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# **KOFFMAN SECURITIES LIMITED**

*(incorporated in Hong Kong with limited liability)*

## **VOLUNTARY CONDITIONAL OFFER**

**BY**

**SOMERLEY LIMITED**

**ON BEHALF OF**

**KOFFMAN SECURITIES LIMITED**

**FOR ALL THE ISSUED SHARES OF**

**INTERNATIONAL CAPITAL NETWORK HOLDINGS LIMITED**

Koffman Securities Limited, a company incorporated in Hong Kong, will make a voluntary conditional offer for all the issued shares of ICN.

The Offer will consist of the following forms of consideration to be chosen by the ICN Shareholders (ICN Shareholders can choose either one of the following options):

- 1. Cash Option**  
For each ICN Share ..... HK\$0.03 in cash.
  
- 2. Securities Exchange Option**  
For every eight ICN Shares ..... one Kong Sun Share.

The Cash Option Price of HK\$0.03 per ICN Share values the entire issued share capital of ICN at HK\$9.6 million.

If all ICN Shareholders accept the Offer and elect for the Securities Exchange Option, 40,000,000 Kong Sun Shares will be transferred to the accepting ICN Shareholders.

The Kong Sun Shares to be transferred under the Securities Exchange Option are existing issued shares in the capital of Kong Sun, beneficially held by the Offeror and will be transferred to accepting ICN Shareholders electing for the Securities Exchange Option free of all encumbrances.

The Offeror and parties acting in concert with it presently have no direct or indirect interest in any ICN Shares. The Offer is conditional, among other things, upon valid acceptances being received in respect of the ICN Shares which together with the ICN Shares held or acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of ICN.

**Warning: The Offer is subject to a number of conditions. It may or may not become unconditional. Trading in the ICN Shares has been suspended at the request of ICN since 12th August, 2002 until further notice. ICN Shareholders and investors should exercise caution in dealing in the ICN Shares.**

### **Terms of the Offer**

On behalf of the Offeror, Somerley will make a voluntary conditional offer for all the ICN Shares on the following basis (ICN Shareholders can choose either one of the following options):

1. **Cash Option:**  
For each ICN Share ..... **HK\$0.03 in cash**
  
2. **Securities Exchange Option:**  
For every eight ICN Shares ..... **one Kong Sun Share**

**ICN Shareholders can either accept the Cash Option or the Securities Exchange Option, but not a combination of both, in respect of the ICN Shares that are assented to the Offer by such ICN Shareholders.**

The ICN Shares will be acquired by the Offeror fully paid and free from all liens, charges, pledges, options, encumbrances and any other third party rights or interests of any nature whatsoever and together with all rights, benefits, and entitlements attaching and accruing thereto as of the date of this announcement and thereafter including the right to receive all dividends, rights and distributions declared, paid or made on or after the date of this announcement (including any dividend which may be declared, paid or made by ICN in respect of the financial year ended 31st July, 2002).

Assuming full acceptance of the Offer and 320 million ICN Shares in issue (as set out in the ICN Interim Report), the maximum cash consideration to be paid by the Offeror will be HK\$9.6 million (in the case that all ICN Shareholders elect for the Cash Option). The maximum number of Kong Sun Shares that will be transferred to the accepting ICN Shareholders will be 40,000,000 Kong Sun Shares (in the case that all ICN Shareholders elect for the Securities Exchange Option), representing approximately 1.7% of the existing issued share capital of Kong Sun. The exact amount of Kong Sun Shares to be transferred will depend on the number of acceptances of the Offer that elect for the Securities Exchange Option.

#### *Regarding the Cash Option*

Trading in the ICN Shares has been suspended at the request of ICN since 12th August, 2002 until further notice. The Cash Option Price of HK\$0.03 per ICN Share represents a discount of approximately 70.6 % to the closing price of HK\$0.102 per ICN Share quoted on the Stock Exchange on 9th August, 2002, being the last trading day before suspension in trading of the ICN Shares on the Stock Exchange. The Cash Option Price also represents a 69.4% discount to the 10-days average closing price of HK\$0.098 per ICN Share ended on 9th August, 2002.

