



HK6 Holdings Limited 駿陸控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Annual Report 2002-2003

* For identification purpose only

Stock Market

MARKETS DIARY
STOCKS



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This annual report, for which the directors (the “Directors”) of HK6 Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Chan Tan Lui, Danielle
Mr. Tang Sing Hing, Kenny
Mr. Wu Wing Kin
Mr. Kwok Chi Kin

Non-executive Directors

Mr. Kwong Man Bun
Mr. Ho Yui Kwong, Kenny

Independent Non-executive Directors

Ms. Guo Qi
Mr. Yip Tai Him
Ms. Luk Wai Wun, Vivien

COMPANY SECRETARY

Mr. Kwok Chi Kin, *AHKSA, ACCA*

QUALIFIED ACCOUNTANT

Mr. Kwok Chi Kin, *AHKSA, ACCA*

COMPLIANCE OFFICER

Mr. Kwok Chi Kin, *AHKSA, ACCA*

AUDIT COMMITTEE

Ms. Chan Tan Lui, Danielle
Mr. Yip Tai Him
Ms. Luk Wai Wun, Vivien

AUTHORISED REPRESENTATIVES

Ms. Chan Tan Lui, Danielle
Mr. Kwok Chi Kin

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, CNAC Group Building
10 Queen's Road Central
Hong Kong

HK6 Holdings Limited

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AUDITORS

Glass Radcliffe Chan
12th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

SPONSOR

Tai Fook Capital Limited
25th Floor, New World Tower
16-18 Queen's Road Central
Central Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Rooms 1901-5
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

www.hk6.com

GEM STOCK CODE

8206

Financial

Highlights

RESULTS

	For the year ended 31st March, 2003 HK\$	For the year ended 31st March, 2002 HK\$	For the period from 4th October, 1999 to 31st March, 2001 HK\$
Turnover	5,383,247	3,247,026	231,954
Loss before taxation	(1,203,046)	(2,765,516)	(6,347,585)
Taxation	-	-	-
Loss attributable to shareholders	(1,203,046)	(2,765,516)	(6,347,585)
Basic loss per share (HK cent)	0.34	0.84	1.92

ASSETS AND LIABILITIES

	2003 HK\$	As at 31st March, 2002 HK\$	2001 HK\$
Total assets	17,641,983	3,759,178	5,544,975
Total liabilities	(442,310)	(4,258,946)	(4,229,227)
Net assets/(liabilities)	17,199,673	(499,768)	1,315,748
Net assets/(liabilities) per share (HK cent)	4.30	(0.15)	0.40

Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the annual report of HK6 Holdings Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31st March, 2003.

FINANCIAL PERFORMANCE

In 2002/03, the Group's turnover rose approximately 65.8% to approximately HK\$5,383,000 and the loss attributable to shareholders for the year ended 31st March, 2003 narrowed significantly to approximately HK\$1,203,000, representing a decrease of approximately HK\$1,563,000 compared to last year. Basic loss per share was 0.34 HK cent, compared to 0.84 HK cent in 2001/02.

BUSINESS REVIEW

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15th November, 2002. The Company raised net proceeds of approximately HK\$16 million for its business expansion and development.

The Group is a multimedia financial information services provider offering a comprehensive range of financial information services which include the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) financial programme and video production services; and (iii) investor education in the financial market of Hong Kong.

Provision of real-time financial information services

For the year ended 31st March, 2003, the revenue derived from the provision of real-time financial information services was approximately HK\$1,423,000, compared to approximately HK\$1,361,000 in last year. The increase in revenue was attributable to the management's continuous efforts in obtaining contracts from new customers and renewal of contracts with the existing customers.

Financial programme and video production services

Apart from sourcing real-time financial information for distribution in multimedia channels, the Group also produces financial programmes and corporate videos for broadcasting through different media as well as for corporate public relations purposes.

For the year ended 31st March, 2003, revenue derived from the provision of financial programme and video production services increased approximately 97.0% to approximately HK\$3,347,000, compared to approximately HK\$1,699,000 in last year.

Chairman's Statement

BUSINESS REVIEW (CONTINUED)

Financial programme and video production services (Continued)

During the year, the Group co-operated with one of the financial market regulators in Hong Kong to produce and release of a 12-episode financial programme named "Invest with your heads up" (投投是道) through a multimedia on-board system in Hong Kong. Also, the Group entered into a contract with a jewellery company in Hong Kong to produce a 40-episode financial programme named "Uncle Six Golden Quotes" (陸陸無窮句句金) which was broadcasted on a television channel in Hong Kong during the period from May to June 2002. In addition, the Group entered into a contract with a listed company in Hong Kong for the production of a corporate video and a 8-episode television programme which was broadcasted on a television channel during the period from July to September 2002. In the third quarter, the Group produced a 12-episode financial programme which was broadcasted on a television channel in Hong Kong. In December 2002, the Group produced another financial programme named "Bring you Wealth" (衍生財富) which was broadcasted on a television channel in Hong Kong during the period from December 2002 to February 2003.

Investor education in financial market

Capitalising on the Group's expertise in Hong Kong's financial market, strong database of financial market information and relationship with celebrities, the Group is also engaged in organising seminars and courses focusing on investor education in financial markets.

For the year ended 31st March, 2003, revenue derived from investor education in financial markets was approximately HK\$613,000, compared to approximately HK\$91,000 in last year, rose 571.9%. The huge increase in revenue was due to a special focus on this area of the Group's management and the increase in number of seminars and courses organised during the year compared to prior year.

BUSINESS OUTLOOK

The Group aims to become one of the leading and one of the most comprehensive multimedia financial information services providers in Hong Kong and to establish market presence in the financial information service market of the People's Republic of China (the "PRC"). The Group seeks to achieve these objectives by expanding its multimedia financial information business from Hong Kong to the PRC.

The Directors will continue to seek to form alliances with companies that already have a sufficient audience or viewership base and media channel partners both in Hong Kong and the PRC in order to capture the viewership base and enhance the Group's distribution networks. The Group intends to setup joint ventures with media partners and to cooperate with educational institutions in the PRC as a step to expand its business and enhance its network in the PRC.

Chan Tan Lui, Danielle
Chairman

Hong Kong, 16th June, 2003

Management

Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded turnover of approximately HK\$5,383,000 (2002: approximately HK\$3,247,000) for the year ended 31st March, 2003, representing an increase of approximately 65.8%, compared to last year. Approximately 62.2%, 26.4% and 11.4% (2002: approximately 52.3%, 41.9% and 2.8%) of turnover for the year ended 31st March, 2003 were attributable to income for the production of financial programmes and videos, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the year ended 31st March, 2003 amounted to approximately HK\$2,982,000 (2002: approximately HK\$2,364,000), representing an increase of 26.1% compared to last year whilst the Group's gross profit margin dropped to 55.4% (2002: 72.8%), representing a decrease of 17.4% compared to that in previous year. The lower gross profit margin of the Group for the year ended 31st March, 2003 was mainly attributable to the reduction of gross profit margin for financial programme and video production services from approximately 54.8% for the last year to approximately 41.0% for the current year.

Selling, administrative and other operating expenses for the year ended 31st March, 2003 decreased by approximately 17.0% to approximately HK\$4,212,000 (2002: approximately HK\$5,076,000) from last year. The decrease was mainly attributable to more effective cost control by management.

NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's net loss for the year ended 31st March, 2003 decreased to approximately HK\$1,203,000 (2002: approximately HK\$2,766,000) compared to last year. The improvement in the results was attributable to the increase in turnover and effective cost control by management.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

On 10th June, 2002, a total of 207 shares of HK\$1.00 each in the share capital of Smart Talent Holdings Limited, a wholly-owned subsidiary company of the Company, were allotted and issued to the convertible bondholders credited as fully paid at an aggregate consideration of HK\$3,000,000 upon these bondholders' exercise of the conversion rights under the convertible bonds issued by Smart Talent Holdings Limited in 2000.

As at 31st March, 2003, the Group did not have any borrowings outstanding (2002: approximately HK\$3,112,000 of convertible bonds and interest payables issued by Smart Talent Holdings Limited, a wholly-owned subsidiary company of the Company, comprising non-current portion of approximately HK\$2,071,000 and current portion of approximately HK\$1,041,000. The interest rate of the bonds was 2% per annum.) and did not have any committed borrowing facilities and any significant capital commitments (2002: nil).

Management

Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

As at 31st March, 2003, the Group has net current assets approximately HK\$17,056,000 (2002: approximately HK\$1,059,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$16,713,000 (2002: approximately HK\$1,918,000), accounts receivable of approximately HK\$228,000 (2002: approximately HK\$372,000) and deposits and prepayments of approximately HK\$557,000 (2002: approximately HK\$957,000). The Group's current liabilities consisted of accounts payable of approximately HK\$31,000 (2002: approximately HK\$18,000), accrued expenses of approximately HK\$174,000 (2002: approximately HK\$413,000), receipts in advance of approximately HK\$237,000 (2002: approximately HK\$716,000) and there were no convertible bonds and interest payables to be matured within one year (2002: approximately HK\$1,041,000).

The gearing ratio, expressed in terms of total liabilities over total assets, was 2.5% as at 31st March, 2003, compared to 113.3% as at 31st March, 2002. The improvement in the gearing ratio was mainly attributed to the conversion of convertible bonds to the share capital of Smart Talent Holdings Limited on 10th June, 2002 and the issuance of the shares of the Company in November 2002.

At present, the Group generally finances its operations and investing activities with internally generated cash flows. Excess cash held by the Group is generally deposited in banks in Hong Kong.

The shares of the Company were successfully listed on GEM on 15th November, 2002. There has been no change in the capital structure of the Company since that date.

CHARGE ON GROUP ASSETS

The Group did not have any charge on its assets during the years ended 31st March, 2002 and 2003.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28th October, 2002, pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on GEM, the Company became the holding company of HK6 Investment Limited, Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited. Details of the Reorganisation are set out in the prospectus of the Company dated 31st October, 2002 (the "Prospectus"). There were no material acquisitions or disposals of subsidiary companies and affiliated companies after the Reorganisation. However, the Company has established three subsidiary companies after the Reorganisation.

Management

Discussion and Analysis

EMPLOYEES

As at 31st March, 2003, the Group had 20 employees (2002: 18). The staff costs for the year ended 31st March, 2003 was approximately HK\$2,159,000 (2002: approximately HK\$2,749,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance of individual employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the section "Statement of Business Objectives" of the Prospectus, the Group has no plans for material investments or capital assets.

FOREIGN CURRENCY RISK

The income and expenditure of the Group are mainly in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. Accordingly, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st March, 2002 and 2003.

Comparison

of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS STATED IN THE PROSPECTUS

ACTUAL BUSINESS PROGRESS FROM THE LISTING DATE TO 31ST MARCH, 2003

Development of strategic alliances and business partnerships in the PRC

- Form strategic alliances with television channels in major cities in the PRC such as Beijing and Shanghai

- Form strategic alliances with Global Positioning System providers in major cities and regions in the PRC such as Shenzhen, Shanghai, Beijing or Heilongjiang

- Seek to form strategic alliances with other financial information providers in the PRC to broaden the range of services available to customers

- The Group has liaised with potential partners of television channels in the PRC, Global Positioning System providers and other financial information providers to form strategic alliances and business partnerships and further cooperative discussion is in progress. No agreement has been signed yet and no fixed terms have been agreed.

Media channels development and enhancement in Hong Kong

- Finalise terms of co-operations with a professional body for securities and finance practitioners in Hong Kong

- Seek to form strategic alliances with other media channels in Hong Kong to broaden the networks of distributing multimedia financial information services

- The Group has assisted the professional body to organise a continuing professional training course in November 2002 and has liaised with such professional body for future co-operations. No agreement has been signed yet and no fixed terms have been agreed.

- The Group has liaised with potential partners and further cooperative discussion is in progress. No agreement has been signed yet and no fixed terms have been agreed.

Comparison

of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS STATED IN THE PROSPECTUS

ACTUAL BUSINESS PROGRESS FROM THE LISTING DATE TO 31ST MARCH, 2003

Service development and enhancement

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">- Commence feasibility study on setting up a simplified Chinese version of www.hk6.com | <ul style="list-style-type: none">- Undergoing |
| <ul style="list-style-type: none">- Provide links to information related to the PRC financial market in the Group's website | <ul style="list-style-type: none">- As the cooperative arrangements with the potential partners are not yet finalized, no links to information related to the PRC financial market in the Group's website can be provided at the moment. |
| <ul style="list-style-type: none">- Recruit reporters to enhance the content of the Group's website | <ul style="list-style-type: none">- Evaluation of candidates is undergoing. |
| <ul style="list-style-type: none">- Continue developing new digital video technologies for improving the quality of multimedia content | <ul style="list-style-type: none">- Undergoing |
| <ul style="list-style-type: none">- Produce at least two financial programmes and broadcast them on television channels in Hong Kong | <ul style="list-style-type: none">- Two financial programmes have been produced in the second half of the financial year. |
| <ul style="list-style-type: none">- Broadcast at least two investor education programmes on the Group's website www.hk6.com | <ul style="list-style-type: none">- The links for the above mentioned programmes have been established on the Group's website. |

Comparison

of Business Objectives with Actual Business Progress

BUSINESS OBJECTIVES AS STATED IN THE PROSPECTUS

ACTUAL BUSINESS PROGRESS FROM THE LISTING DATE TO 31ST MARCH, 2003

Sales and marketing

- | | |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| – Recruit marketing executives to develop to the Marketing and Communication Department of the Group | – Evaluation of candidates is undergoing. |
| – Organise seminars and courses in relation to financial market education to build up public awareness of the Group's brand name | – The Group has assisted a professional body for securities and finance practitioners in Hong Kong to organise a continuing professional training course in November 2002. In March 2003, the Group has finalised the terms to cooperate with a university in Hong Kong to provide courses in relation to financial market in Hong Kong. |
| – Exchange banners on websites with strategic alliances | – The Group has liaised with potential partners and further cooperative discussion is in progress. |
| – Launch the electronic newsletter delivery service to members of www.hk6.com and strategic alliances by email | – Electronic newsletters have been published during the period and distributed to the members of the Group's website every week. |
| – Advertise through multimedia channels such as television, newspaper or participating in exhibitions | – The Group has advertised through newspapers and the Group's website and organised courses and seminars to public in order to strengthen the public awareness of its brand name "HK6" and services. |
| – Attract people to register as www.hk6.com members through seminars and courses to build up public awareness | – It is the Group's strategy to attract public to register as the members of the Group's website through seminars and courses in order to build up the public awareness of the Group and its brand name. |
| – Explore potential clients such as listed companies for production of corporate videos | – Undergoing |

Use of Proceeds

At 31st March, 2003, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	As stated in the Prospectus HK\$'000	Actual HK\$'000
Development of strategic alliances and business partnerships in the PRC	4,600	–
Media channels development and enhancement in Hong Kong	2,600	–
Service development and enhancement	6,100	92
Sales and marketing	1,600	191
General working capital	2,000	130
Net fund raised/used	16,900	413

The remaining net proceeds have been deposited in the banks in Hong Kong.

