



Stock code : 64

## INTERIM REPORT 2007



**Get Nice Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

## UNAUDITED INTERIM RESULTS

The Board of Directors of Get Nice Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September, 2007 together with comparative figures for the last corresponding period. The unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2007 have been reviewed by the Company’s audit committee.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2007</b>	<b>2006</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>436,628</b>	90,357
Other operating income		<b>20,524</b>	321
Commission expense		<b>(47,740)</b>	(15,079)
Property development cost		<b>(120,864)</b>	–
Depreciation and amortisation of property and equipment		<b>(2,529)</b>	(1,718)
Finance costs		<b>(19,513)</b>	(4,022)
Staff costs		<b>(11,596)</b>	(7,107)
Fair value change of derivative		<b>(5,248)</b>	–
Other operating expenses		<b>(18,602)</b>	(9,494)
Share result of a jointly controlled entity		<b>6,251</b>	–
Profit before taxation		<b>237,311</b>	53,258
Taxation	4	<b>(37,272)</b>	(9,009)
Profit for the period		<b><u>200,039</u></b>	<b><u>44,249</u></b>
Profit attributable to:			
– Equity holders of the Company		<b>186,407</b>	44,249
– Minority interests		<b>13,632</b>	–
		<b><u>200,039</u></b>	<b><u>44,249</u></b>
Dividends	5	<b><u>109,022</u></b>	<b><u>40,243</u></b>
Earnings per share	6		
Basic		<b><u>8.91 cents</u></b>	<b><u>4.25 cents</u></b>
Diluted		<b><u>7.58 cents</u></b>	<b><u>N/A</u></b>

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>At 30th September, 2007 (Unaudited) HK\$'000</b>	<b>At 31st March, 2007 (Audited) HK\$'000</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Prepaid lease payments		<b>120,629</b>	96,231
Property and equipment		<b>40,325</b>	32,033
Investment property		<b>5,565</b>	15,600
Intangible assets		<b>8,004</b>	8,004
Goodwill		<b>15,441</b>	15,441
Interest in associates		<b>692,701</b>	9
Interest in a jointly controlled entity		–	115,222
Other assets		<b>4,770</b>	5,436
Amount due from an associate		<b>203,033</b>	–
Amount due from a jointly controlled entity		–	310,739
Loans and advances	8	<b>27,164</b>	85,784
		<b>1,117,632</b>	684,499
<b>Current assets</b>			
Accounts receivable	7	<b>2,276,394</b>	1,113,916
Loans and advances	8	<b>123,175</b>	57,041
Prepaid lease payments		<b>3,010</b>	2,450
Properties under development for sale		<b>39,731</b>	136,509
Prepayments and deposits		<b>2,724</b>	6,503
Available-for-sale financial assets		<b>806</b>	–
Taxation recoverable		<b>465</b>	251
Bank balances – trust and segregated accounts		<b>184,440</b>	127,995
Bank balances – general accounts and cash		<b>181,296</b>	98,870
		<b>2,812,041</b>	1,543,535

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

		At 30th September, 2007 (Unaudited) <i>HK\$'000</i>	At 31st March, 2007 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Current liabilities</b>			
Accounts payable	9	554,076	258,069
Accrued charges and other accounts payable		36,874	12,666
Amount due to minority shareholders		101,196	32,242
Derivatives		19,510	39,163
Taxation payable		47,445	11,722
Borrowings		316,551	412,300
		<u>1,075,652</u>	<u>766,162</u>
<b>Net current assets</b>		<u>1,736,389</u>	<u>777,373</u>
<b>Total assets less current liabilities</b>		<u>2,854,021</u>	<u>1,461,872</u>
<b>Non-current liability</b>			
Convertible notes	10	331,098	–
Deferred tax liabilities		3,794	5,467
		<u>334,892</u>	<u>5,467</u>
		<u>2,519,129</u>	<u>1,456,405</u>
<b>Capital and reserves</b>			
Share capital		266,177	153,537
Reserves		2,215,025	1,302,868
Capital and reserves attributable to the equity holders of the Company		<u>2,481,202</u>	<u>1,456,405</u>
Minority interests		37,927	–
		<u>2,519,129</u>	<u>1,456,405</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th September, 2007*

