



國際融資控股有限公司*

International Capital Network Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST JULY, 2002**

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL SUMMARY

- Revenue decreased by about 35.9% to approximately HK\$3,219,000.
- Operating cost increased by about 5 times to approximately HK\$11,640,000, 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 actions in purporting to convene their own meeting and in investigating possible breaches of the Hong Kong Code on Takeovers and Mergers (the "Code") and the ownership of the Company.
- Consolidated loss attributable to shareholders was approximately HK\$10,091,000 which included the impairment loss on goodwill arising on acquisition of a subsidiary amounting to approximately HK\$187,000.
- Loss per share was HK3.34 cents as compared to earnings per share of HK0.79 cents for the previous financial year.

AUDITED CONSOLIDATED RESULTS 2002

The board of directors (the “Board”) of International Capital Network Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st July, 2002, together with the comparative figures for the year ended 31st July, 2001 as follows:

	<i>NOTES</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Turnover	3	3,218,695	5,019,991
Cost of sales		<u>(2,538,056)</u>	<u>(288,000)</u>
Gross profit		680,639	4,731,991
Other operating income	4	951,605	45,464
Administrative expenses		<u>(11,640,424)</u>	<u>(2,302,230)</u>
(Loss) profit from operations	5	(10,008,180)	2,475,225
Interest on bank overdraft wholly repayable within five years		(5,427)	—
Impairment loss on goodwill arising on acquisition of a subsidiary		<u>(187,282)</u>	<u>—</u>
(Loss) profit before taxation		(10,200,889)	2,475,225
Taxation credit (charge)	6	<u>110,000</u>	<u>(400,000)</u>
Net (loss) profit for the year		<u><u>(10,090,889)</u></u>	<u><u>2,075,225</u></u>
Dividend	7	<u>—</u>	<u>1,000,000</u>
Basic (loss) earnings per share (cents)	8	<u><u>(3.34)</u></u>	<u><u>0.79</u></u>

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of business development and corporate advisory services and money lending business.

Pursuant to a series of group reorganisation steps (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 9th November, 2001.

The shares of the Company were listed on the GEM of the Stock Exchange on 30th November, 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 27 “Accounting for the group reconstructions” issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the prospectus dated 20th November, 2001 (the “Prospectus”) issued by the Company. The Group Reorganisation principally involved the exchange of fully paid shares of the Company for the entire share capital of International Capital Network (BVI) Holdings Limited (“ICN (BVI)”).

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group’s operation was principally attributable to the provision of business development and corporate advisory services in Hong Kong. Accordingly, no analysis on business and geographical segments are presented.

3. TURNOVER

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Business development and corporate advisory services income	3,216,225	5,019,991
Interest income from loan receivable	<u>2,470</u>	<u>—</u>
	<u>3,218,695</u>	<u>5,019,991</u>

4. OTHER OPERATING INCOME

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Bank interest income	464,562	45,464
Gain on disposal of investments in securities	<u>487,043</u>	<u>—</u>
	<u>951,605</u>	<u>45,464</u>

5. (LOSS) PROFIT FROM OPERATIONS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration (excluding retirement benefits scheme)	1,476,667	216,000
Retirement benefit scheme contributions	110,351	29,063
Other staff costs	<u>1,642,058</u>	<u>480,470</u>
Total staff costs	<u>3,229,076</u>	<u>725,533</u>
Auditors' remuneration		
— current year	180,000	150,000
— overprovision in prior years	<u>(85,000)</u>	<u>—</u>
	<u>95,000</u>	<u>150,000</u>
Depreciation of property, plant and equipment	816,763	38,945
Amortisation of goodwill (charged to administrative expenses)	<u>62,427</u>	<u>62,427</u>

6. TAXATION CREDIT (CHARGE)

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
The credit (charge) comprises:		
Hong Kong Profits Tax		
— current year	—	(400,000)
— overprovision in prior year	<u>110,000</u>	<u>—</u>
	<u>110,000</u>	<u>(400,000)</u>

For the year ended 31st July, 2002, no provision for Hong Kong Profits Tax was made as the Group had no assessable profits for the year.

