



國際融資控股有限公司*

International Capital Network Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2002

** For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**HIGHLIGHTS**

The Group recorded a turnover of HK\$1,112,226 for the three months ended 30th April, 2002.

Gross profit was HK\$557,226 for the three months ended 30th April, 2002.

Loss attributable to shareholders was HK\$2,387,190 for the three months ended 30th April, 2002.

The Directors do not recommend the payment of an interim dividend for the three months ended 30th April, 2002.

The board of directors (the “Board”) of International Capital Network Holdings Limited (the “Company”) is pleased to announce the unaudited results for the three months ended 30th April, 2002 and the comparative for the corresponding period ended 30th April, 2001 of the Company and its subsidiaries (the “Group”).

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and the nine months ended 30th April, 2002

	<i>Notes</i>	Three months ended		Nine months ended	
		30th April,		30th April,	
		2002	2001	2002	2001
		HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Turnover	3	1,112,226	—	3,466,282	580,000
Cost of services provided		(555,000)	(90,000)	(1,584,000)	(90,000)
Gross profit/(loss)		557,226	(90,000)	1,882,282	490,000
Bank interest income		82,593	—	427,688	14,359
Loss on disposal of other investments		(50,277)	—	(50,277)	—
Administrative expenses		(2,961,126)	(584,740)	(5,194,349)	(1,153,578)
Amortisation of goodwill		(15,606)	(15,606)	(46,818)	(41,616)
Loss before taxation		(2,387,190)	(690,346)	(2,981,474)	(690,835)
Taxation	4	—	—	—	—
Loss attributable to shareholders		(2,387,190)	(690,346)	(2,981,474)	(690,835)
Loss per share (cents)	5	(0.75)	(0.26)	(1.01)	(0.26)



Notes:

1. **Basis of preparation**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 12th July, 2001. Pursuant to a group reorganisation (the “Reorganisation”) 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 “Stock Exchange”), the Company became the ultimate holding company of the Group on 10th November, 2001. Further details of the Reorganisation are set out in the prospectus of the Company dated 20th November, 2001. The ordinary shares of HK\$0.01 each of the Company (the “Shares”) have been listed on the GEM of the Stock Exchange since 30th November, 2001.

The Reorganisation has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the combined results of the Group for the period from, 1st August, 2001 to 30th April, 2002 and the comparative for the corresponding period ended 30th April, 2001 have been prepared on a merger basis, which are based on the unaudited results of the Group as if the current group structure of the Group had been in existence throughout the period from 1st August, 2001 to 30th April, 2002 and the corresponding period ended 30th April, 2001. All material intra-group transactions and balances have been eliminated on combination.

2. **Principal accounting policies**

The principal accounting policies adopted in preparing the unaudited results of the Company conform to accounting principles generally accepted in Hong Kong and are consistent with those used in the Accountants’ Report as set out in the Prospectus of the Company dated 20th November, 2001.

3. **Turnover**

Turnover represents the net amounts received and receivable from services provided by the Group to outside clients during the period.

4. **Taxation**

No provision for Hong Kong profits tax was made as the Group had no assessable profits for the three months ended 30th April, 2002 (three months ended 30th April, 2001: Nil).

There were no material unprovided deferred tax liabilities as at 30th April, 2002 (30th April, 2001: Nil).



5. **Loss per share**

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$2,387,190 and HK\$2,981,474 loss for three months ended 30th April, 2002 and nine months ended 30th April, 2002 respectively (three months and nine months ended 30th April, 2001: HK\$690,346 and HK\$690,835 loss respectively) and on the weighted average of 320,000,000 Shares and 295,794,871 Shares in issue during three months ended 30th April, 2002 and nine months ended 30th April, 2002 respectively (three months and nine months ended 30th April, 2001: on an assumption that 264,000,000 Shares in issued).

No diluted earnings per Share for three months ended 30th April, 2002 and nine months ended 30th April, 2002 (three months and nine months ended 30th April, 2001 : Nil) have been presented because there were no dilutive potential ordinary shares in existence during the periods.

6. **Reserves**

There was no other movement of reserve for the three months ended 30th April, 2002 and for the corresponding period ended 30th April, 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

The Directors announce that the Group has achieved an unaudited turnover for the three months ended 30th April, 2002 of HK\$1,112,226 (30th April, 2001: Nil). Loss attributable to shareholders increased to HK\$2,387,190 from HK\$690,346 incurred in the comparable period last year. The increase in losses was mainly due to the costs incurred in developing the group's business in markets both in Hong Kong and elsewhere and the legal and other fees incurred as a result of the requisition for a meeting of shareholders made by Capital Ace Holdings Limited and Wise Express Assets Limited and their subsequent action in purporting to convene their own meeting and in investigating possible breaches of the Hong Kong Code on Takeovers and Mergers and the ownership of the Company. This requisition is due to go to trial shortly.



In the Company's prospectus published on 20th November, 2001, a number of specific areas of development of the Group's operations were detailed as were the estimated funds required to achieve the Group's objectives in this regard. Although, in the light of market conditions, progress has been slower than the Directors had originally anticipated, satisfactory progress has been made in negotiations to establish overseas representative offices, recruiting staff, expanding the services provided by the group, the expansion of our alliance network and improving the public's awareness of the group's services. For example, preliminary work has been undertaken to assess the merits of opening representative offices in New York, Singapore, Shanghai, Beijing and Taiwan, the Group is actively recruiting staff and is in the process of finalising an alliance with a complementary business located in Shanghai. The only area where progress has not been made is in the development of the group's internet information platform. Market conditions have changed greatly since these plans were proposed and this area of the group's business is unlikely to call for significant expenditures until the Directors are convinced that a sufficient market demand exists for this service to warrant incurring the necessary development expenditure.