Assuming there are 320,000,000 ICN Shares in issue, based on HK\$0.03 per ICN Share, the Cash Option values the entire issued share capital of ICN at HK\$9.6 million.

#### *Regarding the Securities Exchange Option*

As at the date of the announcement, the Offeror is interested in approximately 134,100,000 Kong Sun Shares, representing approximately 5.6% of the existing issued share capital of Kong Sun comprising 2,411,184,836 Kong Sun Shares. An aggregate of 40,000,000 Kong Sun Shares (representing approximately 1.7% of the existing issued share capital of Kong Sun) held by the Offeror have been deposited, free from all encumbrances, in an escrow account for the purpose of satisfying in full the Securities Exchange Option under the Offer.

As at 5th September, 2002, the closing price of Kong Sun Shares as quoted on the Stock Exchange was HK\$0.25. On the basis of eight ICN Shares for one Kong Sun Share and the closing price of Kong Sun Shares as at the date hereof, the implied market value of Kong Sun Shares attaching to one ICN Share subject to the Offer would be approximately HK\$0.031.

During the six-months period up to and including the date of this announcement, the highest closing price of Kong Sun Shares as quoted on the Stock Exchange was HK\$0.445 on 15th March, 2002 and the lowest closing price of Kong Sun Shares as quoted on the Stock Exchange was HK\$0.249 on 4th September, 2002, whereas the average of the closing prices of Kong Sun Shares as quoted on the Stock Exchange during such six-months period was HK\$0.320.

#### *Other information*

Based on the third quarterly report dated 31st May, 2002 of ICN, there are no outstanding convertible securities, options or warrants issued by ICN. In the event that any convertible securities, options or warrants carrying rights in the share capital of ICN are later found to be in issue and/or outstanding, comparable offers will be made for them in compliance with the Takeovers Code.

The Offeror and parties acting in concert with it at present do not own or have control, directly or indirectly, over any ICN Shares. There have been no dealings in ICN Shares by the Offeror or parties acting in concert with it in the past six months.

Somerley is satisfied that there are sufficient resources available to the Offeror to satisfy acceptance of the Offer in full.

The Offeror does not presently intend to apply the provisions of section 87 of the Companies Law (Revised), Chapter 22 of the Laws of the Cayman Islands to acquire compulsorily any ICN Shares for which the Offer is made but which have not been assented by the close of the Offer, but reserves the right to do so.

#### **Conditions of the Offer**

The Offer is subject to the following conditions:

- (i) the whole of the issued share capital of ICN continuing to be listed and dealt in on the Stock Exchange on the 21st day after the First Closing Date;
- (ii) there being no resolution, petition or order for the winding up of ICN or any member of the ICN Group (or if there is any of such resolution, petition or order for winding up, the withdrawal thereof) and no receiver having been appointed in respect of ICN or any member of the ICN Group or any part of the assets thereof on the 21st day after the First Closing Date;

- (iii) the Offeror receiving acceptances in respect of ICN Shares which together with ICN Shares held or acquired or agreed to be acquired by it and persons acting in concert with it before or during the Offer, will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights of ICN; and
- (iv) any necessary consent or approval (including approval in principle) of any applicable governmental or regulatory body having been obtained pursuant to the provisions of any ordinance, rules and regulations in Hong Kong and overseas.