For the year ended 31st July, 2001, Hong Kong Profits Tax had been provided at the rate of 16% on the estimate assessable profits arising in Hong Kong.

Details of the potential deferred tax credit not provided for in the year are set out in note 10.

7. DIVIDEND

No dividend was declared by the Company since its incorporation. However, during the year ended 31st July, 2001, ICN (BVI) declared a dividend of HK\$1,000,000 to its then shareholders prior to the Group Reorganisation.

8. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the following data:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Net (loss) profit for the year	<u>(10,090,889)</u>	<u>2,075,225</u>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>301,895,890</u>	<u>264,000,000</u>

The calculation of the Group's basic earnings per share for the year ended 31st July, 2001 was based on the Group's net profit attributable to the shareholders and on the number of ordinary shares in issues immediately preceding the issue of the Prospectus for the listing of the Company's shares on the GEM.

The Group did not have any outstanding potential ordinary shares during the two years ended 31st July, 2002, accordingly, no diluted (loss) earning per share is presented.

9. RESERVES

	Share premium HK\$	Special reserve HK\$	Accumulated profit (loss) HK\$	Total HK\$
At 1st August, 2000	—	—	(71,422)	(71,422)
Net profit for the year	—	—	2,075,225	2,075,225
Dividend	—	—	(1,000,000)	(1,000,000)
At 31st July, 2001	—	—	1,003,803	1,003,803
Premium arising on issue of shares	46,480,000	—	—	46,480,000
Expenses incurred in connection with the issue of shares	(5,862,378)	—	—	(5,862,378)
Reserve arising on the Group Reorganisation	—	7,309,813	—	7,309,813
Net loss for the year	—	—	(10,090,889)	(10,090,889)
At 31st July, 2002	<u>40,617,622</u>	<u>7,309,813</u>	<u>(9,087,086)</u>	<u>38,840,349</u>

The special reserve of the Group represents the difference between the nominal value of the shares and share premium of the acquired subsidiaries and the nominal value of the Company's shares issued as consideration pursuant to the Group Reorganisation.

10. DEFERRED TAXATION

No deferred tax asset has been recognised in the financial statements as it is not certain whether the asset will crystallise in the foreseeable future.

At the balance sheet date, the major components of the potential deferred tax asset (liability) of the Group not recognised in the financial statements are as follows:

	2002 HK\$	2001 HK\$
Tax effect of timing differences attributable to:		
Unutilised tax losses	716,000	661,000
Excess of tax allowances over depreciation	<u>(44,000)</u>	<u>(155,000)</u>
	<u>672,000</u>	<u>506,000</u>

The amount of the unprovided deferred tax credit (charge) of the Group for the year are as follows:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Tax effect of timing differences attributable to:		
Tax losses arising	55,000	178,000
Difference between tax allowances and depreciation	<u>111,000</u>	<u>(146,000)</u>
	<u>166,000</u>	<u>32,000</u>

11. POST BALANCE SHEET EVENTS

Subsequent to 31st July, 2002, the following significant events took places:

- (1) On 9th August, 2002, International Technology Capital Limited, which is a shareholder of the Company and is beneficially owned by Ms Chu Oi Wan, Cecilia, presented a winding-up petition against the Company to the High Court on a just and equitable ground. The hearing of the petition is fixed on 6th November, 2002. In the opinion of the directors, it is not possible to predict the outcome of the hearing and, accordingly, the financial statements have been prepared on a going concern basis.
- (2) A voluntary conditional offer was announced by Koffman Securities Limited (“Koffman”), a company incorporated in Hong Kong, for all the issued shares of the Company (the “Offer”). The Offer will consist of two options to be chosen by the Company’s shareholders. The first option is an offer of HK\$0.03 in cash for each share in the Company. The second option is an offer that every eight shares in the Company be exchanged for one share in Kong Sung Holdings Limited, which is a company listed on the Stock Exchange and is an indirect shareholder of Koffman. The Company submitted to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission that the offer should not be considered to be an offer under the Hong Kong Code on Takeovers and Mergers (“Code”) as it is not bona fide and that it is part of arrangements which are in breach of the Code. The matter is due to be considered by the Takeovers Panel at a hearing expected to take place on 31st October, 2002.