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Investment revaluation reserve	Convertible loan note equity reserve	Share option reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	97,771	584,656	123,337	-	-	425	137,117	923,306	-	923,306
Profit for the period	-	-	-	-	-	-	44,249	44,249	-	44,249
Dividends paid	-	-	-	-	-	-	(21,913)	(21,913)	-	(21,913)
Recognition of equity component of convertible loan note	-	-	-	-	912	-	-	912	-	912
Share options granted	-	-	-	-	-	1,853	-	1,853	-	1,853
Issue of shares by exercise of share options	4,441	25,760	-	-	-	(425)	-	29,776	-	29,776
Issue of shares by conversion of convertible note	12,354	71,705	-	-	-	-	-	84,059	-	84,059
At 30th September, 2006	114,566	662,121	123,337	-	912	1,853	159,453	1,062,242	-	1,062,242
Profit for the period	-	-	-	-	-	-	135,985	135,985	-	135,985
Dividends paid	-	-	-	-	-	-	(19,131)	(19,131)	-	(19,131)
Issue of shares by top-up placement	21,913	142,435	-	-	-	-	-	164,348	-	164,348
Exercise of share options	-	3,409	-	-	-	(1,853)	-	1,556	-	1,556
Issue of shares by conversion of convertible notes	17,058	95,259	-	-	(912)	-	-	111,405	-	111,405
At 31st March, 2007	153,537	903,224	123,337	-	-	-	276,307	1,456,405	-	1,456,405
Profit for the period	-	-	-	-	-	-	186,407	186,407	13,632	200,039
Dividends paid	-	-	-	-	-	-	(45,644)	(45,644)	-	(45,644)
Change in fair value of available-for-sale financial assets	-	-	-	(269)	-	-	-	(269)	-	(269)
Recognition of equity component of convertible loan note	-	-	-	-	21,703	-	-	21,703	-	21,703
Share options granted	-	-	-	-	-	3,899	-	3,899	-	3,899
Issue of shares by top-up placement	87,783	575,896	-	-	-	-	-	663,679	-	663,679
Issue of shares by exercises of share options	24,857	170,165	-	-	-	-	-	195,022	-	195,022
Acquisition of subsidiary	-	-	-	-	-	-	-	-	24,295	24,295
At 30th September, 2007	266,177	1,649,285	123,337	(269)	21,703	3,899	417,070	2,481,202	37,927	2,519,129

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash used in operating activities</b>	<b>(545,256)</b>	<b>(426,924)</b>
<b>Net cash used in investing activities</b>	<b>(491,266)</b>	<b>(2,172)</b>
<b>Net cash from financing activities</b>	<b>1,118,948</b>	<b>169,335</b>
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<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>82,426</b>	<b>(259,761)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>98,870</b>	<b>321,761</b>
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<b>Cash and cash equivalents at end of period</b>	<b>181,296</b>	<b>62,000</b>
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Being:		
Bank balances – general accounts and cash	<b>181,296</b>	<b>62,000</b>
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## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

### 1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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, money lending and brokerage of mutual funds and insurance-linked investment plans and products, as well as properties development in Hong Kong.

### 2. Principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments and properties, which are measured at fair value as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2007 except that in the current period, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which became effective for the financial year beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKAS(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HKAS(IFRIC) – Int 8	Scope of HKFRS 2
HKAS(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HKAS(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements.

