HK\$'000	outstanding during the year HK\$'000
Mr. Shum Kin Wai, Frankie	Unsecured, repayable on demand and non-interest bearing	-	175	175
Mr. Cheng Wai Ho	Unsecured, repayable on demand and non-interest bearing	-	222	222
		-	397	397

20. TRADE CREDITORS

	2002 HK\$'000	2001 HK\$'000
Accounts payable arising from the business of dealing in securities:		
– Cash clients	15,494	11,226
– HKSCC	-	3,313
Accounts payable to clients arising from the business of dealing in futures contracts	2,467	2,792
Amounts due to securities margin clients	11,886	16,498
Commission payable for brokerage of mutual funds and insurance-linked investment plans and products	633	-
	30,480	33,829



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

20. TRADE CREDITORS (continued)

The settlement terms of accounts payable to cash clients and HKSCC are two days after trade date. The age of these balances is within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the Futures Exchange. The excesses of the outstanding amounts over the required initial margin deposits stipulated by the Futures Exchange are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of futures contract dealing.

Amounts due to securities margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Commission payable for brokerage of mutual funds and insurance-linked investment plans and products are settled immediately upon the Group has received payments from fund managers/policy issuers. The age of this balance is within 60 days.

21. AMOUNT DUE TO A DIRECTOR

The amount is due to Mr. Hung Hon Man, and is unsecured, non-interest bearing and repayable on demand.

22. BANK BORROWINGS

	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	86,190	43,875
Other bank loans	38,960	11,000
	125,150	54,875
Secured portion	125,150	54,712
Unsecured portion	–	163
	125,150	54,875

The maturity of the borrowings is on demand or within one years.

The bank overdrafts of approximately HK\$86,190,000 and bank loans of HK\$38,960,000 at 31st March, 2002 were secured by clients' pledged securities and certain investments in securities of the Group. In addition, the bank overdrafts of approximately HK\$86,190,000 and the bank loan of HK\$12,960,000 at 31st March, 2002 were also secured by a personal guarantee given by Mr. Hung Hon Man, and the bank loan of HK\$18,000,000 was also secured by personal guarantees given by Messrs. Hung Hon Man and Shum Kin Wai, Frankie.

The bank overdrafts of approximately HK\$43,712,000, and a bank loan of HK\$11,000,000 at 31st March, 2001 were secured by clients' pledged securities. In addition, the bank overdrafts of approximately HK\$43,712,000 at 31st March, 2001 were also secured by a personal guarantee given by Mr. Hung Hon Man.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

23. SUBORDINATED LOAN

The Group has obtained a subordinated loan from a director, Mr. Hung Hon Man. The loan is unsecured, bears interest at Hong Kong prime lending rate per annum and is repayable on 29th June, 2002. The subordinated loan was approved by the Securities and Futures Commission (the "SFC") on 30th June, 2000 for the purposes of compliance by a subsidiary of the Company, GNI, with the Financial Resources Rules ("FRR"). In the event of GNI's insolvency or GNI becoming unable to comply with the FRR, the rights of Mr. Hung Hon Man in respect of this subordinated loan and the interest payable thereon will be subordinated in all respect of the rights of GNI's other creditors.

During the year ended 31st March, 2002, Mr. Hung Hon Man, with the consent from the SFC, agreed not to charge interest on the subordinated loan for the period from 1st April, 2001 to the date of listing of the shares of the Company on the Stock Exchange or 31st March, 2002, whichever is earlier.

Subsequent to the balance sheet date, the subordinated loan was repaid to Mr. Hung Hon Man and, concurrently, has been taken up by Get Nice Incorporated. Get Nice Incorporated was funded by Mr. Hung Hon Man to take up the subordinated loan. This amount due from Get Nice Incorporated to Mr. Hung Hon Man has been capitalised on 15th May, 2002 by the issue and allotment of 5,355 shares in Get Nice Incorporated to Honeylink Agents Limited (as directed by Mr. Hung Hon Man), credited as fully paid. As such, the outstanding balance as at 31st March, 2002 is shown as a non-current liability.