Directors'

Report

The directors submit their first annual report together with the audited financial statements of HK6 Holdings Limited (the "Company") for the period from 23rd May, 2002 (date of incorporation) to 31st March, 2003 and of the Group for the year ended 31st March, 2003.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 23rd May, 2002 as a company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. On 28th October, 2002, pursuant to the Group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of HK6 Investment Limited, Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited. Further details of the Reorganisation and of the subsidiary companies acquired pursuant thereto are set out in notes 1 and 19 to the financial statements, and in the prospectus of the Company dated 31st October, 2002. The shares of the Company were successfully listed on the GEM on 15th November, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 13 to the financial statements.

An analysis of the Group's turnover and loss before taxation for the year by principal activity is set out in the note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 29.

The directors do not recommend the payment of any dividends during the period.

RESERVES

Details of movements in the reserves of the Group during the year and the Company during the period are set out in the statement of the changes in equity on pages 32 and 33 respectively.

DISTRIBUTABLE RESERVES

At 31st March, 2003, the Company's reserves available for distribution amounted to HK\$14,693,008.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

Directors'

Report

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights either 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.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial periods is set out on page 3 of the annual report.

DIRECTORS

The directors who held office during the period from 23rd May, 2002 (date of incorporation) to the date of this report were: –

Executive directors

Chan Tan Lui, Danielle	(appointed on 23rd May, 2002)
Tang Sing Hing, Kenny	(appointed on 15th October, 2002)
Wu Wing Kin	(appointed on 15th October, 2002)
Kwok Chi Kin	(appointed on 28th May, 2002)

Non-executive directors

Kwong Man Bun	(appointed on 15th October, 2002)
Ho Yui Kwong, Kenny	(appointed on 15th October, 2002)

Independent non-executive directors

Luk Wai Wun, Vivien	(appointed on 15th October, 2002)
Yip Tai Him	(appointed on 15th October, 2002)
Guo Qi	(appointed on 15th October, 2002)

In accordance with articles 95 and 112 of the Company's articles of association, all directors shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The terms of office of each non-executive director should be subject to retirement by rotation in accordance with the Company's articles of association.

Directors'

Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Chan Tan Lui, Danielle, aged 34, joined the Group in January 2000. She is one of the founders of the Group and the Chairman of the Company responsible for the general management of the Group. She is also the director of Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited. Ms. Danielle Chan was born and raised in Beijing and is well known of her sporting achievements. She was awarded her Degree of Bachelor of Arts in Sports Studies by University of Canberra, Australia. She has been heavily involved in the strategic planning and management of the Group's business especially in exploring new business opportunities in China.

Mr. Tang Sing Hing, Kenny, aged 34, is one of the founding members of the Group and an executive director responsible for strategic planning and business development of the Group. Mr. Tang is also a well-known commentator of the Hong Kong stock market and financial columnist of several newspapers. Mr. Tang holds a Bachelor of Business Degree in Finance from the Edith Cowan University and a Degree of Associate in Arts in General Education from the University of East Asia. He became a Senior Associate of the Australian Institute of Banking and Finance in 1995. Mr. Tang has over 9 years of experience in the finance industry and has held several positions in financial institutions in Hong Kong including Bank of East Asia between 1993 to 1994 and CA Pacific Group between 1995 to 1998. He was also a tutor for the course of equity analysis offered by the University of Hong Kong (SPACE) between 1997 to 2000 and is currently an Associate Director of Tung Tai Securities Co., Ltd.

Mr. Wu Wing Kin, aged 47, is responsible for overall financial planning of the Group. He is also the director of Smart Talent Holdings Limited and HK6 Media Limited. Currently, Mr. Wu is a director of U six Group Limited and U six Holdings Limited, a company engaged in public relations advisory and consultancy business, both of which are beneficially wholly-owned by Mr. Chan Wing Luk. He is also an executive director of Skynet (International Group) Holdings Limited, a company listed on the Main Board, and a non-executive director of Cyber On-Air Group Company Limited, a company listed on GEM.

Mr. Kwok Chi Kin, aged 26, is an executive director, the financial controller, qualified accountant, compliance officer and company secretary of the Group. He is also the director of hk6.com Limited and HK6 Media Limited. He is responsible for financial planning and reporting and general administration of the Group. Mr. Kwok holds a Degree of Bachelor of Business Administration in Finance from the Hong Kong University of Science and Technology. He is a member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants. Prior to joining to the Group in March 2002, he worked in an international accounting firm for more than three years.

Directors'

Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Non-executive Directors

Mr. Kwong Man Bun, aged 43, was appointed to the Board on 15th October, 2002. He is currently the director of KGI Asia Limited, where he is responsible for research, market commentary and management of the branches of KGI Asia Limited in Hong Kong. Mr. Kwong has over 10 years of extensive experience in macroeconomics and company research. He is a graduate from the Chinese University of Hong Kong, with a Degree of Master of Philosophy. He worked with several prominent securities houses, including Morgan Grenfell Asia Securities (HK) Limited between February 1990 to January 1991, Chin Tung Research International Limited, a member of Standard Chartered Bank Group between January 1991 to November 1991, G.K. Goh Securities (HK) Ltd. between December 1991 to August 1994 and Dharmala Securities Co. Ltd. between September 1994 to May 1999, where he was engaged in analysing stocks in various sectors. Mr. Kwong is also a member of the Hong Kong Securities Institute and actively participates in investor education programmes through the media and public seminars.

Mr. Ho Yui Kwong, Kenny, aged 45, was appointed to the Board on 15th October, 2002. He is currently the Executive Director and Dealing Director of Quam Securities Company Limited as well as Dealing Director of Quam Futures Limited. Mr. Ho has over 19 years' experience in the financial markets. He used to be a director of BNP Paribas Peregrine from January 1998 to May 2001. He was employed by Peregrine Group since January 1991. Before that, he worked for Wardley Acli Commodities Limited between March 1983 to May 1986. Mr. Ho holds a Bachelor of Business Administration Degree from University of Wisconsin in the United States and also holds a Degree of Master of Business Administration from University of San Francisco in the United States.

Independent Non-executive Directors

Ms. Guo Qi, aged 29, was appointed as an independent non-executive director on 15th October, 2002. Ms. Guo graduated from Hu Nan Education Institute in China and obtained her Master of Science in the Social Science Degree in International Banking and Financial Studies from the University of Southampton in 2000. Ms. Guo is a registered investment advisor with the China Securities Regulatory Commission and currently is the chief of the Hong Kong branch of Xiangcai Securities (HK) Limited.

Ms. Luk Wai Wun, Vivien, aged 34, was appointed as an independent non-executive director on 15th October, 2002. Ms. Luk is a qualified lawyer in England and Wales and Hong Kong and was admitted to practice laws in Hong Kong since 1995. She is a practising lawyer in Hong Kong.

Mr. Yip Tai Him, aged 32, was appointed as an independent non-executive director on 15th October, 2002. Mr. Yip is a member of the Hong Kong Society of Accountants. He is currently an independent non-executive director of Wing Lee Holdings Limited in Hong Kong which is listed on the Stock Exchange.

Directors'

Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Consultant

Mr. Chan Wing Luk, or more commonly known as "Uncle Six", is a well-known investment strategist and a market commentator on the stock market in Hong Kong. With more than 29 years of experience in the financial services industry, he is one of the most well-known and popular expert in the financial services industry in Hong Kong.