### 3. Segment information

An analysis of the Group's unaudited turnover and segment results for the period by principal activities is as follows:

#### Business segments

For the six months ended 30th September, 2007

	Broking HK\$'000	Securities margin financing HK\$'000	Money lending HK\$'000	Property development HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Total HK\$'000
REVENUE							
Turnover	140,444	77,963	11,719	205,000	1,356	146	436,628
RESULTS							
Segment profit/(loss)	74,096	68,018	11,304	84,136	945	(1,635)	236,864
Other operating income							20,241
Share of result of a jointly controlled entity							6,251
Unallocated income and expenses							(26,045)
Profit before taxation							237,311
Taxation							(37,272)
Profit for the period							200,039



### 3. Segment information (Continued)

#### Business segments (Continued)

For the six months ended 30th September, 2006

	Broking HK\$'000	Securities margin financing HK\$'000	Money lending HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Total HK\$'000
REVENUE						
Turnover	48,853	31,395	7,379	2,502	228	90,357
RESULTS						
Segment profit	20,650	26,483	6,977	2,224	176	56,510
Unallocated income and expenses						(3,252)
Profit before taxation						53,258
Taxation						(9,009)
Profit for the period						44,249

#### Geographical segments

All 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.

### 4. Taxation

	Six months ended 30th September, 2007		2006
	HK\$'000		HK\$'000
Hong Kong Profits Tax			
Current period	38,942		9,009
Deferred taxation	(1,670)		—
	<u>37,272</u>		<u>9,009</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

## 5. Dividends

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Final dividend paid	45,644	21,913
Proposed interim dividend of 2 cents (2006: 1.6 cents) per share	<b>63,378</b>	18,330
	<b><u>109,022</u></b>	<u>40,243</u>

On 29th August, 2007, a dividend of HK\$0.018 per share was paid to shareholders as the final dividend for the year ended 31st March, 2007.

At a meeting held on 17th December, 2007, the Directors recommended an interim dividend of HK\$2 cents per share for the six months ended 30th September, 2007 to the shareholders whose names appear in the register of members on 2nd January, 2008. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st March, 2008.

## 6. Earnings per share

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Earnings		
Profit for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	186,407	44,249
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	<b>5,833</b>	–
Profit for the purpose of diluted earnings per share	<b><u>192,240</u></b>	<u>N/A</u>

**6. Earnings per share (Continued)**

	2007 '000	2006 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>2,092,178</b>	1,042,324
Effect of dilutive potential ordinary shares:		
Share options	<b>231,588</b>	–
Convertible notes	<b>213,316</b>	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>2,537,082</b></u>	<u>N/A</u>

**7. Accounts receivables**

	At 30th September, 2007 HK\$'000	At 31st March, 2007 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	<b>161,415</b>	95,505
– Margin clients:		
– Directors and their associates	–	1,166
– Other margin clients	<b>1,409,492</b>	982,586
– Clearing house	<b>70,845</b>	25,046
– Initial Public Offer financing	<b>427,295</b>	–
Accounts receivable from futures clearing houses arising from the business of dealing in futures contracts	<b>22,571</b>	9,077
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	<b>276</b>	451
Account receivable from providing financial advisory services	–	85
Other receivable	<b>184,500</b>	–
	<u><b>2,276,394</b></u>	<u>1,113,916</u>

The settlement terms of accounts receivable from cash clients is two days after trade date, and from futures clearing house is one day after trade date.

Other receivable relates to a disposal of a property.

## 7. Accounts receivables (Continued)

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 variable 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 is 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.

The fair value of the accounts receivable at the balance sheet date was approximate the corresponding carrying amounts.

## 8. Loans and advances

	At 30th September, 2007 <i>HK\$'000</i>	At 31st March, 2007 <i>HK\$'000</i>
Fixed-rate loan receivables	123,850	118,136
Variable-rate loan receivables	26,489	24,689
	<u>150,339</u>	<u>142,825</u>

Analysed as:

Current assets	123,175	57,041
Non-current assets	27,164	85,784
	<u>150,339</u>	<u>142,825</u>

Effective interest rate:

Fixed-rate loan receivable	12% – 40%	12% – 24%
Variable-rate loan receivables	Prime rate to <u>Prime rate + 4%</u>	Prime rate to <u>Prime rate + 4%</u>

Loan receivables amounted to approximately HK\$26,352,416 (31st March 2007: HK\$24,672,000) are secured by properties and the remaining balances are unsecured. The fair value of the properties is HK\$69,840,000 at 30th September 2007.

