



國際融資控股有限公司\*

**International Capital Network Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## Annual Report 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.**

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**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.**

*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 International Capital Network Holdings Limited (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 (“GEM Listing Rules”) for the purpose of giving information with regard to International Capital Network Holdings Limited (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.*

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# Corporate Profile

## Executive Directors

HUI Chuen Kin, Daniel  
*Chairman and Managing Director*  
LUI Bing Kin, Michael  
*Vice Chairman and joint Managing Director*

## Independent Non-Executive Directors

WONG Wai Ho  
TSUI Hung Nui

## Company Secretary

CHOW Wai Kit

## Qualified Accountant

CHOW Wai Kit

## Compliance Officer

LUI Bing Kin, Michael

## Audit Committee

WONG Wai Ho  
*Committee Chairman*  
TSUI Hung Nui

## Authorised Representatives

HUI Chuen Kin, Daniel  
LUI Bing Kin, Michael

## Sponsor

Celestial Capital Limited

## Auditors

Deloitte Touche Tohmatsu

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank  
The Hongkong Chinese Bank, Limited

## Registered Office

Ugland House, P.O. Box 309  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

## Head Office and Principal Place of Business

Room 4003, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong  
Tel: (852) 2114 8009  
Fax: (852) 2115 9483

## Beijing Representative Office

International Capital Network Limited  
Beijing Representative Office  
Room A211F, The Grand Pacific Garden Mansion  
8A Guanghua Road  
Chaoyang District  
Beijing  
China, 100026

## Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.  
P.O. Box 705, Butterfield House  
Fort Street, George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## Website Address

[www.hkicn.com](http://www.hkicn.com)

## Stock Code

8004



## Financial Highlights

### Results

|   | Year ended 31st July, |             | 12th April, 2000   |
|---|-----------------------|-------------|--------------------|
|   | 2002                  | 2001        | to 31st July, 2000 |
|   | HK\$                  | HK\$        | HK\$               |
| Turnover  | <b>3,218,695</b>      | 5,019,991   | —                  |
| Cost of sales   | <b>(2,538,056)</b>    | (288,000)   | —                  |
| Gross profit  | <b>680,639</b>        | 4,731,991   | —                  |
| Other operating income  | <b>951,605</b>        | 45,464      | —                  |
| Administrative expenses   | <b>(11,640,424)</b>   | (2,302,230) | (71,422)           |
| (Loss) profit from operations   | <b>(10,008,180)</b>   | 2,475,225   | (71,422)           |
| Interest on bank overdraft<br>wholly repayable within five years      | <b>(5,427)</b>        | —           | —                  |
| Impairment loss on goodwill arising<br>on acquisition of a subsidiary | <b>(187,282)</b>      | —           | —                  |
| (Loss) profit before taxation   | <b>(10,200,889)</b>   | 2,475,225   | (71,422)           |
| Taxation credit (charge)  | <b>110,000</b>        | (400,000)   | —                  |
| Net (loss) profit for the year/period                                 | <b>(10,090,889)</b>   | 2,075,225   | (71,422)           |
| Dividend  | —                     | 1,000,000   | —                  |
| Basic (loss) earnings per share (cents)                               | <b>(3.34)</b>         | 0.79        | (0.03)             |

- Revenue decreased by about 35.9% to approximately HK\$3,219,000.
- Operating cost increased by about 4 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.

## Chairman's Statement

On behalf of the board of directors (the "Board") of International Capital Network Holdings Limited (the "Company"), I am pleased to present to the shareholders the first annual report of the Company and its subsidiaries (together the "Group") for the year ended 31st July, 2002.

During the fiscal year 2002, the Group underwent a significant development process and as a result, the shares of the Company were listed on GEM of the Stock Exchange on 30th November, 2002. Additional funding was raised for the development of the Group's operations. The Group continues to be principally engaged in the provision of business development and corporate advisory services and money lending business.

The slowdown of the Hong Kong economy is expected to continue in the coming year but the development of the economy of the People's Republic of China (the "PRC") is continuing its promising trend. The Group believes this will bring business opportunities to foreign investors and as well as the companies both in the PRC and Hong Kong. Following the PRC's accession to the World Trade Organisation, there are increasing business opportunities for foreign investors and Hong Kong companies to invest in and enter into the PRC market, thus creating business opportunities for the Group. On the other hand, the PRC and Hong Kong companies will face greater challenges in competing for the business in the PRC which will require them actively to expand their markets and upgrade the quality of their products and services. It is expected that this will provide the Group with substantial business opportunities.

The business conditions for the operation of the business development and corporate advisory services providers have remained competitive and the Group will continue to improve the operations of the Group despite the difficult economic environment, the recent efforts to replace management and the resultant litigations concerning the Company. In light of these conditions, the Group will redirect its resources to finance the business objectives which are fundamental to the development and expansion of the Group's operations. The management will accelerate 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 of the Group's range of services. The Group also intends to form additional strategic alliances and establish further representative offices so as to enlarge the client base and to widen its scope of business.

In accordance with its business objectives, the Group has formed two more strategic alliances since the listing of the Company. Top Advance (HK) Limited, a subsidiary of the Company has been successfully granted a money lender licence in January 2002. The representative office of International Capital Network Limited, a subsidiary of the Company was opened in Beijing, the PRC in September 2002. 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. In addition, feasibility studies for the establishment of representative offices/business centres in Shanghai, Shenzhen in addition to Guangzhou and Dalian, the PRC are in progress. The Board would like to take this opportunity to enlarge its business so that it will be in a stronger position to meet the requirements of its Hong Kong customers and to access the Hong Kong market for PRC issuers when conditions improve here.

## Chairman's Statement

On behalf of the management and the Board, I would like to express our sincere gratitude to Dr William Lo who has resigned as an independent non-executive director who has made a valuable contribution to the Group in the past. I would like to thank the staff of the Group for their dedication and enthusiasm during a difficult year. They not only maintained their morale in difficult circumstances, but also demonstrated considerable initiative and courage in responding to unexpected challenges.

Lastly, on behalf of management and the Board, I sincerely thank the Group's clients, business partners, alliance members and shareholders for their wholehearted support over the past year.