The Offeror reserves the right to waive, in whole or in part, all or any of the above conditions, other than conditions (iii) and (iv). Except with the consent of the Executive, all conditions must be fulfilled or waived or the Offer must lapse within 21 days of the First Closing Date of the Offer or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

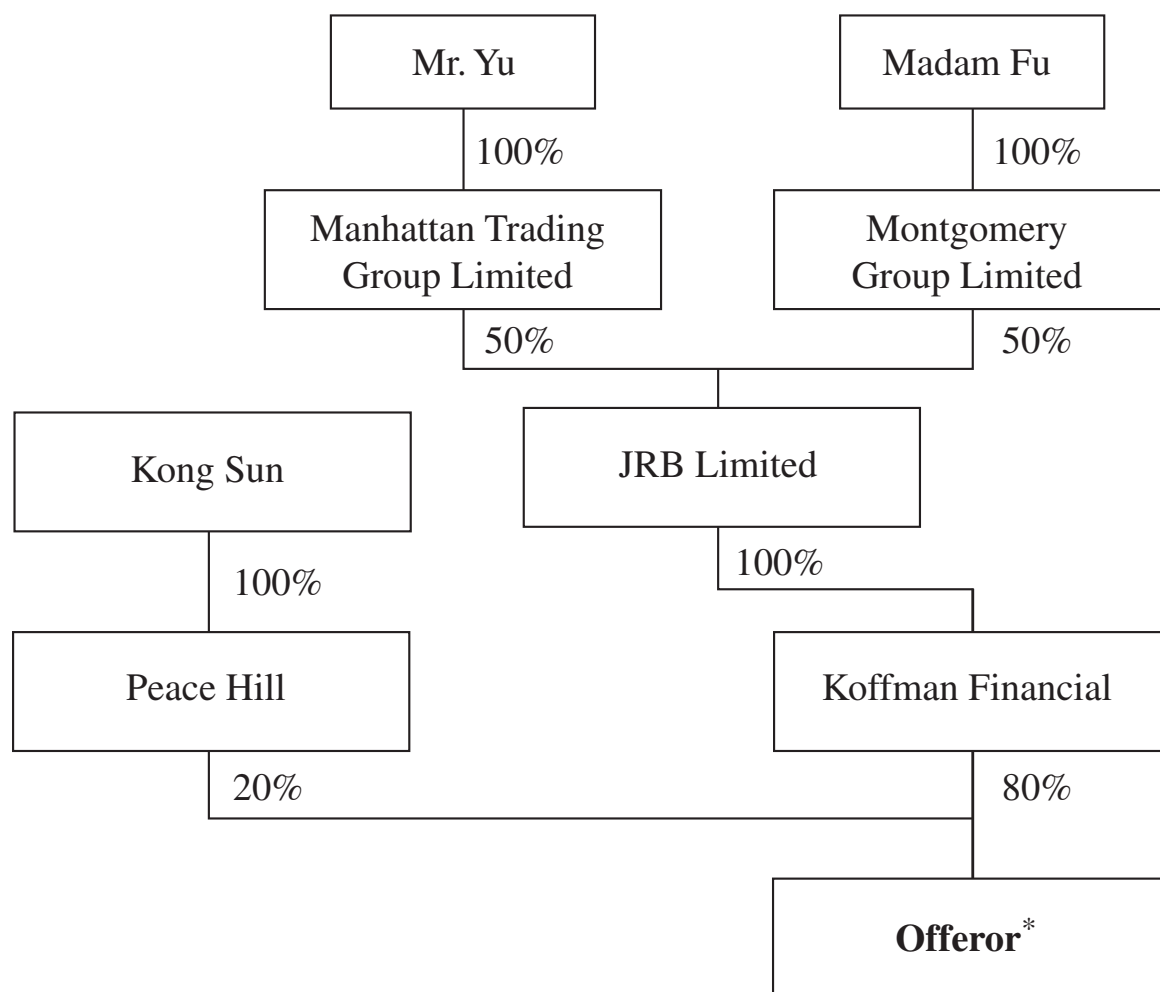
### **Stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptances of the Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance, will be payable by the Offeror.