Included in the carrying amount of loans and advances as at 30th September, 2007 is accumulated impairment loss of HK\$116,000 (31st March 2007: HK\$116,000).

## 9. Accounts payable

	At 30th September, 2007 HK\$'000	At 31st March, 2007 HK\$'000
Accounts payable arising from the business of dealing in securities:		
– Cash clients		
– Directors and their associates	419	–
– Other cash clients	289,300	107,980
– Margin clients:		
– Directors and their associates	4,164	–
– Other margin clients	235,853	136,735
Accounts payable to clients arising from the business of dealing in futures contracts	24,153	13,354
Commission payable for brokerage of mutual funds and insurance-linked investment plans and products	187	–
	<u>554,076</u>	<u>258,069</u>

The settlement terms of accounts payable to cash clients and clearing house 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 Hong Kong Futures Exchange Limited (“HKFE”). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the HKFE 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 is settled immediately once the Group has received payments from fund managers/policy issuers. The age of this balance is within 60 days.

The fair value of the Group's accounts payable was approximate to the corresponding amount.

## 10. Convertible note

The Company issued convertible notes amounting to HK\$250,000,000 and HK\$100,000,000 on 16th April, 2007 and 20th September, 2007 respectively. It bears interest rate of 5% per annum and will mature on the third anniversary of the date of issue. The Company and the bondholders of the issues on 16th April 2007 and 20th September 2007 may redeem the convertible notes, at any time during the period commencing from the date of the issue and falling on the eighteen months immediately following the date of issue respectively. The holders of the notes are not entitled to vote at general meeting of the Company.

The movement of the liability component of the convertible notes for the period is set out below:

	At 30th September, 2007 HK\$'000	At 31st March, 2007 HK\$'000
New issue	328,297	187,916
Effective interest	8,634	895
Interest payment	(5,833)	(895)
Conversion	—	(187,916)
	<u>331,098</u>	<u>—</u>

The fair value of the liability component of the convertible notes at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximates its carrying amount.

## 11. Related Party Transactions

Name of related party	Nature of transaction	Six months ended 30th September,	
		2007 HK\$'000	2006 HK\$'000
Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho, and their associates	Commission income (Note)	<u>620</u>	<u>52</u>

*Note:* Commission was charged at 0.125% (2006: 0.125%) on the value of transactions. The rates were similar to rates offered to other clients of the Group.

## 12. Post Balance Sheet Events

On 26th October, 2007, the Company entered into a top-up placing and subscription agreement with a maximum of 507,102,000 placing shares at a price of HK0.6 per share. The agreement has been completed and 507,102,000 new shares of HK\$10 cents each in the Company were duly issued and allotted in November 2007. The net fund raised from the placement of new shares of approximately HK\$299,060,000 was used by the Group for general working capital to support the operation and/or development of the existing business of the Group, should suitable opportunities arise.

## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of HK\$2 cents per share for the six months ended 30th September, 2007. The interim dividend will be payable on 9th January, 2008 to those shareholders whose names appear on the register of members on 2nd January, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 3rd January, 2008 to 7th January, 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2nd January, 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is pleased to report a set of encouraging results for the Group for the six months ended 30th September, 2007. Setting a record for the Group's operating history, the Group achieved a net profit attributable to equity holders of HK\$186.4 million, surge of 321.3% from the corresponding period of 2006 and the turnover up by 383.2% to approximately HK\$436.6 million compared to a year ago. Such significant increase was mainly due to the strong performance of the brokerage arm and was also contributed by an one-off net gain amounted to approximately HK\$84.1 million from disposal of a property suited at Lomand Road.