**HUI Chuen Kin, Daniel**

Chairman

Hong Kong, 28th October, 2002

# Management's Discussion & Analysis

## Analysis of Results

During the year, the Group continued 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. Other costs comprised mainly rental expenses, legal and professional fees and litigation expenses which aggregated to approximately HK\$8,015,000 for the year ended 31st July, 2002 (2001: HK\$983,000).

## Operations

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 operations 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 mergers and acquisitions transactions 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 the 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 acquisitions of 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 practices 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.

## Management's Discussion & Analysis

### 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 (together the "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 Administrative 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, the 30th May Order was discharged on 5th August, 2002. 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 set 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.

### Litigation and Offer for the Company's Shares *(Continued)*

#### 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.

### 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.

# Comparison of Business Objectives with Actual Business Progress

*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 PRC

Feasibility studies of setting up a representative office in Shenzhen, the PRC 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.
5. Continue the development of a wider range of financial services

Other than the provision of business development and corporate advisory services and participation 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.

## Comparison of Business Objectives with Actual Business Progress

### 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.   |
| 5. Publish newsletters or periodic magazines to the Group's alliance members  | In view of the existing scale of the alliance network and the cost and benefit to the Group, publication of newsletters or periodic magazines to alliance members are expected to be delayed to the third quarter of the financial year ending 31st July, 2003. |
| 6. Organise promotional campaigns to promote/expand the Group's alliance network in Shanghai, Beijing and Shenzhen, the PRC | 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.   |

### Enhancement of [www.hkicn.com](http://www.hkicn.com)

- |   |  |
|---|--|
| 1. Launch an artificial intelligence search engine for <a href="http://www.hkicn.com">www.hkicn.com</a> | Abandoned. Instead, the content of the website was updating and a Chinese version of the content was in preparation during the period. The updated English version together with a Chinese version has been launched recently.         |
| 2. Launch a real-time interactive media for online seminar, training and conference                     | Abandoned.   |
| 3. Launch a business knowledge database   | 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, 2003. |

## Comparison of Business Objectives with Actual Business Progress

### Improvement of public awareness

- |  |  |
|--|--|
| 1. Participate in seminars/conferences in relation to business development and corporate management in the PRC | During the period, no suitable seminars/conferences has been found to be useful for the improvement of public awareness of the Group.  |
| 2. Organise seminars with universities in the PRC regarding business development and corporate management      | In view of the existing scale of the alliance network and the cost and benefit to the Group, the organisation of seminars are expected to be delayed to the second quarter of the financial year ending 31st July, 2003. |

### Revised Use of Proceeds from Issuance of New Shares

|  | For the period <b>fm</b>                |                    |   |                    |
|--|---|--------------------|---|--------------------|
|  | 1st February, 2002<br>to 31st July 2002 |                    | 13th November, 2001<br>to 31st July, 2002 |                    |
|  | Proposed<br>HK\$'000                    | Actual<br>HK\$'000 | Proposed<br>HK\$'000                      | Actual<br>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  | 200                                     | 100                | 800                                       | 200                |
|  | <b>6,900</b>                            | <b>665</b>         | 13,900                                    | 1,475              |

\* 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 corresponding 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).

## Comparison of Business Objectives with Actual Business Progress

### 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 continued 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 six months 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 operations. 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.

# Directors' Profile

## Executive Directors

**HUI Chuen Kin, Daniel** M.A. (Oxon), aged 37, is the Chairman and Managing Director of the Company. He is one of the founders of the Group. Mr Hui holds a bachelor's degree and a master's degree in engineering science from Oxford University in the United Kingdom. He has over 11 years of experience in business development and corporate advisory services and previously worked for Anglo Chinese Corporate Finance, Limited for over 2 years and was a director of South China Capital Limited where he worked for over 8 years. Mr Hui is a registered investment adviser with the SFC.

**LUI Bing Kin, Michael** aged 33, is the Vice Chairman and joint Managing Director of the Company. He is one of the founders of the Group. Mr Lui holds a bachelor's degree in business administration from Warnborough College in the United Kingdom. Mr Lui is experienced in business development and corporate advisory services and previously worked for South China Capital Limited in Hong Kong for over 5 years.

## Independent Non-Executive Directors

**WONG Wai Ho** aged 53, is an independent non-executive director of the Company. He is an executive director of Proactive Technology Holdings Limited, a company listed on GEM. He is also the executive director of his own investment consultant organisation -- Prospects Investment Development (HK) Limited. Mr Wong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in 1971. Since then, he has worked with the Hong Kong Trade Development Council for 13 years. During that period, Mr Wong acted as the first Chief Representative of the Council in Beijing, the PRC, as well as the Council's chief representative in Panama and in Canada. During 1987 and 1997, Mr Wong held various senior positions at Jardine Fleming, Kleinwort Benson and Advent International Corp. Mr Wong was appointed as an independent non-executive Director on 13th November, 2001.

**TSUI Hung Nui** aged 30, is an independent non-executive director of the Company. She is a businesswoman engaged in the clothing business in the PRC for over five years. Ms Tsui was appointed as an independent non-executive Director on 4th June, 2002.



The directors present their first annual report and the audited financial statements of the Company for the period from 12th July, 2001 (date of incorporation) to 31st July, 2002 and of the Group for the year ended 31st July, 2002.

## Group Reorganisation and Listing on the GEM of the Stock Exchange

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 "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the companies now comprising the Group on 9th November, 2001. Details of the Group Reorganisation are set out in the prospectus dated 20th November, 2001 (the "Prospectus") issued by the Company.

The shares of the Company have been listed on the GEM since 30th November, 2001.

## Principal Activities

The Company is an investment holding company. The activities of its subsidiaries are set out in note 32 to the financial statements.

## Results

The results of the Group for the year ended 31st July, 2002 are set out in the consolidated income statement on page 23.

The Board does not recommend the payment of a dividend for the year ended 31st July, 2002.

## Major Customers and Suppliers

During the year, the largest and the five largest customers accounted for approximately 17% and 67% of the Group's turnover respectively. None of the directors, their associates (within the meaning of the GEM Listing Rules nor shareholders (who or which to the knowledge of the directors own more than 5% in the Company's issued share capital) had any interest in any of the five largest customers of the Group.

In view of the nature of the Group's business, no purchases and suppliers were noted.

