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國際融資控股有限公司*

International Capital Network Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

RECENT EVENTS AND DELAY IN DESPATCH OF RESPONSE DOCUMENT

Further to the results announcement of 28th October, 2002 of International Capital Network Holdings Limited, the Group has entered into contracts with independent third parties in the ordinary course of business as a result of which its cash balances have reduced from approximately HK\$41 million at 31st July, 2002 to approximately HK\$3.6 million as at the date of this announcement. Further to its announcement of 12th November, 2002 in relation to the despatch of the Company's document in response to an offer on behalf of Koffman Securities Limited that document has been delayed until a date yet to be determined.

Further to the Company's results announcement of 28th October, 2002, the Company would like to provide information on recent business activities of the Group as follows:

UPDATE OF BUSINESS PROGRESS

PRC Offices

The Group has entered into contracts with two independent third parties, Mr. Qi Zhi Guo and Mutual Well on 30th September, 2002 and 3rd October, 2002 respectively for them to apply to the relevant regulatory authorities on behalf of International Capital Network Limited to open and subsequently to operate on behalf of the Group five separate offices in the People's Republic of China (the "PRC"), in Beijing, Shanghai, Guangzhou, Dalian and Shenzhen. The directors believe that Mutual Well is owned and controlled by Mr. Tsang Chi Fai and Mr. Lam Siu Chung, third parties independent of the directors, chief executive and substantial shareholders (known to the Company) of ICN.

These arrangements entailed the Group paying to these independent third parties a non-refundable sum of in aggregate approximately HK\$20.2 million by way of pre-payment of setting up costs and first year operating costs for the representative offices in the locations mentioned above. This sum was negotiated on arm's length terms by reference to the estimated costs referred to below. These monies are non-refundable and have accordingly reduced the cash balances of the Group by a corresponding amount. The term of payment of the contract sum in advance are based on the arm's length negotiations between the parties. As there were commitments to rent offices, employ staff and substantial initial setting up cost to be borne by Mutual Well, the Group decided to accept the obligation of payment in advance. The full roles of Mr. Qi Zhi Guo and Mutual Well will be disclosed in the Company's next announcement.

Payments have been made to Mr. Qi Zhi Guo as follows:

RMB20,000	on 17th June, 2002 by cash
RMB30,000	on 30th September, 2002 by cash
RMB108,000	on 29th October, 2002 by telegraphic transfer

Payments to Mutual Well have been made as follows:

HK\$12,000,000	on 9th October, 2002 by cheque
HK\$8,000,000	on 24th October, 2002 by cheque

If either Mr. Qi Zhi Guo or Mutual Well fails to comply with his or its contract, the Group may have a claim for breach of contract, depending on the circumstances.

ICN considered that the benefits of these arrangements outweighed the risks associated with payment in advance (for example, the arrangements do not require the management of ICN to travel frequently to the PRC or otherwise spend significant time on the setting up of the offices), and that it would be cheaper to open all offices at the same time rather than over a period of time. The purposes of these offices is to (i) improve the public awareness of the Group in the PRC; (ii) enhance the Group by expanding its alliance network; and (iii) provide marketing of the Group's services in the PRC with a view to obtaining business for the Group in Hong Kong. As at the date hereof, the decoration of the offices in Shanghai, Guanzhou, Dalian and Shenzhen and the applications to the appropriate authorities for the relevant business licenses to operate the businesses of investments and consultancy services are in progress. The registration and approval documents for State General Administration for

Industry & Commerce of the PRC (中華人民共和國國家行政管理總局) and Beijing Municipal Foreign Trade and Economic Cooperation Committee (北京市對外經濟貿易委員會) respectively for the Beijing office were issued on 23rd September, 2002. The directors believe that the other offices will be open for business before February, 2003 as it is a term of the contract with Mutual Well that it will procure the necessary approvals within 3 months of the date of that agreement.