During the period, the Hong Kong securities market traded actively as benefited from the capital inflow and continuous growth of the Mainland economy. Stimulated by the Mainland's persistent bullish stock market and the implementation of the QDII policies during the period, the Hong Kong stock market was on an upward track with a market correction in August. The Hang Seng Index closed a record high of 27,142 at the last trading day of September 2007, compared to 17,543 at the same day in 2006 and the market capitalisation has surpassed approximately HK\$19 trillion. The soaring Hang Seng Index was supported by increased turnover. The Stock Exchange recorded an average daily turnover of HK\$81 billion during the period, a rise of 172% as compared with the average daily turnover of HK\$29.8 billion of last period.

The Group's commission and fee income from brokerage segment up by 187.5% to approximately HK\$140.4 million this period and the segmental result achieved a profit of HK\$74.1 million, surge of 258.8% over the previous year, due to the general-market strength.

On the other hand, due to the increase in average outstanding securities margin loans during the period, interest income from securities margin financing increased by 148.3% to approximately HK\$78 million, contributing a segmental profit of approximately HK\$68 million.

The money lending, which is provision of consumer and mortgage loans, had recorded a segmental profit of approximately HK\$11.3 million this period, up by 62% compared to the corresponding period of 2006.

During the period, the Group disposed a property suited at Lomand Road which contributed an one-off net gain of HK\$84.1 million.

### **Financial Review**

The Group is in a strong and healthy financial position. As at 30th September, 2007, the shareholders' fund of the Group amounted to HK\$2,481.2 million, representing an increase of HK\$1,024.8 million or up by 70.4% from those of 31st March, 2007. During the period, the Company issued 1,126 million new shares by top-up placement of 877 million shares and upon exercise of 249 million share options.

As at 30th September, 2007, the Group's net current assets was amounted to approximately HK\$1,736.4 million, increased by 123.4% compared to the net current assets at 31st March, 2007. The Group's outstanding bank borrowings repayable within one year, amounted to HK\$316.6 million (31st March 2007: HK\$412.3 million), other than the bank borrowings, 5% convertible notes of principal amount of HK\$350 million was outstanding as at 30th September, 2007 (31st March, 2007: Nil). The increase in borrowings was mainly due to rise in demand of margin financing and consumer loans as well as the general working capital. The bank borrowings, being interest bearing on a floating rate basis.

The gearing ratio of the Group (total liabilities over total shareholders' funds) was 0.57 times as at 30th September, 2007, compared to 0.53 times at 31st March, 2007.



The business activities of the Group had not exposed to material fluctuation in exchange rates as majority of the transactions are denominated in Hong Kong dollars.

As at 30th September, 2007, the Group had available banking facilities amounting to HK\$1,066.2 million, of which HK\$316.6 million was utilized. The banking facilities were secured by land and buildings, prepaid lease payments, client's pledged securities and corporate guarantees provided by the Company.

As at 30th September, 2007, the Group had no material contingent liabilities and no material capital commitment.

#### **Material Acquisition and Disposals of Subsidiaries and Associates**

In September 2007, the Group through its wholly own subsidiary raised its interest in Great China Company Limited up by 20% to 45% for a consideration of HK\$350 million. Great China Company Limited is the owner of Grand Waldo Hotel in Macau which is destined as a five-star hotel complex. The hotel is leased to an operation for a fixed annual rental income of HK\$200 million for five years effective from 2007. The interest in this associated company had a carrying value of HK\$692.7 million as at 30th September, 2007.

Other than the above acquisition, there were no material acquisitions or disposals of subsidiaries or associates completed during the period.

## Risk Management

The Group adopts stringent risk management policies and monitoring system in particular on the exposure associated with the financial risks as set out below:–

- *Market risk*

Interest rate risk

The Group's interest rate risk relates primarily to loans and advances, accounts receivable, amount due from an associate, bank balance and borrowings. The Group is closely monitoring its exposure arising from margin financing and other lending activities undertaken by the allowing an appropriate margin on the interest received and paid by the Group.