### **Information about the Offeror**

The Offeror is a company incorporated in Hong Kong on 5th March, 1996. It is a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong). The principal activities of the Offeror include securities trading and brokerage. As shown in the chart below, the Offeror is owned as to 80% by Koffman Financial and as to 20% by Peace Hill, a wholly-owned subsidiary of Kong Sun. Koffman Financial is indirectly owned as to 50% by Mr. Yu and as to 50% by Madam Fu.

The following chart depicts the shareholding structure of the Offeror:



\* The Offeror is interested in approximately 5.6% of the existing issued share capital of Kong Sun as at the date of this announcement.

Mr. Yu, aged 33, is a resident of Hong Kong. Mr. Yu has over 13 years of financial market experience. In 1996, Mr. Yu founded the business of the Offeror. Before this, Mr. Yu had worked in the investment banking field in Hong Kong for about 2 years and went on to start his own financial services business. Mr. Yu's interest in the Offeror is indirectly held through Manhattan Trading Group Limited, a private company incorporated in the British Virgin Islands, the principal activity of which is investment holding.

Madam Fu, aged 64, is a resident of Hong Kong. Madam Fu is a very experienced investor. She is the mother of Mr. Benjamin Fu Hau Fai, a director of the Offeror. Madam Fu is also a founding shareholder of the Offeror. Madam Fu's interest in the Offeror is indirectly held through Montgomery Group Limited, a private company incorporated in the British Virgin Islands, the principal activity of which is investment holding.

The directors of the Offeror are Mr. Yu, Mr. Benjamin Fu Hau Fai (the son of Madam Fu), Mr. Kong Li Szu (a director of Kong Sun), Mr. Chow Yat Kwai and Mr. Chan Yau Kit, Eric.

The Offeror is independent of, not connected with and not acting in concert with the directors, chief executive, substantial shareholders or initial management shareholders of ICN as such persons were disclosed in ICN Prospectus and ICN Interim Report.

### **Information about Kong Sun**

Kong Sun is principally engaged in (i) property development and investment in Hong Kong, PRC and Malaysia; (ii) environmental protection including combat pollution problem services, anti-flooding and waste pollutants detection and pollution monitoring; (iii) information technology including multimedia training, finance and corporation management and project matching and wireless broadband solution provider; and (iv) brokerage, investment advisory and money lenders.

According to the 2001 annual report of Kong Sun, the audited consolidated turnover of the Kong Sun Group for the years ended 31st December, 2001 and 31st December, 2000 was approximately HK\$143.4 million and HK\$39.4 million, respectively. The audited consolidated net profits attributable to shareholders of the Kong Sun Group for the year ended 31st December, 2001 and 31st December, 2000 were approximately HK\$17.2 million and HK\$7.0 million, respectively.

According to the 2001 annual report of Kong Sun, the audited consolidated net assets of Kong Sun as at 31st December, 2001 were approximately HK\$538.5 million. As at 31st December, 2001, Kong Sun had approximately 2,055.2 million shares in issue. On this basis, the net assets per share of Kong Sun was approximately HK\$0.26 as at 31st December, 2001.

### **Information about ICN**

The issued ICN Shares are listed on GEM. On the basis of the ICN Prospectus, ICN is principally engaged in provision of business development and corporate advisory services in Hong Kong to companies focusing on the SMEs with significant growth potential. The ICN Group advises its clients on the formulation of business development strategies, performance improvement, corporate reorganizations, pre-IPO corporate management and other corporate finance advisory works and issues. The ICN Group also assists its clients in the evaluation of possible market opportunities and their business expansion.

According to the third quarterly report of ICN dated 31st May, 2002, the unaudited consolidated turnover of the ICN Group for the nine months ended 30th April, 2002 was approximately HK\$3.5 million. The unaudited consolidated loss attributable to ICN Shareholders for the nine months ended 30th April, 2002 was approximately HK\$3.0 million. According to the ICN Prospectus, the audited turnover and audited net profit for the year ended 31st July, 2001 were approximately HK\$5.0 million and HK\$2.1 million, respectively.