## Purchase, Redemption or Sale of the Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## Directors' Report

### Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

### Share Capital

Details of movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

### Reserves

Details of movements during the year in the reserves of the Group and of the Company are set out in note 21 to the financial statements.

### Directors

The directors of the Company since incorporation and up to the date of this report were:

Mapcal Limited (appointed and resigned on 12th July, 2001)

#### Executive Directors:

Mr HUI Chuen Kin, Daniel (appointed as the Executive Director on 12th July, 2001 and as the Managing Director on 13th November, 2001)

Mr LUI Bing Kin, Michael (appointed as the Executive Director on 7th August, 2001 and as the joint Managing Director on 22nd April, 2002)

#### Independent Non-Executive Directors:

Mr WONG Wai Ho (appointed on 13th November, 2001)

Ms TSUI Hung Nui (appointed on 4th June, 2002)

Dr LO Wing Yan, William, J. P. (appointed on 13th November, 2001 and resigned on 1st June, 2002)

### Directors (Continued)

No director is required to retire at the forthcoming annual general meeting under Article 116 of the Company's Articles of Association. All remaining directors continue in office.

Mr Hui Chuen Kin, Daniel and Mr Lui Bing Kin, Michael have entered into service contracts with the Company for an initial term of three years commencing from 1st August, 2001 which will continue thereafter until terminated by not less than three month's notice in writing served by either party on the other.

The independent non-executive directors have no fixed term of office but are subject to the provisions of retirement and rotation of directors under Articles of Association of the Company.

Other than as disclosed above, none of the directors has entered into any service agreement with any member of the Group.

### Directors' Interests in Shares

As at 31st July, 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name of directors     | Corporate<br>interests in shares |
|-----------------------|----------------------------------|
| HUI Chuen Kin, Daniel | 126,256,800 (Note)               |

Note: These shares are owned by International Capital Network Investor Limited, a company in which the entire share capital is beneficially owned as to 76.34% by Mr Hui Chuen Kin, Daniel and as to 23.66% by Mr Lui Bing Kin, Michael.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any its associated corporations.

### Directors' Rights to Acquire Shares or Debentures

Other than disclosed under the section "Directors' interest in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

## Directors' Report

### Share Options

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 13th November, 2001 for the primary purpose of providing incentives to directors and eligible employees and will expire on 12th November, 2011. Under the Scheme, the Board may, at its absolute discretion, offer full-time or part-time employees of the Company and/or any of its subsidiaries, including executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company at a price which shall be determined by the Board, provided that the price shall not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option or (under certain circumstances where the grant to such grantee requires shareholders' approval under the terms of the Scheme in view of that grantee's total entitlement and/or the grantee being a substantial shareholder or an independent non-executive director or any of their associates) the date of the board meeting for proposing and grant, (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option or the date of the board meeting for proposing such grant (as the case may be) or (iii) the nominal value of a share.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other such schemes of the Company must not, subject to the conditions set out in the Scheme, exceed 30% of the issued share capital of the Company from time to time. Details of the Scheme are set out in the Prospectus.

Options granted must be taken up within such period as determined by the Board, which period shall not be more than 3 days from the date of grant. Upon acceptance of the offer, the grantee shall pay HK\$1 as consideration for the grant of the option. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the option may be exercised shall not be more than ten years from the date on which the offer of the grant of the option is made in accordance with the terms of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1 per cent of issued shares.

At 31st July, 2002, no option (2001: Nil) was granted and outstanding under the Scheme.

### Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Interest in Competing Business

None of the directors or the management shareholders of the Company had an interest in a business which competes or may compete with the businesses of the Group.

## Substantial Shareholders

As at 31st July, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed above in respect of certain directors (and chief executives) the following shareholders had an interest of 10% or more in the share capital of the Company:

| Name                                     | Number of shares | %     |
|--|------------------|-------|
| International Technology Capital Limited | 77,846,400       | 24.33 |
| CHU Oi Wan, Cecilia ( <i>Note</i> )      | 77,846,400       | 24.33 |

*Note:* Ms Chu Oi Wan, Cecilia owns the entire issued share capital of International Technology Capital Limited ("IT Capital") and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by IT Capital.

Other than as disclosed above, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital as at 31st July, 2002.

## Management Shareholders

As disclosed under section "Directors' interests in shares", Mr Hui Chuen Kin, Daniel and Mr Lui Bing Kin, Michael are individually and collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company and are therefore considered to be the management shareholders of the Company.

## 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 and any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

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

## Audit Committee

The Company set up an audit committee (the "Committee") on 13th November, 2001 with written terms of reference for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises two independent non-executive directors of the Company, namely, Mr Wong Wai Ho and Ms Tsui Hung Nui. Four audit committee meetings were held and the Group's quarterly results for the three months ended 31st October, 2001, 31st January, 2002 and 30th April, 2002 and audited financial statements for the year ended 31st July, 2002 have been reviewed by the Committee.

## Directors' Report

### Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 31 to the financial statements.

### Pre-emptive Rights

There are no provision for pre-emptive rights 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.

### Corporate Governance

The Company has complied throughout the period from 12th July, 2001 (date of incorporation) to 31st July, 2002 with the board practise and procedures as set out in the GEM Listing Rules.

### Auditors

During the year, Messrs Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**HUI Chuen Kin, Daniel**

Chairman

Hong Kong

28th October, 2002

## 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

執業會計師  
香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE MEMBERS OF INTERNATIONAL CAPITAL NETWORK HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 23 to 47 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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.

#### 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 of the Hong Kong Special Administrative Region 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.

## Auditors' Report

### 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 July, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tomatsu**

*Certified Public Accountants*

28th October, 2002



# Consolidated Income Statement

For the year ended 31st July, 2002

|  | Notes | 2002<br>HK\$        | 2001<br>HK\$ |
|--|-------|---------------------|--------------|
| Turnover   | 4     | <b>3,218,695</b>    | 5,019,991    |
| Cost of sales  |       | <b>(2,538,056)</b>  | (288,000)    |
| Gross profit   |       | <b>680,639</b>      | 4,731,991    |
| Other operating income   | 5     | <b>951,605</b>      | 45,464       |
| Administrative expenses  |       | <b>(11,640,424)</b> | (2,302,230)  |
| (Loss) profit from operations                                      | 6     | <b>(10,008,180)</b> | 2,475,225    |
| Interest on bank overdraft wholly repayable within five years      |       | <b>(5,427)</b>      | —            |
| Impairment loss on goodwill arising on acquisition of a subsidiary |       | <b>(187,282)</b>    | —            |
| (Loss) profit before taxation                                      |       | <b>(10,200,889)</b> | 2,475,225    |
| Taxation credit (charge)   | 9     | <b>110,000</b>      | (400,000)    |
| Net (loss) profit for the year                                     |       | <b>(10,090,889)</b> | 2,075,225    |
| Dividend   | 10    | —                   | 1,000,000    |
| Basic (loss) earnings per share (cents)                            | 11    | <b>(3.34)</b>       | 0.79         |

There were no recognised gains or losses other than the net (loss) profit for the year.