Besides, in order to monitor the group's exposure to the fair value interest rate risk and cash flow interest rate risk arising from advance and fixed rate and variable rate advance and borrowings, it is the Group's policy to keep its advance and borrowings at a mix of fixed rate and variable rate. The Group would consider the use of hedging instruments should the need arise.

- *Credit risk*

As at 30th September 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failures to discharge an obligation by the counterparts is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are difference from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a quarterly or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk on bank balances and deposits is limited as the counterparties are banks with high credit rating assigned by international credit-rating agencies.

Apart from the exposure to concentration of credit risk from amount due from its associate to which the Group closely monitors, the Group has no other significant concentration of credit risk on accounts receivable and loans and advances, with exposure spread over a number of counterparts and customers.

- *Liquidity risk*

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing house or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

### **Staff**

As at 30th September, 2007, the Group had a total of 50 employees and 84 account executives, 26 of whom were also employed as full time employee of the Group. The Group remunerated employees based on the industry practice and individual's performance.

### **PROSPECTS**

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The group believes its brokerage income and interest income from securities margin financing will continue to be the key contributors of operating profit to the Group for the second half of the year. In view of the financing environment of Hong Kong will further improve as the government has embarked on the implementation of relevant initiatives to strengthen Hong Kong as a financial platform for the Mainland's capital and with the expectation for the launch of QDII policies and the new Mainland individuals direct investments scheme, the securities trading activities will be continued to rise. To capture the growing momentum, the Group will reinforce its stockbroking businesses by enhancing its trading systems and service quality. It will also make use of its professional brokerage team to strengthen its customer base and market share. On the other hand, the group will continue to look for different investment opportunities to diversify its businesses.

## DIRECTORS' INTERESTS IN SHARES

At 30th September, 2007, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### 1. Long positions in the ordinary shares of HK10 cents each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hung Hon Man	Interest of controlled corporation ( <i>Note i &amp; ii</i> )	694,410,583	26.09%

*Notes:*

- i. Mr. Hung Hon Man is deemed to be interested in 694,410,583 ordinary shares of the Company which are held by Honeylink Agents Limited ("Honeylink"), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by Mr. Hung Hon Man.
- ii. The number of shares held by Mr. Hung Hon Man (by virtue of his interest in Honeylink) does not take into account any shares which may fall to be allotted and issued upon exercise of the subscription right attaching to the option granted by the Company to Honeylink to subscribe for up to 400,000,000 new shares under the option agreement dated 19th April, 2006 made between the Company and Honeylink as announced by the Company in its announcement dated 20th April, 2006. As at 30th September, 2007, there were 231,588,236 outstanding options under the option agreement.

**2. Long positions in the non-voting deferred shares of HK\$1.0 each of Get Nice Investment Limited, a wholly owned subsidiary of the Company**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of non-voting deferred shares held</b>
Mr. Hung Hon Man	Beneficial owner	36,000,000
Mr. Shum Kin Wai, Frankie	Beneficial owner	4,000,000
		40,000,000

Save as disclosed above, at 30th September, 2007, none of the directors nor their associates had any interests or short positions in any shares or underlying shares 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 the Model Code.

### **..... SUBSTANTIAL SHAREHOLDERS**

At 30th September, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the issued share capital of the Company and these interests represent long positions in the ordinary shares of HK\$0.1 each of the Company.

<b>Name</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Honeylink Agents Limited	Beneficial owner	694,410,583	26.09%
ITC Properties Group Limited	Beneficial owner	126,262,626	4.74%

The number of shares held by Honeylink Agents Limited (“Honeylink”) does not take into account any shares which may fall to be allotted and issued upon exercise of the subscription right attaching to the option granted by the Company to Honeylink to subscribe for up to 400,000,000 new shares under the option agreement dated 19th April, 2006 made between the Company and Honeylink as announced by the Company in its announcement dated 20th April, 2006. As at 30th September, 2006, there were 231,588,236 outstanding options under the option agreement.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30th September, 2007.