- (3) On 23th September, 2002, the subsidiary of the Company set up a representative office in Beijing, the People's Republic of China. The representative office is engaged in the provision of communication channel for business development and corporate advisory services.

12. MODIFIED AUDITORS' REPORT

The auditors' report on the Group's financial statements for the year ended 31st July, 2002 has been modified and details of the modification are reproduced as follows:

“Fundamental uncertainty relating to going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 31(1) to the financial statements concerning the winding-up petition made to the High Court by International Technology Capital Limited, which is a shareholder of the Company and is beneficially owned by Ms Chu Oi Wan, Cecilia. The hearing of the petition is fixed on 6th November, 2002. In the opinion of the directors, it is not possible to predict the outcome of the hearing and, accordingly, the financial statements have been prepared on a going concern basis. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.”

The note 31 “Post balance sheet events” to the financial statements has been reproduced as note 11 above. Except for the aforesaid modification, the auditors have expressed a true and fair view opinion on the financial statements of the Company and the Group as a whole.

BUSINESS REVIEW AND PROSPECTS

ANALYSIS OF RESULTS

During the year, the Group continues to provide business development and corporate advisory services to its clients in Hong Kong. The turnover of the Group for the year ended 31st July, 2002 decreased by about 35.9% to HK\$3,218,695 as compared to turnover of HK\$5,019,991 for the year ended 31st July, 2001. Despite the decrease in revenue, the Group has made a gross profit for the year ended 31st July, 2002. Our other costs comprised mainly rental expenses, legal and professional fees and litigation expenses which aggregated to about HK\$8,015,000 for the year ended 31st July, 2002 (2001: HK\$983,000).

OPERATION

During the year, the Group continued to concentrate our efforts in the provision of business development and corporate advisory services in Hong Kong and the Group has focused on achieving two primary objectives:

- further development of the Group's operation by providing a wider range of financial services; and
- improvement of the public awareness of the Group.

Both elements are critical in fulfilling the Group's overall objective of becoming an active business development and corporate advisory services provider in Hong Kong. During the year, our principal subsidiary, International Capital Network Limited, has participated in a number of initial public offering ("IPO") projects and other fund raising exercises. It was the financial adviser and underwriter for the two IPOs clients, which were listed on GEM of the Stock Exchange in October 2001 and December 2001 respectively. It also acted as co-sponsor and underwriter in the IPOs of Hon Po Group (Lobster King) Limited and Water Oasis Group Limited, which were listed on the main board of the Stock Exchange in February 2002 and March 2002 respectively. International Capital Network Limited also acted as financial advisers of several clients involving a mergers and acquisitions transaction and other transactions, including the subscription of new shares in Ananda Wing On Travel (Holdings) Limited by Million Good Limited and Wealth Bonus Limited becoming substantial shareholder of Neo-Tech Global Limited.

The Company's wholly-owned subsidiary, Top Advance (HK) Limited, has obtained the money lenders licence in January 2002. It is intended to provide the money lending and margin financing services which will be complementary and incidental to the provision of its business development and corporate advisory services to the Group's clients.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operation was carried out in Hong Kong and primarily financed with the proceeds from new issue, cash revenue derived from its operating activities and internal resources. Furthermore, all the Group's revenue during the year was denominated in Hong Kong dollars. Therefore, the Group did not expose to any fluctuation in exchange rates and any related hedges during the year. As at 31st July, 2002, the Group had net

current assets of approximately HK\$41,275,000 (2001: net current liabilities of HK\$578,000) and there were no charges on the Group's assets. The liquidity position, in the opinion of the Board, is sufficient to meet the needs of the Group for its operations, capital requirements and investments in future.

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 30th November, 2001. There has been no change in the capital structure of the Company since that date.

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31st July, 2002, the Group did not have any significant capital commitments and significant investments.

GEARING RATIO

As at 31st July, 2002, the gearing ratio, expressed as a percentage of total borrowings over total assets, was approximately 0.03% (2001: 78.8%). The gearing ratio was improved as further capital was raised by the listing of its shares on the GEM of the Stock Exchange in November 2001.