The Directors are pleased to report that the underlying advisory and underwriting business of the group has shown satisfactory progress in quite difficult markets. International Capital Network Limited, our principal subsidiary, has participated in a number of initial public offerings and provided advice for a number of public company transactions. It acted as the co-sponsor and an underwriter for the initial public offerings of Hon Po Group (Lobster King) Limited and Water Oasis Group Limited in February and March 2002 respectively. It acted as the financial adviser to Million Gold Limited in connection with its subscription for new shares in Ananda Wing On Travel (Holdings) Limited and its related whitewash waiver application. It acted as the financial adviser to IMC HOLDINGS LIMITED reporting on its unaudited consolidated results and statement of material changes contained in its circular dated 26th March, 2002 which was published in response to a privatisation proposal from its controlling shareholder, IMC Pan Asia Alliance Corporation. It has also acted as financial adviser in connection with the rights issue of China Strategic Holdings Limited, a whitewash waiver application by Hanny Holdings Limited and Paul Y. — ITC Construction Holdings Limited and the acquisition of shares in Neo-Tech Global Limited by Wealth Bonus Limited.



The Directors believe that the new issue market cannot only provide International Capital Network Limited with satisfactory fee income for acting as a co-sponsor, an underwriter and financial adviser but also attractive opportunities for investment by acquiring shares in candidates for listing before their initial public offerings. Discussions are taking place with a number of companies which are seeking a listing in Hong Kong both for the Group to provide financial advisory and underwriting services and to become an investor before listing, although no firm commitment to invest has yet been made.

With the anticipated continued recovery in the economy of the United States, the Directors anticipate an improvement in market conditions locally which will assist in the Group's advisory and underwriting activities and will provide opportunities to invest in prospective new issues. They have also noted that over the past few months there has been much greater interest by both institutional and retail investors in locally based manufacturing and retailing businesses. The after market performance of Water Oasis Group Limited, since its listing, is a case in point. The group intends to finance its investment activity from its own internal resources to the extent they are in excess of those needed to implement its business strategies which were detailed in the Company's prospectus. Further, as stated in the Company's prospectus, to the extent required or anticipated additional finance for this and other initiatives to develop the Group's business will be financed by either debt or additional equity. The timing and extent of any fund raising will depend on the Directors' assessment of market conditions and the requirements of the Group at the time and the status of the injunction referred to in the Company's announcement dated 30th May, 2002.



DIRECTORS' INTEREST IN SHARES

As at 30th April, 2002, the interests of the Directors and their respective associates in the share capital of the Company or its associated corporations, if any, as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange, immediately following the listing of the Shares, were as follows:

Name of Directors	Number of Shares				Total
	Corporate interests	Personal interests	Family interests	Other interests	
Hui Chuen Kin, Daniel	126,256,800 <i>(Note)</i>	—	—	—	126,256,800

Note: These Shares are held by International Capital Network Investor Limited ("ICN Investor"). Mr Hui Chuen Kin, Daniel owns ICN Investor as to 76.34% indirectly.

Save as disclosed above, none of the Directors, or their respective associates had, as at 30th April, 2002, any interests in the share capital of the Company or its associated corporations, if any, as recorded in the registrar required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the three months ended 30th April, 2002, none of the Directors was granted options to subscribe for Shares and none of the Directors had any rights to acquire Shares.



SUBSTANTIAL SHAREHOLDERS

As at 30th April, 2002, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, revealed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

Name of Shareholder	Number of Shares	Percentage of issued share capital
ICN Investor (<i>Note 1</i>)	126,256,800	39.46
International Technology Capital Limited (<i>Note 2</i>)	77,846,400	24.33

Notes:

1. These Shares are held by ICN Investor. Mr Hui Chuen Kin, Daniel and Mr Lui Bing Kin, Michael indirectly own ICN Investor as to 76.34% and 23.66% respectively.
2. These Shares are held by International Technology Capital Limited (“IT Capital”). Ms Chu Oi Wan, Cecilia owns the entire issued share capital of IT Capital.

Save as disclosed above, the Directors are not aware of any other person having an interest in the issued share capital representing 10% or more of the issued share capital of the Company.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

SPONSOR’S INTEREST

As at 30th April, 2002, the Company’s sponsor, Celestial Capital Limited (“Celestial”), its directors, employees or associates did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

Pursuant to the Sponsor’s agreement dated 19th November, 2001 entered into between the Company and Celestial, Celestial has received and will receive a fee for acting as the Company’s retained sponsor for the period from 30th November, 2001 to 31st July, 2004.



AUDIT COMMITTEE

An audit committee was established on 13th November, 2001 with written terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The audit committee comprises two members namely, the two independent non-executive Directors, Mr Wong Wai Ho and Dr Lo Wing Yan, William.

The audit committee, who were of the opinion that the preparation of unaudited results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made, has reviewed the Group's unaudited results for the three months ended 30th April, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Since 30th November, 2001, the first day of listing of the Shares, and up to the date of this report, the Company did not purchase, sell or redeem any of the Company's Shares.

By Order of the Board
HUI CHUEN KIN, DANIEL
Chairman

Hong Kong, 31st May, 2002