## ARRANGEMENTS TO PURCHASE SHARES AND OPTIONS

The share option scheme (the "Option Scheme") of the Company was adopted by the Company pursuant to a resolution passed on 16th May, 2002. The Option Scheme became effective on 6th June, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The major terms of the Option Scheme has been set out in appendix VII to the Company's prospectus dated 24th May, 2002 under the section headed "Share Option Scheme".

At 30th September, 2007, the total number of shares available for issue under the Option Scheme was 253,551,133, representing 10% of the shares of the Company in issue at the date of approval of the refreshment of the share Option Scheme limit.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the period:

Option grant date	Exercise price per share HK\$	Number of share option			Outstanding as at 30th September, 2007
		Outstanding as at 1st April, 2007	Granted during the period	Exercised during the period	
<b>Employees</b>					
2nd April, 2007	0.69	-	109,565,000	(109,565,000)	-

The exercise in full of the granted 109,565,000 share options has resulted in the issue of 109,565,000 shares of HK10 cents each for a total consideration (before expenses) of HK\$75,599,850.

Total consideration received during the period from employees for taking up the options granted amounted to HK\$8 (2006: Nil).

During the period ended 30th September 2007, options granted on 2nd April, 2007 were fully vested. The estimated fair values of the options granted were HK\$3,899,000. The Group recognised the total expenses of HK\$3,899,000 for the period ended 30th September, 2007 (2006: Nil) in relation to share options granted by the Company.

These fair values are calculated by using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	<b>Share option grant date 2th April, 2007</b>
Share closing	<b>HK\$0.69</b>
Exercise price	<b>HK\$0.69</b>
Expected volatility	<b>45.8%</b>
Expected life	<b>1 month</b>
Risk-free rate	<b>3.1</b>
Dividend yield	<b><u>4.82%</u></b>

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 days. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural consideration.

An option agreement dated 19th April, 2006 made between the Company and Honeylink Agents Limited ("Honeylink") (Mr. Hung Hon Man, a director of the Company has beneficial interest in) in connection with the granting by the Company to Honeylink an option to subscribe for up to 400,000,000 new shares at the exercise prices of HK\$0.68-0.72 per share upon exercise of the subscription right attaching thereto as announced by the Company in its announcement dated 20th April, 2006. During the period, 139,000,000 share options were exercised at HK\$0.68 per share and as at 30th September, 2007, there were 231,588,236 outstanding options under the option agreement.

Other than as disclosed above, at no time during the period was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the current period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

## **AUDIT COMMITTEE**

The audit committee has four members comprising Messrs. Liu Chun Ning, Wilfred, Chung Wai Keung, Man Kong Yui and Kwong Chi Kit, Victor, all being independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has reviewed with Directors the accounting principals and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial statements for the current period.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2007, except for certain deviations.

The major areas of deviation are as follows:

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election. The non-executive directors of the Company are not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provisions of the Company’s Articles of Association.
- Code provision A.2.1 stipulates that the roles chairman and chief executive officer (“CEO”) should be separated and should not be performed by the same individual. The Company does not at present have any officer with the title CEO. Mr. Hung Hon Man is the chairman of the Company and has also carried out the responsibilities of CEO. Mr. Hung possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company’s strategies.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

By order of the Board  
**Hung Hon Man**  
*Chairman*

Hong Kong, 17th December, 2007

*As at the date of this report, Mr. Hung Hon Man, Mr. Cham Wai Ho, Anthony, Mr. Shum Kin Wai, Frankie, Mr. Wong Sheung Kwong and Mr. Cheng Wai Ho are executive directors of the Company. Mr. Liu Chun Ning, Wilfred, Mr. Chung Wai Keung, Mr. Man Kong Yui and Mr. Kwong Chi Kit, Victor are independent non-executive directors of the Company.*