According to the ICN Interim Report, the unaudited consolidated net assets of ICN as at 31st January, 2002 were approximately HK\$51.3 million.

### **Reasons for making the Offer**

On the basis of the business activities of ICN as described above, the Offeror considers that with its securities brokerage business and wide customer base, it is confident that it and its directors and ultimate shareholders can assist the ICN Group in broadening the business network of the ICN Group if it becomes the controlling shareholder of ICN. The Offeror also considers that the Offer presents a good opportunity for it to expand its business in the financial services market in Hong Kong through ICN.

### **Intention of the Offeror**

It is the intention of the Offeror to maintain the existing principal activities of ICN, and the Offeror has no intention of injecting any material assets or businesses into the ICN Group immediately after the Offer. The Offeror intends to hold its interest in ICN as a long term investment and it is the intention of the Offeror that it will nominate new directors representing a majority in number of the members of the board of ICN upon successful completion of the Offer. The Offeror will also assist the board of ICN to review the business and operations of the ICN Group with a view to increasing the business activities and performance of the ICN Group.

### **Irrevocable undertaking to accept**

Capital Ace Holdings Limited, the beneficial owner of 25,138,080 ICN Shares (“Subject Shares”) representing approximately 7.9% of the existing issued share capital of ICN assuming 320,000,000 ICN Shares in issue, has undertaken, irrevocably and unconditionally, with the Offeror that it will accept, or procure the registered shareholder(s) of the Subject Shares to accept, the Offer in respect of all Subject Shares. Capital Ace Holdings Limited is a wholly-owned subsidiary of Digital World Holdings Limited whose shares are listed on the Main Board of the Stock Exchange. The Offeror is independent of, not connected with and not acting in concert with Capital Ace Holdings Limited.



Save as disclosed above, no other ICN Shareholders have undertaken with the Offeror to accept the Offer.

### **Non-disposal undertaking**

Based on the ICN Interim Report, International Capital Network Investor Limited and International Technology Capital Limited were substantial shareholders of ICN as at 31st January, 2002 holding 126,256,800 ICN Shares (representing 39.46% of the then issued share capital of ICN) and 77,846,400 ICN Shares (representing 24.33% of the then issued share capital of ICN), respectively.

Based on the ICN Prospectus, Wise Express Assets Limited is an initial management shareholder (with the meaning ascribed thereto in the GEM Listing Rules) of ICN holding 10,758,720 ICN Shares representing 3.36% of the then issued share capital of ICN after completion of the IPO of ICN in November 2001.

Based on the ICN Prospectus, all the above three companies have undertaken to ICN and the Stock Exchange that they will not, save as provided in Rule 13.18 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of their direct or indirect interest in the aforesaid ICN Shares held by them up to and including 30th November, 2002.

### *Tentative timetable of the Offer*

Offer announcement .....	5th September, 2002
Despatch of offer document .....	10th October, 2002
First Closing Date .....	9th December, 2002

As the First Closing Date of the Offer will be after 30th November, 2002, the Offer will also be made for the ICN Shares held by the three companies mentioned above.

### **Maintaining the listing of ICN**

**It is the intention of the directors of the Offeror to maintain the listing of ICN Shares on GEM after the close of the Offer. The directors of the Offeror will undertake to the Stock Exchange that appropriate steps will be taken to ensure that sufficient public float exists for the ICN Shares. As the first date of listing of ICN was on 30th November, 2001 and the market capitalization of ICN as at the commencement of the listing of the ICN Shares on GEM did not exceed HK\$4,000 million, the minimum prescribed percentage of ICN Shares in public hands is 25%.**

**The Stock Exchange has stated that, if less than 25% of the issued ICN Shares are in public hands at the close of the Offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the ICN Shares or that there are insufficient ICN Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the ICN Shares.**

**If ICN remains a listed company, the Stock Exchange will closely monitor all acquisitions or disposals of assets by ICN. Under the GEM Listing Rules, the Stock Exchange has the discretion to require ICN to issue a circular to its shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of ICN. The Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of transactions and any such transactions may result in ICN being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the GEM Listing Rules.**

### **General**

According to Rule 8.2 of the Takeovers Code, an offer document containing, among other things, the details of the Offer and the acceptance and transfer forms, will be sent to ICN Shareholders within 35 days of the date of this announcement, subject to any extension to such period which the Offeror may apply for and the Executive may grant under the Takeovers Code.