24. COMBINED SHARE CAPITAL

For the purpose of the proforma combined financial statements, the combined share capital represented the aggregate amount of the nominal values of the issued share capital of the companies comprising the Group other than the GNFCL Group as at the balance sheet date.

25. RESERVES

	Investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000	11,064	52,640	63,704
Realised on disposal of investments in securities	(12,365)	–	(12,365)
Deficit arising from revaluation of investments in securities	(263)	–	(263)
Net profit for the year	–	87,127	87,127
Dividends paid	–	(62,713)	(62,713)
	<hr/>	<hr/>	<hr/>
At 31st March, 2001 and at 1st April, 2001	(1,564)	77,054	75,490
Realised on disposal of investments in securities	1,564	–	1,564
Net profit for the year	–	21,694	21,694
Dividends paid	–	(20,600)	(20,600)
	<hr/>	<hr/>	<hr/>
At 31st March, 2002	–	78,148	78,148

Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	26,331	93,000
Dividend income	(414)	(97)
Interest expense	6,651	17,548
Gain on disposal of investments in securities	-	(55,899)
Gain on disposal of property and equipment	(1,600)	-
Net realised gain on other securities	(3,168)	-
Depreciation and amortisation of property and equipment	2,846	3,310
Amortisation of intangible assets	125	126
Provision for loans to securities margin clients	-	3,282
Revaluation deficit on land and buildings	4,653	-
(Increase) decrease in trade debtors	(35,352)	283,521
Increase in prepayments and deposits	(1,180)	(2,538)
(Increase) decrease in amounts due from related companies	(42)	2,091
Decrease in amounts due from directors	397	21
Increase in trading securities	(151)	-
Increase in bank balances – trust and segregated accounts	(4,138)	(18,458)
Decrease in trade creditors	(3,349)	(200,497)
Decrease in accrued charges and other accounts payable	(663)	(7,590)
Net cash (outflow) inflow from operating activities	(9,054)	117,820

27. ACQUISITION OF BUSINESS

During the year ended 31st March, 2001, the Group acquired the assets and liabilities in relation to the securities margin financing business from GNFCFL for a cash consideration of approximately HK\$267,058,000.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Loans to securities margin clients	-	285,779
Amounts due to securities margin clients	-	(18,721)
	-	267,058
Total consideration satisfied by:		
Cash	-	267,058

During the period since acquisition up to 31st March, 2001, the securities margin financing business has contributed approximately HK\$18,897,000 to the Group's net operating cash flows and paid approximately HK\$17,113,000 in respect of returns on investments and servicing of finance.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

28. ANALYSIS OF CHANGES IN FINANCING

	Share capital HK\$'000	Subordinated loan HK\$'000	Borrowings HK\$'000	Amount due to a director HK\$'000
At 1st April, 2000	18,109	–	192	4,753
Proceeds from issue of shares	43,900	–	–	–
New loans raised	–	60,000	1,000	–
Repayments of other loans	–	–	(1,000)	–
Repayments of mortgage loans	–	–	(192)	–
New bank loans raised	–	–	11,000	–
Repayments to a director	–	–	–	(3,236)
At 31st March, 2001 and at 1st April, 2001	62,009	60,000	11,000	1,517
New bank loans raised	–	–	136,070	–
Repayments of bank loans	–	–	(108,110)	–
Repayments to a director	–	–	–	(66)
At 31st March, 2002	62,009	60,000	38,960	1,451

29. LEASE COMMITMENTS

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

	2002 HK\$'000	2001 HK\$'000
Within one year	5,127	2,315
In the second to fifth year inclusive	616	1,412
	5,743	3,727

Operating lease payments represent rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

30. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties and directors and acquisition of business as disclosed in notes 17, 18, 19, 21, 23 and 27 during the year, the Group had the following related party transactions:

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
Get Nice Finance Company Limited ("GNFCL")	Management fee income (Note i)	-	240
Fullink Developments Limited	Rental expense (Note i)	1,800	1,800
Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho, and their associates	Commission income (Note ii) Interest income (Note iii)	192 288	268 389
Mr. Hung Hon Man	Interest expenses (Note iv)	-	4,264

Notes:

- (i) These transactions were transacted at prices agreed between the parties and in accordance with the relevant agreements governing the transactions, where applicable.
- (ii) Commission was charged at 0.25% on the value of transactions. The rate was similar to rates offered to other clients of the Group.
- (iii) Interest was charged at 8% to 14.5% per annum.
- (iv) Interest was calculated at Hong Kong prime lending rate per annum according to the agreement entered into between the parties.