Since his graduation from The University of Hong Kong with a Degree of Bachelor of Science General in 1973, Mr. Chan has held various senior management positions at the Hongkong and Shanghai Banking Corporation Limited between 1973 to 1982, Lagarleon Finance Limited between 1982 to 1984, Dao Heng Bank Limited between 1984 to 1985, Citibank in 1985, Deutsche Bank AG between 1985 to 1990, Tai Fook Securities Company Limited between 1990 to 1996 and Tai Fook Securities Group Limited between 1996 to 2000. In 2000, he set up his own company, U six Holdings Limited, whose members offer a wide range of services including corporate financial advisory, strategic investment consultant, corporate and financial communications.

Mr. Chan is keenly involved in public services and serves various committees. He is a member of Securities and Futures Commission Shareholders Group, a fellow member of the Hong Kong Institute of Directors, Member of the Corruption Prevention Advisory Committee of ICAC and Committee Member of the Licensing Appeals Board. He is a former Committee Member of the Investor Education Advisory Committee of the Securities and Futures Commission.

The primary responsibility of Mr. Chan as the Group's consultant is to provide financial contents consisting of commentaries, analysis and advices on financial markets or other financial products and to act as host or speaker in the financial programmes produced and at the seminars organised by the Group as and when requested by the Group from time to time during the terms of the agreement entered into between the Group and Mr. Chan.

Senior Management

Dr. Cheng Kin Sang, aged 39, is the director of hk6.com Limited, a subsidiary company of the Company. Dr. Cheng is mainly responsible for supervising the construction and development of the Group's website www.hk6.com and the business development and negotiations with potential business partners. After graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences majoring in Economics and Sociology, Dr. Cheng finished his Master and Doctor of Philosophy Degrees in The University of Hong Kong in 1995 and 2000, respectively. Dr. Cheng has rich working experience in the finance and media fields working in the capacities of news reporters and assignment editors in Radio Television Hong Kong, ATV and Next Magazine. He also gains the professional titles of Registered Financial Planner and Neuro-linguistic Programming Practitioner as well as professional certificate of Personal Coaching. He is also research assistant professor at The University of Hong Kong.

Directors'

Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management (Continued)

Mr. Choo Kwok How, aged 34, is an associate director (Operations) of the Group. He is responsible for the management of the IT Department and Content Department's daily operations and implementation of strategies for the operations. Mr. Choo holds a Degree of Bachelor of Arts in Economics and Social Studies from The University of Manchester and a Degree of Master of Science in Finance from The University of Leicester. Prior to joining the Group in May 2000, he worked for Winning Investment Management Limited as a research analyst between 1998 to 2000 and the Hongkong Chinese Bank Ltd. as a manager in Securities Investment Section between 1994 to 1998.

Ms. Kwong Tse San, Toby, aged 32, is an associate director (Marketing and Communications) of the Group and is responsible for public relations, production supervision, sales and marketing. Ms. Kwong graduated in 1995 from Hong Kong Shue Yan College with a Diploma in Journalism. Prior to joining the Group in June 2000, she worked as a television journalist in ATV in Hong Kong between July 1995 and August 1997 and was the personal assistant to a member of the Legislative Council between August 1997 and June 2000. Her journalistic and public relations background encompass solid experience in driving the development of programme production and media relations.

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests in the shares of the directors and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Ordinary shares of HK\$0.01 each in the Company

Name of Director	Personal interests	Corporate interests (Note)	Number of shares			Total shareholding
			Family interests	Other interests		
Chan Tan Lui, Danielle	-	107,079,195	-	-	107,079,195	
Tang Sing Hing, Kenny	27,714,613	-	-	-	27,714,613	

Note: These shares are held by Superhero Limited, which is wholly owned by Ms. Chan Tan Lui, Danielle and she is therefore deemed to be interested in these shares (by virtue of the SDI Ordinance).

Directors'

Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company. The employment of each executive director under his or her service contract shall commence from 15th November, 2002 and shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the directors' service contracts disclosed above, no contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of shareholding
Superhero Limited (Note 1)	107,079,195	26.77%
U six Group Limited (Note 2)	97,001,144	24.25%

Notes:

- (1) These entire issued shares of Superhero Limited is wholly owned by Ms. Chan Tan Lui, Danielle and she is therefore deemed to be interested in these shares (by virtue of the SDI Ordinance).
- (2) These entire issued shares of U six Group Limited is wholly owned by Mr. Chan Wing Luk and he is therefore deemed to be interested in these shares (by virtue of the SDI Ordinance).

Save as disclosed above, no person was recorded in the register as having an interest amounting to 10% or more of the issued share capital of the Company as at 31st March, 2003.

Directors'

Report

SHARE OPTION SCHEMES

Prior to the listing of the Company's shares on GEM, the board of directors (the "Board") was authorised to grant options to certain directors, a consultant, a management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 5% of the shares of the Company in issue as at the date of this report, under the terms of the pre-IPO share option scheme on 28th October, 2002 (the "Pre-IPO Share Option Scheme") and the price payable for each share on exercise of such options granted is HK\$0.21, representing 70% of the offer price per share of the Company to the public.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors, consultant, management shareholder and certain employees of the Group to the business and growth of the Group.

The maximum number of shares which can be granted under the Pre-IPO Share Option Scheme has been fixed at 40,000,000 shares of the Company, representing 10% of the shares of the Company in issue as at the date of this report.

Save for the options which have been granted under the Pre-IPO Share Option Scheme (see below) on or before 28th October, 2002, no further options may be offered, accepted or granted thereunder after 28th October, 2002.

The options granted under the Pre-IPO Share Option Scheme were granted to the relevant grantees subject to the receipt by the Company of the sum of HK\$1.00 by way of consideration for the grant thereof to such grantee.

Directors'

Report

SHARE OPTION SCHEMES (CONTINUED)

Particulars of the Pre-IPO Share Option Scheme of the Company are disclosed as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	At 1st April, 2002	Number of share options			At 31st March, 2003
					Options granted during the year	Options exercised during the year	Options cancelled during the year	
<i>Directors</i>								
Chan Tan Lui, Danielle	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	2,500,000	-	-	2,500,000
Wu Wing Kin	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	3,500,000	-	-	3,500,000
Tang Sing Hing, Kenny	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	1,500,000	-	-	1,500,000
Kwok Chi Kin	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	1,500,000	-	-	1,500,000
<i>Consultant</i>								
Chan Wing Luk	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	2,500,000	-	-	2,500,000
<i>Management Shareholder</i>								
Cheng Kin Sang	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	500,000	-	-	500,000
<i>Other employees</i>								
In aggregate	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	-	8,000,000	-	-	8,000,000
					- 20,000,000	-	-	20,000,000

(1) Under the terms of the options granted under the Pre-IPO Share Option Scheme, these options can only be exercised by the grantees in the following manner:

Commencement date when the options become exercisable	Proportion of options granted under the Pre-IPO Share Option Scheme that can be exercised
The date falling 12 months after 15th November, 2002 (the "Listing Date")	50%
The date falling 18 months after the Listing Date	25%
The date falling 24 months after the Listing Date	25%

(2) Among the grantees in this grant of options, 4 executive directors for an aggregate of 9,000,000 shares were granted to them; a consultant of the Group for 2,500,000 shares were granted; a management shareholder of the Group for 500,000 shares and 12 full-time employees of the Group for an aggregate of 8,000,000 shares were granted.