# Consolidated Balance Sheet

At 31st July, 2002

|   | Notes | 2002<br>HK\$      | 2001<br>HK\$ |
|---|-------|-------------------|--------------|
| <b>Non-current assets</b>               |       |                   |              |
| Property, plant and equipment           | 12    | <b>720,721</b>    | 1,332,719    |
| Goodwill                                | 13    | —                 | 249,709      |
| Loan receivable                         | 15    | <b>45,000</b>     | —            |
|   |       | <b>765,721</b>    | 1,582,428    |
| <b>Current assets</b>                   |       |                   |              |
| Trade and other receivables             | 16    | <b>176,402</b>    | 246,369      |
| Loan receivable                         | 15    | <b>60,000</b>     | —            |
| Investments in securities               | 18    | <b>508,437</b>    | 250,000      |
| Bank balances and cash                  |       | <b>41,571,819</b> | 10,537,489   |
|   |       | <b>42,316,658</b> | 11,033,858   |
| <b>Current liabilities</b>              |       |                   |              |
| Other payables                          |       | <b>740,709</b>    | 262,670      |
| Amount due to a director                | 19    | —                 | 9,949,033    |
| Dividend payable to former shareholders |       | —                 | 1,000,000    |
| Taxation payable                        |       | <b>290,000</b>    | 400,000      |
| Bank overdraft, unsecured               |       | <b>11,321</b>     | —            |
|   |       | <b>1,042,030</b>  | 11,611,703   |
| <b>Net current assets (liabilities)</b> |       | <b>41,274,628</b> | (577,845)    |
|   |       | <b>42,040,349</b> | 1,004,583    |
| <b>Capital and reserves</b>             |       |                   |              |
| Share capital                           | 20    | <b>3,200,000</b>  | 780          |
| Reserves                                | 21    | <b>38,840,349</b> | 1,003,803    |
|   |       | <b>42,040,349</b> | 1,004,583    |

The financial statements on pages 23 to 47 were approved and authorised for issue by the Board of Directors on 28th October, 2002 and are signed on its behalf by:

**HUI Chuen Kin, Daniel**  
DIRECTOR

**LUI Bing Kin, Michael**  
DIRECTOR



# Balance Sheet

At 31st July, 2002

|                               | NOTES | HK\$        |
|-------------------------------|-------|-------------|
| Non-current asset             |       |             |
| Investments in subsidiaries   | 14    | 49,561,813  |
| Current assets                |       |             |
| Amounts due from a subsidiary | 17    | 1,998,967   |
| Bank balances                 |       | 1,911       |
|                               |       | 2,000,878   |
| Current liabilities           |       |             |
| Other payables                |       | 442,552     |
| Amounts due to subsidiaries   | 17    | 9,079,984   |
|                               |       | 9,522,536   |
| Net current liabilities       |       | (7,521,658) |
|                               |       | 42,040,155  |
| Capital and reserves          |       |             |
| Share capital                 | 20    | 3,200,000   |
| Reserves                      | 21    | 38,840,155  |
|                               |       | 42,040,155  |

**HUI Chuen Kin, Daniel**  
DIRECTOR

**LUI Bing Kin, Michael**  
DIRECTOR

# Consolidated Cash Flow Statement

For the year ended 31st July, 2002

|   | Notes | 2002<br>HK\$        | 2001<br>HK\$ |
|---|-------|---------------------|--------------|
| NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES                               | 23    | <b>(9,637,589)</b>  | 11,633,607   |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                                   |       |                     |              |
| Dividend paid   |       | <b>(1,000,000)</b>  | —            |
| Interest received   |       | <b>464,562</b>      | 45,464       |
| Interest paid   |       | <b>(5,427)</b>      | —            |
| NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS<br>AND SERVICING OF FINANCE |       | <b>(540,865)</b>    | 45,464       |
| INVESTING ACTIVITIES  |       |                     |              |
| Increase in investments in securities   |       | <b>(3,333,283)</b>  | (250,000)    |
| Purchase of property, plant and equipment   |       | <b>(204,765)</b>    | (166,577)    |
| Proceeds from disposal of investments in securities                               |       | <b>3,561,889</b>    | —            |
| Acquisition of subsidiaries, net of cash and<br>cash equivalents acquired         | 24    | —                   | (725,013)    |
| Proceeds from disposal of a subsidiary  | 25    | —                   | 8            |
| NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES                               |       | <b>23,841</b>       | (1,141,582)  |
| NET CASH (OUTFLOW) INFLOW BEFORE FINANCING  |       | <b>(10,154,613)</b> | 10,537,489   |
| FINANCING   | 26    |                     |              |
| Net proceeds from issue of new shares   |       | <b>47,040,000</b>   | —            |
| Share issue expenses  |       | <b>(5,862,378)</b>  | —            |
| NET CASH INFLOW FROM FINANCING  |       | <b>41,177,622</b>   | —            |
| INCREASE IN CASH AND CASH EQUIVALENTS   |       | <b>31,023,009</b>   | 10,537,489   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR                                |       | <b>10,537,489</b>   | —            |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR                                      |       | <b>41,560,498</b>   | 10,537,489   |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS                              |       |                     |              |
| Bank balances and cash  |       | <b>41,571,819</b>   | 10,537,489   |
| Bank overdraft  |       | <b>(11,321)</b>     | —            |
|   |       | <b>41,560,498</b>   | 10,537,489   |

# Notes to the Financial Statements

## 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. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st July each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

# Notes to the Financial Statements

## 2. Significant Accounting Policies (Continued)

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and is amortised on a straight-line basis following an assessment of its foreseeable life.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Revenue recognition

Service income is recognised when services are rendered and the transactions can be measured reliably, and it is probable that the economic benefits associated with the transactions will flow to the Group.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

|                        |     |
|------------------------|-----|
| Furniture and fixtures | 20% |
| Office equipment       | 20% |
| Motor vehicles         | 30% |

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### 2. Significant Accounting Policies *(Continued)*

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

#### Taxation

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

## Notes to the Financial Statements

### 2. Significant Accounting Policies *(Continued)*

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

#### Retirement benefit scheme contributions

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Mandatory Provident Fund Scheme.