Mr. Hung Hon Man, a director of the Company, has a beneficial interest in all the above companies. Mr. Shum Kin Wai, Frankie, a director of the Company, has a beneficial interest in GNFCL. Mr. Cham Wai Ho, Anthony, a director of the Company, has a beneficial interest in Fullink Developments Limited.

In addition, during the year, Messrs. Hung Hon Man and Shum Kin Wai, Frankie provided personal guarantees and GNFCL provided corporation guarantee to banks to secure banking facilities granted to the Group. No charge was made by them.

31. POST BALANCE SHEET EVENTS

The following transactions took place subsequent to 31st March, 2002:

- (a) The Group underwent the Reorganisation, including the acquisition of the GNFCL Group by Get Nice Incorporated, to rationalise the Group's structure in preparation for a listing of the shares of the Company on the Stock Exchange, the details of which are set out in the prospectus dated 24th May, 2002 issued by the Company.
- (b) On 15th May, 2002, the subordinated loan in the principal sum of HK\$60 million originally advanced by Mr. Hung Hon Man and the interest accrued was repaid to Mr. Hung Hon Man and, concurrently taken up by Get Nice Incorporated which was funded by Mr. Hung Hon Man for such purpose, which amount due from Get Nice Incorporated to Mr. Hung Hon Man was capitalised on the same day by the issue and allotment of 5,355 shares in Get Nice Incorporated to Honeylink Agents Limited (as directed by Mr. Hung Hon Man), credited as fully paid.



Notes to the Proforma Financial Statements (continued) For the year ended 31st March, 2002

32. PARTICULARS OF SUBSIDIARIES

The following is a list of wholly-owned subsidiaries as at 31st March, 2002 resulted from the Reorganisation completed on 16th May, 2002 and for the purpose of these proforma financial statements.

Name of company	Place of incorporation	Issued and fully paid share capital (Note i)	Principal activities
Get Nice Incorporated	British Virgin Islands	US\$10,000 Ordinary shares	Investment holding
GNI	Hong Kong	HK\$40,000,003 3 ordinary shares and 40,000,000 non-voting deferred shares (Note ii)	Securities dealing and broking and securities margin financing
GNF	Hong Kong	HK\$10,000,000 Ordinary shares	Futures and options broking
Get Nice Capital Limited	Hong Kong	HK\$10,000,000 Ordinary shares	Corporate finance services
Get Nice Asset Management Limited	Hong Kong	HK\$2,000,000 Ordinary shares	Brokerage of mutual funds and insurance-linked investment plans and products
Quality Champion Limited	Hong Kong	HK\$9,000 Ordinary shares	Property holding

Subsequent to 31st March, 2002, as part of the Reorganisation, the following companies were acquired. Accordingly, their results and assets and liabilities will be accounted for from their effective date of acquisition on 16th May, 2002.

Name of company	Place of incorporation	Issued and fully paid share capital	Principal activities
GNFCL	Hong Kong	HK\$2 Ordinary shares	Investment holding
AIL	Hong Kong	HK\$10,000 Ordinary shares	Holding of a motor vehicle

Notes:

- (i) The Company directly holds the interest in Get Nice Incorporated. All other interests shown above are indirectly held by the Company.
- (ii) The non-voting deferred shares, which are held by two directors of the Company, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of GNI and on liquidation, the assets of GNI available for distribution among the holders of ordinary shares and the holders of non-voting deferred shares shall be applied first in paying to the holders of ordinary shares the sum of HK\$1 million million per ordinary share and secondly in repaying to the holders of non-voting deferred shares the nominal amount paid up or credited as paid up on such shares, and the balances of the GNI's assets shall belong to and be distributed among the holders of ordinary shares in proportion to the amount paid up or credited as paid up on such ordinary shares respectively.