Directors'

Report

SHARE OPTION SCHEMES (CONTINUED)

On 28th October, 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") whereby full-time employees, executive or officers, directors of the Company or its subsidiary companies and any suppliers, independent contractors, consultants, agents and/or advisers who, in the absolute determination of the directors of the Company, will contribute or have contributed to the Company and/or its subsidiary companies (the "Eligible Participants") may be granted options to subscribe for shares of the Company. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15th November, 2002. Details of the Share Option Scheme are as follows:

(a) Maximum number of shares

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the shares of the Company in issue immediately prior to the commencement of trading of the shares of the Company on GEM, which is equivalent to 40,000,000 shares. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.
- (iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

Directors'

Report

SHARE OPTION SCHEMES (CONTINUED)

(b) Maximum number of options to any one individual

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time.

(c) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

(d) Granting options to connected persons

Any grant of options to a director, chief executive or management shareholder or substantial shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

Directors'

Report

SHARE OPTION SCHEMES (CONTINUED)

(d) Granting options to connected persons (Continued)

If the Company proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any independent non-executive director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of shares of the Company issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of the shares of the Company at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

(e) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

Directors'

Report

SHARE OPTION SCHEMES (CONTINUED)

At 31st March, 2003, no share options were granted or agreed to be granted by the Company under the Share Option Scheme.

As the Company's shares have only been listed on the GEM since 15th November, 2002, the directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period because there would not be sufficient historical price performance data to produce reasonable valuations using commonly used methodologies.

COMPETING INTERESTS

Mr. Tang Sing Hing, Kenny, executive director and management shareholder of the Company, is a well-known celebrity in financial industry and is from time to time being invited by different media such as television and radio channels as speaker or host of various financial programmes and seminars. He also contributes articles and journals to certain newspapers in Hong Kong.

The directors consider that the services carried out by Mr. Tang Sing Hing, Kenny in relation to the financial programmes and seminars hosting and financial journals writing in his personal capacity will not constitute any competition for the Group on the ground that such activities are carried out by Mr. Tang Sing Hing, Kenny as an individual talent and the scope of which is less comprehensive and the business model is different from that of the Group.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Tai Fook Capital Limited (the "Sponsor"), as at 31st March, 2003, neither the Sponsor nor any of its respective directors, employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's shares.

Pursuant to the agreement dated 30th October, 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from the Listing Date to the earlier of 31st March, 2005 or the date on which the agreement is terminated upon the terms and conditions as set out therein the agreement.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 31st March, 2003, which constitute exempt continuing connected transactions under the GEM Listing Rules, are disclosed in note 22 to the financial statements.

Directors'

Report

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

SUBSEQUENT EVENTS

The directors are not aware of any material subsequent events.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company or any of its subsidiary companies did not purchase, sell or redeem any of the shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	52%
– five largest suppliers	82%

Sales

– the largest customer	24%
– five largest customers	73%

Except for the talent fees paid to a company in which a shareholder has beneficial interest, which are disclosed in note 22 to the financial statements, none of the directors, their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interests in these major customers and suppliers during the year.

AUDITORS

The financial statements have been audited by Glass Radcliffe Chan who were appointed during the year, and who retire and, being eligible, offer themselves for re-appointment.

Directors'

Report

AUDIT COMMITTEE

The Company established an audit committee in compliance with the Code of Best Practice as set out in Rule 5.23 of the GEM Listing Rules on 28th October, 2002 with written terms of reference based on the guidelines of the Hong Kong Society of Accountants. It comprises an executive director, namely, Ms. Chan Tan Lui, Danielle and two independent non-executive directors, namely Ms. Luk Wai Wun, Vivien and Mr. Yip Tai Him. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has met three times, reviewing with management the accounting principles and practices adopted by the Company, and discussed internal controls and financial reporting matters including a review of the Company's annual report with the directors.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 15th November, 2002.

On behalf of the Board
Chan Tan Lui, Danielle
Chairman

Hong Kong, 16th June, 2003

Auditors'

Report



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AUDITORS' REPORT TO THE SHAREHOLDERS OF HK6 HOLDINGS LIMITED *(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)*

We have audited the financial statements on pages 29 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

GLASS RADCLIFFE CHAN
Certified Public Accountants

Hong Kong, 16th June, 2003

Consolidated

Income Statement

For the year ended 31st March, 2003

	Note	2003 HK\$	2002 HK\$
Turnover	4	5,383,247	3,247,026
Cost of sales		(2,401,503)	(883,294)
Gross profit		2,981,744	2,363,732
Other revenue		38,610	6,597
Selling expenses		(112,097)	(571,252)
Administrative expenses		(2,470,130)	(3,027,735)
Other operating expenses		(1,629,502)	(1,476,834)
Operating loss	5	(1,191,375)	(2,705,492)
Finance costs	6	(11,671)	(60,024)
Loss before taxation		(1,203,046)	(2,765,516)
Taxation	7	-	-
Loss attributable to shareholders		(1,203,046)	(2,765,516)
Loss per share – basic	9	HK\$0.34 cent	HK\$0.84 cent
Loss per share – diluted	9	N/A	N/A

Consolidated

Balance Sheet

As at 31st March, 2003

	Note	2003 HK\$	2002 HK\$
NON-CURRENT ASSETS			
Fixed assets	12	143,262	512,072
CURRENT ASSETS			
Accounts receivable	14	228,262	372,110
Deposits and prepayments		557,235	956,574
Cash and bank balances		16,713,224	1,918,422
		17,498,721	3,247,106
CURRENT LIABILITIES			
Accounts payable	15	31,000	17,893
Accrued expenses		174,170	412,509
Receipts in advance and other payables	16	237,140	716,763
Convertible bonds and interest payables to be matured within one year	17	–	1,040,548
		442,310	2,187,713
NET CURRENT ASSETS		17,056,411	1,059,393
TOTAL ASSETS LESS CURRENT LIABILITIES		17,199,673	1,571,465
NON-CURRENT LIABILITIES			
Convertible bonds and interest payables	17	–	2,071,233
TOTAL NET ASSETS/(LIABILITIES)		17,199,673	(499,768)
CAPITAL AND RESERVES			
Share capital	18	4,000,000	1,100
Reserves		13,199,673	(500,868)
		17,199,673	(499,768)

Chan Tan Lui, Danielle
Director

Kwok Chi Kin
Director

Balance

Sheet

As at 31st March, 2003

	Note	2003 HK\$
NON-CURRENT ASSETS		
Investments in subsidiary companies	13	4,725,795
CURRENT ASSETS		
Cash and bank balances		13,976,213
CURRENT LIABILITIES		
Accrued expenses		9,000
NET CURRENT ASSETS		
		13,967,213
TOTAL NET ASSETS		
		18,693,008
CAPITAL AND RESERVES		
Share capital	18	4,000,000
Reserves		14,693,008
		18,693,008

Chan Tan Lui, Danielle
Director

Kwok Chi Kin
Director

Consolidated

Statement of Changes in Equity

For the year ended 31st March, 2003

	Note	Share capital HK\$	Share premium HK\$	Merger Reserve HK\$	Accumulated losses HK\$	Total HK\$
Balance as at 1st April, 2001		1,000	-	7,662,333	(6,347,585)	1,315,748
Issue of shares and its premium by Smart Talent Holdings Limited		100	-	949,900	-	950,000
Loss for the year		-	-	-	(2,765,516)	(2,765,516)
Balance as at 31st March, 2002		1,100	-	8,612,233	(9,113,101)	(499,768)
Issue of shares and its premium by Smart Talent Holdings Limited as a result of the conversion of bonds	19(a)	207	-	2,999,793	-	3,000,000
Issue of shares by HK6 Investment Limited to acquire Smart Talent Holdings Limited and hk6.com Limited	19(b)	20,389	-	(20,389)	-	-
Transfer share capital of Smart Talent Holdings Limited to merger reserve	19(b)	(1,307)	-	1,307	-	-
Issue of shares by HK6 Holdings Limited to acquire HK6 Investment Limited	19(c)	3,293,000	-	(3,293,000)	-	-
Transfer share capital of HK6 Investment Limited to merger reserve	19(c)	(20,389)	-	20,389	-	-
Issue of shares to a company for the advisory and consultancy services rendered	19(d)	7,000	-	-	-	7,000
Issue of shares and its premium by HK6 Holdings Limited at premium	19(e)	700,000	20,300,000	-	-	21,000,000
Share issue expenses	19(f)	-	(5,104,513)	-	-	(5,104,513)
Loss for the year		-	-	-	(1,203,046)	(1,203,046)
Balance as at 31st March, 2003		4,000,000	15,195,487	8,320,333	(10,316,147)	17,199,673