### 3. 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.

### 4. Turnover

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

### 5. Other Operating Income

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



## 6. (Loss) Profit from Operations

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

## 7. Directors' Remuneration

|  | 2002<br>HK\$     | 2001<br>HK\$ |
|--|------------------|--------------|
| Independent non-executive directors      |                  |              |
| Fees                                     | <b>89,167</b>    | —            |
| Executive directors                      |                  |              |
| Fees                                     | —                | —            |
| Basic salaries and other benefits        | <b>1,386,000</b> | 216,000      |
| Bonus                                    | <b>1,500</b>     | —            |
| Retirement benefits scheme contributions | <b>12,725</b>    | 9,200        |
|  | <b>1,400,225</b> | 225,200      |
|  | <b>1,489,392</b> | 225,200      |

## Notes to the Financial Statements

### 7. Directors' Remuneration (Continued)

The emoluments of the directors were within the following bands:

|                                | Number of directors |      |
|--------------------------------|---------------------|------|
|                                | 2002                | 2001 |
| Nil to HK\$1,000,000           | 4                   | 2    |
| HK\$1,000,001 to HK\$1,500,000 | 1                   | —    |

### 8. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2001: two) were directors of the Company whose emoluments are included in the disclosures in note 7 above. The emoluments of the remaining three (2001: three) individuals were as follows:

|  | 2002<br>HK\$     | 2001<br>HK\$ |
|--|------------------|--------------|
| Basic salaries and other benefits        | 1,097,001        | 376,450      |
| Bonus                                    | 227,830          | —            |
| Retirement benefits scheme contributions | 30,000           | 13,963       |
|  | <b>1,354,831</b> | 390,413      |

The aggregate emoluments of each of the individuals during both years were below HK\$1,000,000.

During the years ended 31st July, 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

## 9. Taxation Credit (Charge)

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

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 22.

## 10. 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.

## 11. Basic (Loss) Earnings Per Share

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

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

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) earnings per share is presented.

## Notes to the Financial Statements

### 12. Property, Plant and Equipment

|                       | Furniture<br>and<br>fixtures<br>HK\$ | Office<br>equipment<br>HK\$ | Motor<br>vehicles<br>HK\$ | Total<br>HK\$ |
|-----------------------|--------------------------------------|-----------------------------|---------------------------|---------------|
| THE GROUP             |                                      |                             |                           |               |
| COST                  |                                      |                             |                           |               |
| At 1st August, 2001   | 156,660                              | 383,871                     | 2,233,445                 | 2,773,976     |
| Additions             | 82,148                               | 122,617                     | —                         | 204,765       |
| At 31st July, 2002    | 238,808                              | 506,488                     | 2,233,445                 | 2,978,741     |
| DEPRECIATION          |                                      |                             |                           |               |
| At 1st August, 2001   | 40,652                               | 167,627                     | 1,232,978                 | 1,441,257     |
| Provided for the year | 45,432                               | 101,297                     | 670,034                   | 816,763       |
| At 31st July, 2002    | 86,084                               | 268,924                     | 1,903,012                 | 2,258,020     |
| NET BOOK VALUE        |                                      |                             |                           |               |
| At 31st July, 2002    | 152,724                              | 237,564                     | 330,433                   | 720,721       |
| At 31st July, 2001    | 116,008                              | 216,244                     | 1,000,467                 | 1,332,719     |

### 13. Goodwill

|   | THE GROUP<br>HK\$ |
|---|-------------------|
| <b>COST</b>   |                   |
| Arising on acquisitions during the year ended 31st July, 2001<br>and balance at 31st July, 2001 and 31st July, 2002 | 312,136           |
| <b>AMORTISATION</b>   |                   |
| At 1st August, 2001   | 62,427            |
| Charge for the year   | 62,427            |
| Impairment loss recognised  | 187,282           |
| At 31st July, 2002  | 312,136           |
| <b>NET BOOK VALUE</b>   |                   |
| At 31st July, 2002  | —                 |
| At 31st July, 2001  | 249,709           |

The amortisation period adopted for goodwill is five years.

### 14. Investments in Subsidiaries

|                            | THE COMPANY<br>HK\$ |
|----------------------------|---------------------|
| Unlisted shares, at cost   | 49,949,813          |
| Impairment loss recognised | (388,000)           |
|                            | 49,561,813          |

Details of the Company's subsidiaries are set out in note 32.

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net asset value of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group Reorganisation.

At the balance sheet date, the directors reviewed the carrying value of the interest in subsidiaries and identified that the recoverable amounts were estimated to be lower than the carrying value of investments in subsidiaries. The recoverable amount was determined by the directors by reference to the recoverable value of underlying assets and liabilities of the subsidiaries.

## Notes to the Financial Statements

### 15. Loan Receivable

#### The Group

The loan is unsecured, interest bearing at prevailing market rate and repayable by 24 monthly instalments upto April, 2004. The portion of the loan of HK\$60,000 (2001: Nil) is receivable within one year and the remaining balance of HK\$45,000 (2001: Nil) is receivable after one year.

### 16. Trade and Other Receivables

#### The Group

Included in trade and other receivables of the Group at 31st July, 2001 was trade receivable of HK\$80,000 (2002: Nil) which was aged over 90 days.

### 17. Amounts Due from/to Subsidiaries

#### The Company

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

### 18. Investments in Securities

|                                      | THE GROUP      |              |
|--------------------------------------|----------------|--------------|
|                                      | 2002<br>HK\$   | 2001<br>HK\$ |
| Equity securities:                   |                |              |
| Listed in Hong Kong, at market value | 508,437        | —            |
| Unlisted, at fair value              | —              | 250,000      |
|                                      | <b>508,437</b> | 250,000      |

At 31st July, 2001, the unlisted security represented less than 1% interest in an unlisted company engaging in the wholesaling and retailing of beauty products. The shares of that company were listed on the Stock Exchange on 15th October, 2001.