MATERIAL ACQUISITIONS/DISPOSALS

The Group made no material acquisitions or disposals during the year. As at 31st July, 2002, the Group had no future plans for material investments or capital assets other than the implementation plans set out in the section headed "Statement of Business Objectives" in the prospectus of the Company dated 20th November, 2001.

CONTINGENT LIABILITIES

As at 31st July, 2002, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 31st July, 2002, the Group employed a total of 9 staff. Employees of the Group were paid at market remuneration with salary, discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and, when required, training. The total staff cost, including directors' remuneration, for the year ended 31st July, 2002 was approximately HK\$3,229,000 (2001: HK\$726,000).

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the year the minimum standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.29 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

SPONSOR'S INTEREST

As at 31st July, 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.

LITIGATION AND OFFER FOR THE COMPANY'S SHARES

1. High Court Action No.1842 of 2002

On 12th April, 2002, the Company received a letter dated 10th April, 2002 from Capital Ace Holdings Limited and Wise Express Assets Limited ("Requisitionists") which are shareholders of the Company. The letter contained a requisition for an extraordinary general meeting to consider and approve amongst other things the election or appointment of 7 new directors to the board of the Company (the "EGM"). The Company convened the EGM to be held on 2nd December, 2002 as requisited and published the notice of the EGM on 29th April, 2002. On 8th May 2002, the Requisitionists published a notice purporting to convene the EGM to be held on 23rd May, 2002. On 15th May, 2002, the Company issued a writ naming itself as the Plaintiff and the Requisitionists as the Defendants to restrain the Requisitionists from holding the EGM on 23rd May, 2002 or at all. On the same day, the Company obtained an interim injunction from the High Court of the Hong Kong Special Administration Region ("High Court") to restrain the Requisitionists from holding or purporting to hold the EGM on 23rd May, 2002 or at all ("15th May Order"). However, upon

an inter partes hearing held on 27th and 28th August, 2002, the 15th May Order was ordered to be discontinued on 3rd September, 2002 (“3rd September Order”). The Company has applied to appeal against this decision and the hearing of the Company’s appeal is fixed for 21st March, 2003. Meanwhile, the execution of the 3rd September Order is stayed until the determination of the appeal.

2. High Court Action No.2066 of 2002

On 30th May, 2002, the Requisitionists issued a writ naming themselves as the Plaintiffs and the Company and its directors as the Defendants and obtained an interim injunction against the Company and its directors from issuing any shares, options or other securities convertible into equity securities without the prior approval of the shareholders of the Company (“30th May Order”). After an inter partes hearing was held on 5th August, 2002, the 30th May Order was discharged on the same day. The Requisitionists appealed against this decision and after hearing the Requisitionists’ appeal on 30th August and 2nd September, 2002, the Court of Appeal dismissed the Requisitionists’ appeal on 6th September, 2002.

The two actions, namely HCA No.1842 of 2002 and HCA No.2066 of 2002, have been consolidated on 7th June, 2002. On 4th July, 2002, the Company filed its Statement of Claim which sets out its case. The Requisitionists filed their Defence and Counterclaim on 16th August, 2002. On 28th September, 2002, the Company further filed its Reply and Defence to Counterclaim. The next step is for the parties to exchange lists of documents and witness statements, expert opinions, etc. The timetable of which will be set by a master of the High Court on 8th November, 2002.

3. Winding Up

On 9th August, 2002, one of the shareholders of the Company, International Technology Capital Limited, filed a winding up petition against the Company on just and equitable grounds. The hearing of the petition is fixed for 6th November, 2002. The Company has been advised by its legal advisers that the petition does not on its face reveal any valid grounds on which, if properly contested, the High Court might reasonably be expected to order the winding up of the Company.