Statement

of Changes in Equity of the Company

For the period from 23rd May, 2002 (date of incorporation) to 31st March, 2003

	Note	Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Issue of shares by HK6 Holdings Limited to acquire HK6 Investment Limited	19(c)	3,293,000	-	-	3,293,000
Issue of shares to a company for the advisory and consultancy services rendered	19(d)	7,000	-	-	7,000
Issue of shares and its premium by HK6 Holdings Limited at premium	19(e)	700,000	20,300,000	-	21,000,000
Share issue expenses	19(f)	-	(5,104,513)	-	(5,104,513)
Loss for the period		-	-	(502,479)	(502,479)
Balance as at 31st March, 2003		4,000,000	15,195,487	(502,479)	18,693,008

Consolidated

Cash Flow Statement

For the year ended 31st March, 2003

	Note	2003 HK\$	2002 HK\$
OPERATING ACTIVITIES			
Loss before taxation		(1,203,046)	(2,765,516)
Adjustments for:			
Interest income		(38,610)	(6,597)
Interest expense		11,671	60,024
Provision for doubtful debts		35,794	–
Depreciation		403,040	825,813
Operating loss before working capital changes		(791,151)	(1,886,276)
Decrease/(increase) in accounts receivable		108,054	(355,806)
Decrease/(increase) in deposits and prepayments		398,043	(747,870)
Increase/(decrease) in accounts payable		13,107	(12,107)
Decrease in accrued expenses		(238,339)	(718,689)
(Decrease)/increase in receipts in advance and other payables		(479,623)	700,515
Net cash flow used in operations		(989,909)	(3,020,233)
Interest paid		(123,452)	(24)
Net cash outflow used in operating activities		(1,113,361)	(3,020,257)
INVESTING ACTIVITIES			
Purchases of fixed assets		(34,230)	(145,394)
Interest received		39,906	5,301
Net cash inflow generated from /(outflow used in) investing activities		5,676	(140,093)
FINANCING ACTIVITIES			
Proceeds from issue of shares	20(a)	15,902,487	950,000
Repayments from shareholders		–	3,666,667
Net cash inflow from financial activities		15,902,487	4,616,667
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,794,802	1,456,317
CASH AND CASH EQUIVALENTS AT 1ST APRIL		1,918,422	462,105
CASH AND CASH EQUIVALENTS AT 31ST MARCH		16,713,224	1,918,422
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		16,713,224	1,918,422

Notes

to the Financial Statements

1. GROUP REORGANISATION

HK6 Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23rd May, 2002 as a company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to the Group reorganisation (the "Reorganisation") implemented on 28th October, 2002, to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of HK6 Investment Limited, Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited. This was accomplished by the Company acquiring the entire issued share capital of HK6 Investment Limited in consideration for the allotment and issue of 329,299,990 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of HK6 Investment Limited. Further details of the Reorganisation are set out in note 19 to the financial statements and in the Company's prospectus dated 31st October, 2002.

The shares of the Company were listed on GEM on 15th November, 2002.

The principal activities of the Company is investment holding. During the year, the Group was principally engaged in the operation of financial website, production of financial programmes and videos and the provision of financial information and investor education.

The Company was incorporated on 23rd May, 2002. Accordingly, no comparative amounts as at 31st March, 2002 have been presented in the Company's balance sheet.

2. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted the following Statements of Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants, which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP34 (revised):	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and an inclusion of a statement of changes in equity. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

Notes

to the Financial Statements

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These have been prepared under the historical cost convention.

(b) Basis of presentation and consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiary companies for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated/combined results of the Group for the years ended 31st March, 2002 and 2003 include the results of the Company and its subsidiary companies with effect from 1st April, 2001 or since their respective dates of incorporation, where this is a shorter period. The comparative combined balance sheet as at 31st March, 2002 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated/combined financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

(c) Subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with time when the goods are delivered to customers and the title has passed.

Revenue from the provision of services is recognised when the services are rendered.

Interest income is recognised on a time apportionment basis.

Dividend income is recognised when the right to receive payment is established.

Notes

to the Financial Statements

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of incentives received from the leasing company, are charged to the income statement on a straight-line basis over the lease periods.

(g) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(ii) *Pension scheme*

The Group contributes to defined contribution retirement schemes. The assets are held separately from those of the Group in an independently administered fund. Contributions to these retirement schemes are charged to the income statement as they become payable in accordance with the rules of these schemes.

(iii) *Equity compensation benefits*

Share options are granted to the directors, a consultant, a management shareholder and employees. No compensation cost is recognised in the income statement in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

Notes

to the Financial Statements

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Taxation

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

(i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Cost represents purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as expenses in the period in which it is incurred.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Computer equipment	33 $\frac{1}{3}$ % – 50%
Leasehold improvements	Shorter of unexpired lease period or useful life
Equipment, furniture and fixtures	25% – 33 $\frac{1}{3}$ %

The gain or loss arising from the retirement or disposal of fixed assets, representing the difference between the estimated net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

(j) Borrowing costs

Borrowing costs are loan interest and other costs charged to the income statement as they are incurred by the Group in connection with the borrowing of funds.

(k) Related parties

Two parties are considered to be related within the Group if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other parties in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Notes

to the Financial Statements

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Accounts receivable

Provision is made against accounts receivables to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made.

(n) Cash and cash equivalents

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

4. SEGMENT INFORMATION

The Group is principally engaged in providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia, financial programme and video production services, and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments. No analysis by geographical segment is presented as the Group's turnover and results are substantially derived from Hong Kong.

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Notes

to the Financial Statements

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results for the years ended 31st March, 2003 and 31st March, 2002:

	Financial information		Financial programme and video production		Financial seminars and courses		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	1,423,404	1,360,795	3,347,000	1,699,100	612,843	91,209	-	95,922	5,383,247	3,247,026
Segment results	1,373,688	1,350,602	1,373,110	930,300	234,946	48,458	-	34,372	2,981,744	2,363,732
Other revenue									38,610	6,597
Unallocated costs									(4,211,729)	(5,075,821)
Operating loss									(1,191,375)	(2,705,492)
Finance costs									(11,671)	(60,024)
Loss before taxation									(1,203,046)	(2,765,516)
Taxation									-	-
Loss attributable to shareholders									(1,203,046)	(2,765,516)

There are no significant sales or other transactions between the business segments.