The board of directors of ICN has been notified of the Offeror's intention to make the Offer.

### **Warning**

**The Offer is subject to a number of conditions. It may or may not become unconditional. Trading in the ICN Shares has been suspended at the request of ICN since 12th August, 2002 until further notice. ICN Shareholders and investors should exercise caution in dealing in the ICN Shares.**

### **DEFINITIONS**

“Cash Option”	the cash option offered to the ICN Shareholders under the Offer on the terms set out herein
“Cash Option Price”	being HK\$0.03 per ICN Share
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director

“First Closing Date”	being the 60th day after the despatch of the offer document relating to the Offer to the ICN Shareholders by or on behalf of the Offeror (or such later date as the Offeror may, subject to the consent of the Executive, decide)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICN”	International Capital Network Holdings Limited, a company incorporated in the Cayman Islands and the shares of which listed on the GEM
“ICN Group”	ICN and its subsidiaries
“ICN Interim Report”	the interim report of ICN dated 15th March, 2002
“ICN Prospectus”	the prospectus of ICN dated 20th November, 2001 relating to the placing and public offer of ICN Shares
“ICN Share(s)”	share(s) of HK\$0.01 each in capital of ICN
“ICN Shareholders”	holders of ICN Shares
“IPO”	initial public offering
“Koffman Financial”	Koffman Financial Group Limited, a company incorporated in Hong Kong with limited liability and the principal activity of which is investment holding
“Kong Sun”	Kong Sun Holdings Limited, a company incorporated in Hong Kong and the shares of which listed on the Main Board of the Stock Exchange

“Kong Sun Shares”	shares of HK\$0.10 each in capital of Kong Sun
“Madam Fu”	Madam Fu Chong Lap Hoi, Katy
“Mr. Yu”	Mr. Yu Shu Kuen
“Offer”	the voluntary conditional offer to be offered by Somerley on behalf of the Offeror to acquire all the issued ICN Shares at HK\$0.03 each in cash, with a securities exchange option on the basis of one Kong Sun Share for eight ICN Shares
“Offeror”	Koffman Securities Limited, a company incorporated in Hong Kong with limited liability
“Peace Hill”	Peace Hill Securities Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Kong Sun and the principal activity of which is investment holding
“PRC”	the People’s Republic of China
“Securities Exchange Option”	the securities exchange option offered to the ICN Shareholders under the Offer on the terms set out herein
“SMEs”	small- and medium-sized enterprises, being manufacturing firms employing less than 100 persons and non-manufacturing firms employing less than 50 persons
“Somerley”	Somerley Limited, an investment adviser and exempt dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of  
**Koffman Securities Limited**  
**Yu Shu Kuen**  
*Managing Director*

Hong Kong, 5th September, 2002

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (except for the information about ICN and Kong Sun contained in this announcement which has been extracted from public sources) and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The information relating to ICN in this announcement has been extracted from the published prospectus, interim report and quarterly report of ICN dated 20th November, 2001, 15th March, 2002 and 31st May, 2002, respectively. The directors of the Offeror jointly and severally take full responsibility for the accurate extraction of information extracted and confirm that such extraction is not misleading.*

*The information relating to Kong Sun in this announcement has been extracted from the annual report of Kong Sun dated 22nd April, 2002. The directors of the Offeror jointly and severally take full responsibility for the accurate extraction of information extracted and confirm that such extraction is not misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the day of its posting.*