## 19. Amount Due to a Director

### The Group

The amount due to a director, Mr Hui Chuen Kin, Daniel ("Mr Hui") was unsecured, non-interest bearing and fully repaid during the year.

## 20. Share Capital

|   | Number of shares | Amount<br>HK\$ |
|---|------------------|----------------|
| Shares of HK\$0.01 each   |                  |                |
| Authorised:   |                  |                |
| At date of incorporation (Note a)   | 38,000,000       | 380,000        |
| Increase in authorised share capital (Note b)                                 | 962,000,000      | 9,620,000      |
| At 31st July, 2002  | 1,000,000,000    | 10,000,000     |
| Issued and fully paid:  |                  |                |
| Issue of share to an initial subscriber (Note a)                              | 1                | —              |
| Issue of shares pursuant to the Group Reorganisation (Note c)                 | 9,999            | 100            |
| Issue of shares by capitalisation of the contributed surplus account (Note d) | 263,990,000      | 2,639,900      |
| Placing and public offer of shares (Note e)                                   | 56,000,000       | 560,000        |
| At 31st July, 2002  | 320,000,000      | 3,200,000      |

## Notes to the Financial Statements

### 20. Share Capital (Continued)

For the purpose of the preparation of the financial statements, the balance of share capital shown in the consolidated balance sheet at 31st July, 2001 represented the issued capital of ICN (BVI). On 9th November, 2001 ICN (BVI) issued 26 ordinary shares of US\$1 each, for cash at HK\$9,949,033, to the then existing shareholder to provide additional capital to ICN (BVI). The shares issued rank pari passu in all respect of the existing shares of ICN (BVI). The entire issued capital of ICN (BVI) was acquired by the Company on 9th November, 2001 pursuant to the Group Reorganisation.

Details of changes in the Company's share capital for the period from 12th July, 2001 (date of incorporation) to 31st July, 2002 are as follows:

Notes:

- (a) The Company was incorporated on 12th July, 2001 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a nominal value of HK\$0.01 each. One ordinary share was allotted and issued, credited as fully paid, to an initial subscriber.
- (b) Pursuant to a written resolution of the sole shareholder of the Company passed on 9th November, 2001, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 new shares of HK\$0.01 each. The new shares rank pari passu in all respects with the existing shares of the Company.
- (c) On 9th November, 2001, pursuant to the Group Reorganisation, the then existing shareholders of ICN (BVI), the previous holding company of the Group, transferred the entire share capital in ICN (BVI) to the Company, in consideration and in exchange for which the Company allotted and issued, credited as fully paid, 9,999 new shares to the then existing shareholders of ICN (BVI).
- (d) Pursuant to written resolutions passed by all the shareholders of the Company on 10th October, 2001, HK\$2,639,900 of the contributed surplus account of the Company, which was credited as a result of the issue of 9,999 shares as mentioned in (c) above, was capitalised and applied in paying up in full at par 263,990,000 shares at HK\$0.01 each in the Company for allotment and issue to shareholders on the register of members of the Company at the close of business on 10th November, 2001, in proportion to their respective shareholdings.
- (e) Pursuant to the Prospectus and by means of placing and public offer, the Company issued a total of 56,000,000 shares of HK\$0.01 each at a price of HK\$0.84 per share.

All existing shares issued by the Company during the year rank pari passu in all respects.



## 21. Reserves

|   | Share<br>premium<br>HK\$ | Special<br>reserve<br>HK\$ | Accumulated<br>profit (loss)<br>HK\$ | Total<br>HK\$ |
|---|--------------------------|----------------------------|--------------------------------------|---------------|
| <b>THE GROUP</b>  |                          |                            |                                      |               |
| 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<br>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  | 40,617,622               | 7,309,813                  | (9,087,086)                          | 38,840,349    |

|   | Share<br>premium<br>HK\$ | Contributed<br>surplus<br>HK\$ | Accumulated<br>loss<br>HK\$ | Total<br>HK\$ |
|---|--------------------------|--------------------------------|-----------------------------|---------------|
| <b>THE COMPANY</b>  |                          |                                |                             |               |
| Premium arising on issue of shares                          | 46,480,000               | —                              | —                           | 46,480,000    |
| Expenses incurred in connection<br>with the issue of shares | (5,862,378)              | —                              | —                           | (5,862,378)   |
| Capitalisation of contributed surplus account               | —                        | (2,639,900)                    | —                           | (2,639,900)   |
| Reserve arising on the Group Reorganisation                 | —                        | 9,949,713                      | —                           | 9,949,713     |
| Net loss for the year                                       | —                        | —                              | (9,087,280)                 | (9,087,280)   |
| At 31st July, 2002  | 40,617,622               | 7,309,813                      | (9,087,280)                 | 38,840,155    |

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.

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

The contributed surplus account and share premium account of the Company are available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders as at 31st July, 2002 amounted to HK\$38,840,155 (2001: Nil).

## Notes to the Financial Statements

### 22. 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<br>HK\$   | 2001<br>HK\$ |
|---|----------------|--------------|
| Tax effect of timing differences attributable to: |                |              |
| Unutilised tax losses                             | 716,000        | 661,000      |
| Excess of tax allowances over depreciation        | (44,000)       | (155,000)    |
|   | <b>672,000</b> | 506,000      |

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

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

### 23. Reconciliation of (Loss) Profit Before Taxation to Net Cash (Outflow) Inflow from Operating Activities

|  | 2002<br>HK\$        | 2001<br>HK\$ |
|--|---------------------|--------------|
| (Loss) profit before taxation                                      | <b>(10,200,889)</b> | 2,475,225    |
| Interest income  | <b>(464,562)</b>    | (45,464)     |
| Impairment loss on goodwill arising on acquisition of a subsidiary | <b>187,282</b>      | —            |
| Profit on disposal of investments in securities                    | <b>(487,043)</b>    | —            |
| Interest expense   | <b>5,427</b>        | —            |
| Depreciation of property, plant and equipment                      | <b>816,763</b>      | 38,945       |
| Amortisation of goodwill   | <b>62,427</b>       | 62,427       |
| Decrease in trade and other receivables                            | <b>69,967</b>       | 42,563       |
| Increase in loan receivable  | <b>(105,000)</b>    | —            |
| Increase in amount due to a director                               | —                   | 8,831,861    |
| Increase in other payables   | <b>478,039</b>      | 228,050      |
| <b>NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES</b>         | <b>(9,637,589)</b>  | 11,633,607   |