4. Offer

The Company was informed by Somerley Limited on 30th August, 2002 that it is to make on behalf of Koffman Securities Limited a voluntary conditional offer for all the shares in the Company at HK\$0.03 for each share of the Company. The Company through its financial adviser replied that since any offer period commencing on 30th August, 2002, would have ended before 30th November, 2002, ie. within the lock up period of the initial management shareholders holding approximately 67.15% of the issued share capital of the Company, the offer could not become unconditional. On 2nd September, 2002, the Company received details of a proposed revised offer by Somerley Limited on behalf of Koffman Securities Limited so that in addition to the cash offer at HK\$0.03 for each share of the Company, an alternative of one share in Kong Sun Holdings Limited, a company listed on the Main Board of the Stock Exchange, for every eight shares in the Company was added. The offer document containing the offer on behalf of Koffman Securities Limited was sent to shareholders on 10th October, 2002.

The Company has submitted to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission that the offer should not be considered to be an offer under the Code as it is not bona fide and that it is part of arrangements which are in breach of the Code. The matter is due to be considered by the Takeovers Panel at a hearing expected to take place on 31st October, 2002. Without prejudice to the Company's grounds for review to be considered by the Takeovers Panel a precautionary application has been made to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to defer the despatch of the offeree document from 24th October, 2002, as required under rule 8.4 of the Code, if required, until after the decision of the Takeovers Panel.

The Board will inform the shareholders of the Company further information relating to the above litigations and offer timely.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS FOR THE PERIOD FROM 1ST FEBRUARY, 2002 TO 31ST JULY, 2002

According to the business objectives as stated in the prospectus of the Company dated 20th November, 2001

Actual business progress for the period from February to July 2002

Business development

- | | |
|--|--|
| 1. Set up a representative office in Shenzhen, the People's Republic of China (the "PRC") | Feasibility studies of setting up a representative office in Shenzhen are in progress. Instead, a representative office was opened in Beijing, the PRC in September 2002. |
| 2. Set up a regional office in Singapore | Feasibility studies of setting up a regional office in Singapore are in progress. The feasibility study to set up a regional office in London, the United Kingdom has been completed and initial establishment work is now being conducted. |
| 3. Continue the feasibility study on setting up a business centre in Shanghai or Shenzhen, the PRC | Feasibility studies of establishing a representative office/business centre in Shanghai, Shenzhen in addition to Guangzhou and Dalian, the PRC are in progress. |
| 4. Recruit additional staff | Senior management has interviewed a number of prospective candidates. Two new members have commenced work with the Group in August and September 2002 respectively. The Group will continue to identify and recruit further qualified and experienced staff. |

According to the business objectives as stated in the prospectus of the Company dated 20th November, 2001

5. Continue the development of a wider range of financial services

Actual business progress for the period from February to July 2002

Other than the provision of business development and corporate advisory services and participate in money lending business, the Group continues to participate in underwriting of several IPOs and other fund raising exercises. As stated above, if the Group is granted a securities dealer licence, this will enable it to expand the range of its services.

Expansion of the alliance network

1. Continue to form additional alliances in Hong Kong and the PRC

During the period, discussions have taken place with potential strategic partners both in Hong Kong and the PRC. One strategic alliance has been formed during the period with an entity based in Shanghai, the PRC.

2. Commence feasibility study on the establishment of alliance network in Singapore

During the period, no suitable strategic alliance candidates in Singapore has been identified.

3. Continue to provide training for the Group's alliance members

In view of the existing scale of the alliance network and the cost and benefit to the Group, training for the alliance members is expected to be delayed to the third quarter of the financial year ending 31st July, 2003

4. Seek for co-operation with government bodies or universities in the PRC

During the year, no suitable government bodies or universities has been identified.

According to the business objectives as stated in the prospectus of the Company dated 20th November, 2001

5. Publish newsletters or periodic magazines to the Group's alliance members
6. Organise promotional campaigns to promote/expand the Group's alliance network in Shanghai, Beijing and Shenzhen, the PRC

Enhancement of www.hkicn.com

1. Launch an artificial intelligence search engine for www.hkicn.com
2. Launch a real-time interactive media for online seminar, training and conference
3. Launch a business knowledge database

Actual business progress for the period from February to July 2002

In view of the existing scale of the alliance network and the cost and benefit to the Group, newsletters or periodic magazine to alliance members are expected to be delayed to the third quarter of the financial year ending 31st July, 2003.

In view of the existing scale of the alliance network and the cost and benefit to the Group, the promotional campaigns are expected to be delayed to the fourth quarter of the financial year ending 31st July, 2003.