Segment assets and liabilities as at 31st March, 2003 and 31st March, 2002:

	Financial information		Financial programme and video production		Financial seminars and courses		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	114,852	153,094	224,500	358,500	26,010	30,525	-	-	365,362	542,119
Unallocated assets									17,276,621	3,217,059
Total assets									17,641,983	3,759,178
Segment liabilities	26,930	40,656	219,000	694,000	26,910	-	-	-	272,840	734,656
Unallocated liabilities									169,470	3,524,290
Total liabilities									442,310	4,258,946
Other information:										
Unallocated capital expenditure									34,230	145,394
Depreciation									403,040	825,813

Notes

to the Financial Statements

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2003	2002
	HK\$	HK\$
Crediting:		
Interest income	38,610	6,597
Charging:		
Auditors' remuneration	90,000	70,000
Provision for doubtful debts	35,794	–
Depreciation	403,040	825,813
Operating leases in land and buildings	175,968	175,968
Retirement benefit costs	90,465	92,933
Staff costs (including directors' remuneration but excluding retirement benefit costs)	2,069,003	2,656,067

6. FINANCE COSTS

	2003	2002
	HK\$	HK\$
Interest expenses on:		
– bank overdrafts	–	24
– convertible bonds	11,671	60,000
	11,671	60,024

7. TAXATION

The Group's business is operated in Hong Kong and is subject to Hong Kong profits tax at the rate of 16%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year.

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been agreed with the Inland Revenue Department and it is not certain that they can be utilised in the foreseeable future.

	2003	2002
	HK\$	HK\$
Tax losses	9,701,000	9,442,000

Notes

to the Financial Statements

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$502,479 (2002: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31st March, 2003 is based on the consolidated net loss attributable to shareholders of HK\$1,203,046 (2002: HK\$2,765,516) and the weighted average number of 356,250,000 (2002: 330,000,000) ordinary shares in issue during the year.

No diluted loss per share has been presented as the Company has no dilutive potential shares.

10. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2002: Nil).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Details of the emoluments paid and payable to the directors of the Company during the year are as follows:

	2003	2002
	HK\$	HK\$
Fees	45,000	–
Other emoluments	–	–
Basic salaries, allowances and benefit in kinds	259,750	–
Bonuses	–	–
Retirement benefit costs	9,300	–
	314,050	–

The emoluments of the directors fell within the following bands:

	Number of Directors	
	2003	2002
Emolument bands		
HK\$ Nil to HK\$1,000,000	9	9

Four executive directors received emoluments for the year ended 31st March, 2003 of HK\$525, HK\$525, HK\$128,250 and HK\$139,750 respectively. (2002: None of the executive directors received emoluments).

During the year, an independent non-executive director received fee of HK\$45,000 (2002: Nil). All other non-executive directors, including independent non-executive directors, did not receive any emoluments.

Notes

to the Financial Statements

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

- (ii) The five individuals whose emoluments were the highest within the Group are as follows:

	2003	2002
Director	1	–
Employees	4	5
	5	5

- (iii) Details of the directors' emoluments are set out in (i) above. The details of the emoluments of employees as mentioned above are as follows:

	2003 HK\$	2002 HK\$
Basic salaries, allowances and benefit in kinds	757,200	1,370,758
Bonuses	250,000	–
Retirement benefit costs	36,205	44,975
	1,043,405	1,415,733

- (iv) The emoluments of employees fell within the following bands:

	2003	2002
Emolument bands		
HK\$ Nil to HK\$1,000,000	4	5

- (v) During the year, no directors waived any emoluments and no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or joining the Group as compensation for loss of office.

Notes

to the Financial Statements

12. FIXED ASSETS

	Group			Total HK\$
	Computer equipment HK\$	Leasehold improvements HK\$	Equipment, furniture and fixtures HK\$	
Cost				
At 1st April, 2002	1,791,122	76,485	105,775	1,973,382
Additions	27,530	–	6,700	34,230
At 31st March, 2003	1,818,652	76,485	112,475	2,007,612
Accumulated depreciation				
At 1st April, 2002	1,339,199	76,485	45,626	1,461,310
Charge for the year	373,359	–	29,681	403,040
At 31st March, 2003	1,712,558	76,485	75,307	1,864,350
Net book value				
At 31st March, 2003	106,094	–	37,168	143,262
At 31st March, 2002	451,923	–	60,149	512,072

13. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	3,293,008	–
Amounts due from subsidiary companies	1,432,795	–
Amount due to a subsidiary company	(8)	–
	4,725,795	–

Amounts due from/(to) subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

Notes

to the Financial Statements

13. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the Company's principal subsidiary companies at 31st March, 2003 are as follows:

Name	Place and date of incorporation, and kind of legal entity	Issued and fully paid up share capital	Percentage of equity interest	Principal activities and place of operation
* HK6 Investment Limited	British Virgin Islands 21st May, 2002, limited liability company	US\$2,614.00	100%	Investment holding in British Virgin Islands
Smart Talent Holdings Limited	Hong Kong 4th October, 1999, limited liability company	HK\$1,307.00	100%	Production of financial programmes and videos and provision of investor education in Hong Kong
hk6.com Limited	Hong Kong 20th March, 2000, limited liability company	HK\$2.00	100%	Operation of financial websites and provision of financial information in Hong Kong
HK6 Media Limited	Hong Kong 5th June, 2002, limited liability company	HK\$2.00	100%	Development of business alliances with media channels in Hong Kong
* HK6 Investment China (BVI) Limited	British Virgin Islands 10th January, 2003, limited liability company	US\$1.00	100%	Investment holding in British Virgin Islands
Sino Key International Ltd.	British Virgin Islands 8th November, 2002, limited liability company	US\$1.00	100%	Dormant
Pro-Concept Development Ltd.	British Virgin Islands 5th December, 2002, limited liability company	US\$1.00	100%	Dormant

* *shares held directly by the Company*

Notes

to the Financial Statements

14. ACCOUNTS RECEIVABLE

Details of the ageing analysis are as follows:

	2003	Group
	HK\$	2002
		HK\$
0 to 30 days	228,262	318,110
31 days to 60 days	-	-
61 days to 90 days	-	54,000
	228,262	372,110

The Group generally granted credit period to its customers from 7 days to 30 days.

15. ACCOUNTS PAYABLE

The balances at year ends are all aged less than 30 days.

16. RECEIPTS IN ADVANCE AND OTHER PAYABLES

Included in the balance is an amount of HK\$188,000 (2002: HK\$694,000) received in advance for financial programme and video production.

17. CONVERTIBLE BONDS AND INTEREST PAYABLES

	2003	Group
	HK\$	2002
		HK\$
Balance as at beginning of the year	3,111,781	3,051,781
Interest charge for the year	11,671	60,000
	3,123,452	3,111,781
Less: Amount converted as capital	3,000,000	-
Interest paid during the year	123,452	-
Balance as at the end of the year	-	3,111,781

The current and non-current portion of convertible bonds and interest payables in 2002 were HK\$1,040,548 and HK\$2,071,233 respectively.

These were unsecured and bore interest at 2% per annum. On 10th June, 2002, 207 shares of HK\$1.00 each in the share capital of Smart Talent Holdings Limited in total were allotted and issued to these bondholders credited as fully paid at an aggregate consideration of HK\$3,000,000 upon these bondholders' exercise of the conversion rights under these bonds.