### 24. Acquisition of Subsidiaries

|                                 | 2002<br>HK\$ | 2001<br>HK\$ |
|---------------------------------|--------------|--------------|
| <b>NET ASSETS ACQUIRED:</b>     |              |              |
| Property, plant and equipment   | —            | 1,205,087    |
| Trade and other receivables     | —            | 288,932      |
| Bank balances and cash          | —            | 477,430      |
| Amount due to a director        | —            | (1,046,522)  |
| Accrued expenses                | —            | (34,620)     |
|                                 | —            | 890,307      |
| Goodwill arising on acquisition | —            | 312,136      |
|                                 | —            | 1,202,443    |
| <b>SATISFIED BY:</b>            |              |              |
| Cash                            | —            | 1,202,443    |

## Notes to the Financial Statements

### 24. Acquisition of Subsidiaries (Continued)

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

|                        | 2002<br>HK\$ | 2001<br>HK\$ |
|------------------------|--------------|--------------|
| Cash consideration     | —            | (1,202,443)  |
| Bank balances and cash | —            | 477,430      |
|                        | —            | (725,013)    |

The subsidiaries acquired during the year ended 31st July, 2001 contributed approximately HK\$1,940,000 to the Group's turnover, approximately HK\$945,000 to the Group's profit from operations, approximately HK\$3,364,000 to the Group's net operating cash inflow, paid approximately HK\$45,000 in respect of the net returns on investments and servicing of finance and utilised approximately HK\$46,000 for investing activities.

### 25. Disposal of a Subsidiary

|                                      | 2002<br>HK\$ | 2001<br>HK\$ |
|--------------------------------------|--------------|--------------|
| NET ASSETS DISPOSED OF:              |              |              |
| Amount due to a director             | —            | 8            |
| SATISFIED BY:                        |              |              |
| Cash consideration                   | —            | 8            |
| Net cash inflow arising on disposal: |              |              |
| Cash consideration                   | —            | 8            |

The subsidiary disposed of during the year ended 31st July, 2001 had no contribution to the Group's turnover and the Group's profit from operations.

## 26. Analysis of Changes in Financing During the Year

|  | Share capital and<br>share premium<br>HK\$ |
|--|--|
| At 1st August, 2000 and at 31st July, 2001                           | 780  |
| Issue of new shares by ICN (BVI)                                     | 203  |
| Eliminated on Group Reorganisation                                   | (883)                                      |
| Issue of shares by capitalisation of the contributed surplus account | 2,639,900                                  |
| Proceeds from issue of shares from placing and public offer          | 47,040,000                                 |
| Share issue expenses   | (5,862,378)                                |
| Balance at 31st July, 2002   | 43,817,622                                 |

## 27. Operating Lease Commitments

### Operating lease arrangements

|  | THE GROUP      |              |
|--|----------------|--------------|
|  | 2002<br>HK\$   | 2001<br>HK\$ |
| Minimum lease payments paid under operating leases during the year | <b>940,800</b> | 912,688      |

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                       | THE GROUP        |              |
|---------------------------------------|------------------|--------------|
|                                       | 2002<br>HK\$     | 2001<br>HK\$ |
| Within one year                       | <b>940,800</b>   | 940,800      |
| In the second to fifth year inclusive | <b>156,800</b>   | 1,097,600    |
|                                       | <b>1,097,600</b> | 2,038,400    |

Operating lease payment represents rental payable by the Group for its office premise. Leases are negotiated and rentals are fixed for a term of three years.

At the balance sheet date, the Company had no arrangement under non-cancellable operating leases.

## Notes to the Financial Statements

### 28. Related Party Transactions

The Group had the following transactions with related companies:

| Name of related party  | Nature of transaction  | 2002<br>HK\$ | 2001<br>HK\$ |
|--|--|--------------|--------------|
| Three Cheers Limited (note i)  | Acquisition of a subsidiary, ICN (note vi)                       | —            | 2,000        |
| International Technology Capital Limited (note ii)   | Acquisition of a subsidiary, ICN (note vi)                       | —            | 4,000        |
| International Capital Partners Limited (note iii)  | Acquisition of a subsidiary, ICN (note vi)                       | —            | 4,000        |
| Ms Leung Yuk Kit<br>("Ms Leung") (note i)  | Disposal of a subsidiary,<br>ICN Investment Limited (note vii)   | —            | 8            |
|  | Disposal of investment in a listed security (note viii)          | —            | 1,000,916    |
| International Capital Network Partners Limited (formerly known as Tornado Power Corp.) (note iv) | Acquisition of a subsidiary,<br>ICN Management Limited (note ix) | —            | 1,192,443    |
| International Capital Network Limited ("ICN") (note v)   | Reimbursement of expenses (note x)                               | —            | 115,010      |

Notes:

- (i) Ms Leung was a shareholder and a director of Three Cheers Limited. She had a beneficial interest in the Company after the Group Reorganisation.
- (ii) International Technology Capital Limited was a shareholder of the Company after the Group Reorganisation.
- (iii) Mr Lui Bing Kin, Michael ("Mr Lui"), who was a shareholder and a director of International Capital Partners Limited, was a director of the Company after the Group Reorganisation. He had a beneficial interest in the Company after the Group Reorganisation.
- (iv) Mr Hui was a director and shareholder of International Capital Network Partners Limited. Mr Hui was also a director and shareholder of the Company.
- (v) ICN was a wholly owned subsidiary which was acquired by the Group on 25th August, 2000. Mr Lui and Mr Hui, who were directors of ICN, were also directors of the Company after the Group Reorganisation. Both of them had beneficial interests in the Company after the Group Reorganisation.
- (vi) The consideration of the acquisition was based on the par value of the share capital acquired.
- (vii) The consideration of the disposal was based on the par value of share capital disposed.
- (viii) The consideration of the disposal was based on the carrying cost of the listed security.
- (ix) The consideration of the acquisition was based on the net asset value of ICN Management Limited.
- (x) The amount represented the actual costs incurred by ICN on behalf of the Group.