Abandoned. Instead, the content of the website is being updating and a Chinese version of the content is in preparation during the period. The updated English version together with a Chinese version has been launched recently.

Abandoned.

In view of the existing scale of the alliance network and the cost and benefit to the Group, the launch of a business knowledge database is expected to be delayed to the second quarter of the financial year ending 31st July, 2002.

*According to the business objectives
as stated in the prospectus of the
Company
dated 20th November, 2001*

*Actual business progress for
the period from February to
July 2002*

Improvement of public awareness

1. Participate in seminars/conferences in relation to business development and corporate management in the PRC
2. Organise seminars with universities in the PRC regarding business development and corporate management

During the period, no suitable seminars/conferences has been found to be useful for the improvement of public awareness of the Group.

In view of the existing scale of the alliance network and the cost and benefit to the Group, the organization of seminars are expected to be delayed to the second quarter of the financial year ending 31st July, 2002.

REVISED USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

For the period from
1st February, 2002 **13th November, 2001**
to 31st July, 2002 **to 31st July, 2002**
Proposed **Actual** **Proposed** **Actual**
HK\$'000 *HK\$'000* *HK\$'000* *HK\$'000*

For further development of the Group's operation and to provide a wider range of financial services:

- Setting up overseas representative offices/
business information centers 600 255 1,200 405
- Recruit additional staff 3,200 5 3,800 15
- Development/provision of new financial services 1,200 200* 5,000 450*

For the expansion of the alliance network	900	100	1,400	300
For enhancement of www.hkicn.com	800	5	1,700	105
For the improvement of public awareness	<u>200</u>	<u>100</u>	<u>800</u>	<u>200</u>
	<u><u>6,900</u></u>	<u><u>665</u></u>	<u><u>13,900</u></u>	<u><u>1,475</u></u>

* Other than the amount stated, during the six months period ended 31st July, 2002, the Group participated in the business of underwriting Hong Kong listed shares and the accumulated underwriting commitments participated amounted to approximately HK\$7,735,000 (for the period from 13th November, 2001 to 31st July, 2002: HK\$14,438,000).

REASONS FOR DIFFERENCE BETWEEN USAGE OF PROCEEDS AND THE FORECAST USAGE FOR THE PERIOD FROM 1ST FEBRUARY, 2002 TO 31ST JULY, 2002

Because of the continue downturn of the outlook for the global economy, the Group continues to implement cost-control measures which have resulted in the actual spending incurred for the Group's business activities being lower than that envisaged in the prospectus of the Company dated 20th November, 2001 in relation to the implementation plans of the business objectives of the Group for the year ended 31st July, 2002. Furthermore, certain business activities, which were set out in the implementation plans, have been delayed or abandoned. As a result, the Group has spent less money than envisaged in implementing its business objectives as stated in the prospectus and will redirect the existing resources to finance the business objectives which are fundamental to the development and expansion of the Group's operation. As at 31st July, 2002, the unused proceeds were deposited at banks. The Board will speed up the execution of its plans to expand the Group's operations and to provide a wider range of financial services and to improve the public awareness.

PROSPECTS

Following the granting of the money lenders licence, the Group intends to provide money lending and margin financing services which will be complementary and incidental to the provision of its business development and corporate advisory services to the Group's clients. In addition, the Group will concentrate on forming strategic alliances and establishing further representative offices so as to enlarge the client base and to widen its scope of business. The Beijing representative office of International Capital Network Limited was opened on 23rd September, 2002 which operation has been commenced to coordinate the improvement of public awareness and to enhance the client base of the Group. The application of the securities dealer licence is expected to be submitted in November 2002. The Board is expecting that it will be able to offer a wider range of financial services if it is successful in obtaining a securities dealer licence.

ACKNOWLEDGEMENT

The Board would like to thank the staff of the Group for their dedication and enthusiasm during a difficult year. They are not only maintained their morale despite the threats and litigations against the Company, but also demonstrated considerable initiatives and courage in responding to unexpected challenges.

By Order of the Board
HUI Chuen Kin, Daniel
Chairman

Hong Kong, 28th October, 2002

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the day of its posting.

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