Notes

to the Financial Statements

18. SHARE CAPITAL

(a) Share capital

	Company 2003 HK\$
<i>Authorised:</i>	
<u>1,000,000,000 ordinary shares of HK\$0.01 each</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>	
<u>400,000,000 ordinary shares of HK\$0.01 each</u>	<u>4,000,000</u>

Notes:

- (i) On 23rd May, 2002, the Company was incorporated in the Cayman Islands with an initial authorised share capital HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. One subscriber share at HK\$0.10 was allotted and issued full paid on incorporation.
- (ii) On 28th October, 2002, each of the 999,999 shares of HK\$0.10 each in the authorised but unissued capital of the Company and the issued one share of HK\$0.10 each was sub-divided into 10 shares of HK\$0.01 each. Accordingly, the Company's unissued and issued share capital were respectively changed from 999,999 shares and 1 share of HK\$0.10 each to 9,999,990 shares and 10 shares of HK\$0.01 each.
- (iii) On 28th October, 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of an additional 990,000,000 shares of HK\$0.01 each.
- (iv) On 28th October, 2002, as part of the Reorganisation set out in note 1 to the financial statements, the Company issued an aggregate of 329,299,990 shares of HK\$0.01 each in the capital of the Company, credited as fully paid to HK6 Holdings Limited, in consideration for the acquisition of the entire issued share capital of the immediate holding company, HK6 Investment Limited.
- (v) On 28th October, 2002, the Company issued 700,000 new shares to a company in satisfaction of HK\$210,000 being the service fee for the public relations advisory and consultancy services rendered in connection to the preparation of listing of the shares in the capital of the Company on GEM of The Stock Exchange of Hong Kong Limited.
- (vi) On 15th November, 2002, 70,000,000 shares of HK\$0.01 each were issued to the public at HK\$0.30 each for cash consideration, before deducting the share issuing expenses, of HK\$21,000,000.
- (vii) As the Company was incorporated on 23rd May, 2002, there is no share capital issued by the Company as at 31st March, 2002. The issue of the shares represents the nominal value of the issued share capital of Smart Talent Holdings Limited at 31st March, 2002.

Notes

to the Financial Statements

18. SHARE CAPITAL (CONTINUED)

(a) Share capital (continued)

The following is a summary of the above movements in the authorised, issued and fully paid share capital of the Company:

	Note	Number of ordinary shares	Nominal value HK\$
<i>Authorised:</i>			
Ordinary share of HK\$0.10 each		1,000,000	100,000
Subdivision of one ordinary share of HK\$0.10 each into 10 ordinary shares of HK\$0.01 each	(ii)	9,000,000	–
Increase in authorised share capital	(iii)	990,000,000	9,900,000
		<u>1,000,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>			
Ordinary share of HK\$0.10 each		1	–
Subdivision of one ordinary share of HK\$0.10 each into 10 ordinary shares of HK\$0.01 each	(ii)	9	–
Ordinary shares of HK\$0.01 each issued as consideration for acquisition of the entire issued share capital of HK6 Investment Limited	(iv)	329,299,990	3,293,000
Ordinary shares of HK\$0.01 each issued to a company in satisfaction of service fee for the public relations advisory and consultancy services rendered	(v)	700,000	7,000
Issue of ordinary shares of HK\$0.01 each upon listing	(vi)	70,000,000	700,000
		<u>400,000,000</u>	<u>4,000,000</u>

Notes

to the Financial Statements

18. SHARE CAPITAL (CONTINUED)

(b) Share option scheme

Details of the share option information are set out in the directors' report.

19. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The Reorganisation, which altered the compositions of the equity, was executed and was detailed as follows:

- (a) On 10th June, 2002, a total of 207 shares of HK\$1.00 each in the share capital of Smart Talent Holdings Limited were allotted and issued to the bondholders credited as fully paid at an aggregate consideration of HK\$3,000,000 upon these bondholders' exercise of the conversion rights under the bonds issued by Smart Talent Holdings Limited in 2000.
- (b) On 27th August, 2002, HK6 Investment Limited acquired the entire issued share capital of hk6.com Limited from Smart Talent Holdings Limited by allotting and issuing 1,305 shares of US\$1.00 each to the shareholders of Smart Talent Holdings Limited. On 29th August, 2002, HK6 Investment Limited acquired the entire issued share capital of Smart Talent Holdings Limited from its shareholders through the issuance of 1,307 shares of US\$1.00 each in HK6 Investment Limited. As such, HK6 Investment Limited became the holding company of the Group.
- (c) On 28th October, 2002, HK6 Holdings Limited acquired the entire issued share capital of HK6 Investment Limited from its shareholders and 329,299,990 shares were allotted and issued as consideration for the acquisition, all credited as fully paid at par. HK6 Holdings Limited became the holding company of HK6 Investment Limited, Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited since 28th October, 2002.
- (d) On 28th October, 2002, the Company issued 700,000 new shares to a company in satisfaction of HK\$210,000 being the service fee for the public relations advisory and consultancy services rendered in connection to the preparation of listing of the shares in the capital of the Company on GEM of The Stock Exchange of Hong Kong Limited.
- (e) On 15th November, 2002, 70,000,000 shares of HK\$0.01 each were issued to the public at HK\$0.30 each for cash consideration of HK\$21,000,000.
- (f) The amount of share issuance expenses of HK\$5,104,513 were offset against the share premium from the public offer of the Company's share capital.

Notes

to the Financial Statements

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of changes in financing during the year

	Share capital, share premium and merger reserve HK\$	Convertible bonds HK\$	Total HK\$
At 1st April, 2001	7,663,333	3,000,000	10,663,333
Issue of shares at premium	950,000	–	950,000
At 31st March, 2002	8,613,333	3,000,000	11,613,333
Conversion of bonds to ordinary share capital of a subsidiary company (note 19(a))	3,000,000	(3,000,000)	–
Issue of shares to a company for advisory and the consultancy services rendered (note 19(d))	7,000	–	7,000
Issue of shares at premium	21,000,000	–	21,000,000
Share issue expenses	(5,104,513)	–	(5,104,513)
At 31st March, 2003	27,515,820	–	27,515,820

(b) Major non-cash transactions

- (i) During the year, convertible bonds issued by a subsidiary company with principal value of HK\$3,000,000 were converted into 207 shares of HK\$1.00 each of the subsidiary company.
- (ii) During the year, the Company settled an amount due of HK\$210,000 to a public relation company through issuing 700,000 ordinary shares of HK\$0.01 each.

Notes

to the Financial Statements

21. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognised deferred taxation assets/(liabilities) as follows:

	2003	Group
	HK\$	2002
		HK\$
Taxation effect of timing differences arising as a result of:		
Tax losses available to set off against future assessable profits	1,698,000	1,511,000
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	(8,000)	(66,000)
	1,690,000	1,445,000

The deferred taxation has not been recognised in the financial statements as it is not certain that the benefit will be crystallised in the foreseeable future.

The amount of unrecognised deferred taxation credit for the year is as follows:

	2003	Group
	HK\$	2002
		HK\$
Taxation effect of timing differences arising as a result of:		
Tax losses arising	187,000	325,000
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	58,000	109,000
	245,000	434,000

The Company had no significant unrecognised deferred taxation at the balance sheet date.

Notes

to the Financial Statements

22. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2003	2002
	HK\$	HK\$
Talent fees paid to a company in which a shareholder has beneficial interest	335,000	468,000
Talent fees paid to a director of the Company	5,000	3,000

The directors are of the opinion that the above transactions were conducted at arm's length in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

23. RETIREMENT BENEFIT COSTS

The Group has participated in the mandatory provident fund (the "Fund") for its employees in Hong Kong. Contributions to the scheme by the Group are calculated at 5% of employees' basic salaries. The retirement benefit costs charged to the income statement for the year ended 31st March, 2003 amounted to HK\$90,465 (2002: HK\$92,933), representing contributions paid and payable by the Group to the Fund. The assets of the Fund are held separately from those of the Group in an independently administered fund.

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make rental payments in respect of land and buildings after the balance sheet date under operating leases falling due as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within one year	432,000	–
In the second to fifth year inclusive	259,200	–
	691,200	–

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 16th June, 2003.