### 28. Related Party Transactions *(Continued)*

In addition, during the year ended 31st July, 2001, ICN Investment Limited performed nominee services for Mr Hui for which no charge was made. ICN Investment Limited was disposed of to Ms Leung on 31st July, 2001 as set out above.

At 31st July, 2001, Mr Hui had given an unlimited personal guarantee at nil consideration in respect of the banking facilities granted to ICN Management Limited, a subsidiary of the Group. The guarantee was released on 9th November, 2001.

At 31st July, 2001, Mr Lui had given a personal guarantee at nil consideration in respect of the lease of office by ICN. The guarantee was released on 12th November, 2001.

### 29. Pending Litigations

At 31st July, 2002, the Group had the following pending litigations:

- (1) On 12th April, 2002, the Company received a letter dated 10th April, 2002 written by Capital Ace Holdings Limited and Wise Express Assets Limited (the "Requisitionists"), which are shareholders of the Company. The letter purported to make a requisition for an extraordinary general meeting to consider and approve among other things the election or appointment of seven new directors to the board of the Company. On 15th May, 2002, the Company obtained an interim injunction order from the High Court of the Hong Kong Special Administrative Region (the "High Court") to the effect that the Requisitionists must not hold, or purport to hold, an extraordinary general meeting (the "15th May Order"). The 15th May Order was discharged on 3rd September, 2002 by the High Court (the "3rd September Order"). The Company appealed to the Court of Appeal and the hearing will be held on 21st March, 2003. The Requisitionists and the Company agreed that the execution of the 3rd September Order be stayed until the determination of the appeal.
- (2) On 30th May, 2002, an interim injunction order was granted by the High Court to the Requisitionists 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. On 5th August, 2002, the injunction was discharged by the High Court. The Requisitionists served a notice of appeal against the court decision. On 6th September, 2002, the appeal was dismissed by the Court of Appeal, with an order nisi that costs of the appeal be awarded to the Company.

At the balance sheet date, the above proceedings have been consolidated. The pleadings have not been closed and the parties have yet to exchange lists of documents and witness statements before trial.

## Notes to the Financial Statements

### 30. Retirement Benefits Scheme

With effect from 1st December, 2000, the Group has enrolled all its qualifying employees in Hong Kong in a Mandatory Provident Fund (the "MPF") scheme. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. Under the MPF scheme, each of the Group and its employees are required to make contributions to the MPF scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the MPF scheme.

### 31. 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 for 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 Sun 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 (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.
- (3) On 23rd September, 2002, the Group 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.



## 32. Particulars of Subsidiaries

| Name of subsidiary  | Place of incorporation | Issued and fully paid share capital | Proportion of nominal value of issued capital held by the Group |                   | Principal activities  |
|---|------------------------|-------------------------------------|---|-------------------|---|
|   |                        |                                     | <i>directly</i>   | <i>indirectly</i> |   |
| ICN   | Hong Kong              | HK\$6,000,000 ordinary shares       | —   | 100%              | Provision of business development and corporate advisory services |
| ICN Finance Limited   | British Virgin Islands | HK\$40,000,000 ordinary shares      | 100%  | —                 | Inactive  |
| ICN Financier Limited   | British Virgin Islands | US\$1 ordinary shares               | —   | 100%              | Inactive  |
| ICN Management Limited (formerly known as Dynasty Nation Limited) | Hong Kong              | HK\$2 ordinary shares               | —   | 100%              | Provision of management services to group companies               |
| ICN Securities Limited  | British Virgin Islands | US\$1 ordinary shares               | —   | 100%              | Inactive  |
| ICN Vision Limited  | British Virgin Islands | US\$1 ordinary shares               | —   | 100%              | Management of a website   |
| ICN (BVI)   | British Virgin Islands | US\$126 ordinary shares             | 100%  | —                 | Investment holding  |
| International Capital Network Group Limited                       | British Virgin Islands | US\$1 ordinary shares               | —   | 100%              | Investment holding  |
| Top Advance (HK) Limited  | Hong Kong              | HK\$2 ordinary shares               | —   | 100%              | Money lending business  |

None of the subsidiaries had any debt securities at 31st July, 2002 or at any time during the year.

## Financial Summary

| RESULTS  | 1.8.2001     | 1.8.2000    | 12.4.2000 |
|--|--------------|-------------|-----------|
|  | to           | to          | to        |
|  | 31.7.2002    | 31.7.2001   | 31.7.2000 |
|  | HK\$         | HK\$        | HK\$      |
| Turnover   | 3,218,695    | 5,019,991   | —         |
| Cost of sales  | (2,538,056)  | (288,000)   | —         |
| Gross profit   | 680,639      | 4,731,991   | —         |
| Other operating income   | 951,605      | 45,464      | —         |
| Administrative expenses  | (11,640,424) | (2,302,230) | (71,422)  |
| (Loss) profit from operations                                      | (10,008,180) | 2,475,225   | (71,422)  |
| Interest on bank overdraft wholly repayable within five years      | (5,427)      | —           | —         |
| Impairment loss on goodwill arising on acquisition of a subsidiary | (187,282)    | —           | —         |
| (Loss) profit before taxation                                      | (10,200,889) | 2,475,225   | (71,422)  |
| Taxation credit (charge)   | 110,000      | (400,000)   | —         |
| Net (loss) profit for the period/year                              | (10,090,889) | 2,075,225   | (71,422)  |
| Basis (loss) earnings per share (cents)                            | (3.34)       | 0.79        | (0.03)    |

### Notes:

1. The Company was incorporated in the Cayman Islands on 12th July, 2001 and became the holding company of the Group with effect from 9th November, 2001 as a result of a group reorganisation. Accordingly, the only balance sheet for the Group that have been presented are set out on page 24 of the financial statements.
2. The results of the Group for the period from 12th April, 2000 to 31st July, 2000 and the year ended 31st July, 2001 presented above have been extracted from the Company's prospectus dated 20th November, 2001 when listing of the Company's shares was sought on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
3. The results of the year ended 31st July, 2002 have been extracted from the consolidated income statement as set out on page 23 of the financial statements.