A breakdown of the estimated portion of the HK\$20.2 million attributable to each office to be set up by Mr. Qi Zhi Guo and Mutual Well. The following shows the broad breakdown:

Office	Payee	Cost	Services
Beijing	Qi Zhi Guo	RMB50,000 set up fee and RMB108,000 1-year management fee	Set up, daily operation and coordination
Shanghai, Guangzhou, Dalian and Shenzhen	Mutual Well	HK\$20 million for set up and 1-year management fee	Set up, daily operation, promotion, research and coordination

The addresses of the representative offices are as follows:

Shanghai:

Room 1507, No. 61, Nanjing Road East, Huang Pu District, Shanghai (上海市黃浦區南京東路61號1507室) with a gross area of approximately 87 square metres

Guangzhou:

Flat D, 10/F, Guangzhou International Trade Centre, No. 1 Lin He Road West, Tian He District, Guangzhou (廣州天河區林和西路1號廣州國際貿易中心10樓D單位) with a gross area of approximately 180 square metres

Dalian:

No. C2, Flat 1, 8/F, No. 4 Shanghai Road, Zhongshan District, Dalian (大連市中山區上海路4號8樓一室C2號) with a gross area of approximately 55 square metres

Shenzhen:

Flat 1020, International Cultural Building, Fu Tian District, Shenzhen (深圳市福田區國際文化大廈1020室) with a gross area of approximately 75 square metres

Beijing:

Flat A211F, The Grand Pacific Garden Mansion, 8A Guanghai Road, Chaoyang District, Beijing (北京市朝陽區光華路甲8號和喬大廈A211F室) with a gross area of approximately 17 square metres

If a business licence is not obtained for one or more offices then ICN will consider what alternative options or remedies are available to it.

This payment was not disclosed as a “post balance sheet events” in the annual audited financial statements of the Company for the year ended 31st July, 2002 and the reasons why it was not disclosed will be disclosed in ICN’s announcement on this subject.

Loan

On 8th October, 2002, as part of the Group’s lending business, Top Advance (HK) Limited, a wholly-owned subsidiary of the Company entered into a loan agreement with an independent third party, in which it agreed to lend to the borrower an aggregate sum of HK\$11,250,000 secured by a charge over the entire issued share capital of Regal Town Trading Limited a company that owns 30% of the issued and paid up share capital of another company, Best Express Trading Limited, which in turn is the beneficial owner of the intellectual property contained in a patent application under International Application No. PCT/CA00/01414. This application relates to Cycloargatroban and its related technology. “Cycloargatroban” is a small molecular anticoagulant which is designed to prohibit thrombin, a key enzyme in blood-clotting, and which can potentially be applied in the treatment of thrombosis related diseases such as Heparin-induced Thrombocytopenia, Deep Vein Thrombosis, Stroke, Unstable Angina and Acute Myocardial Infarctions. ICN does not know the value of Regal Town Trading Limited or of Best Express Trading Limited. ICN did not itself obtain a valuation of this asset but it has received a copy of a valuation report prepared for the borrower by an independent valuer valuing 100% of the asset at US\$8,500,000.

Details of this loan are as follows:

Date of Loan Agreement:	8th October 2002
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The Borrower: JQK INVESTMENT LIMITED whose registered office is at TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and with a correspondence address in Hong Kong at Unit 1101A, 11/F, Causeway Bay Commercial Building, 5 Sugar Street, Causeway Bay, Hong Kong

Final Repayment Date: the earlier of:-

- (i) 12 months after the date of drawdown; or
- (ii) the date on which the Facility is terminated in accordance with the provisions of the Loan Agreement.

Principal: HK\$11,250,000.00

Purpose: For financing the purchase by the Borrower of the entire issued share capital of Regal Town Trading Limited

Interest: HK\$900,000.00, calculated at the rate of 8.0 per cent (8.0%) per annum on the principal and which was deducted from the loan proceeds

Default Interest: 16.00 per cent (16.00%) per annum

Arrangement and Commitment Fee: HK\$112,500.00, which was deducted from the loan proceeds

As at the date hereof, a total sum of HK\$11,250,000 (less the interest, arrangement and commitment fee referred to above) has been advanced under that facility and the cash balances of the Group have been reduced accordingly.

Top Advance (HK) Limited holds a money lenders licence but the Company has been advised by its legal adviser that it did not require one to make this loan as it falls within one of the classes of loans that are exempt from the provisions of the Money Lenders Ordinance.

The Directors of the Company understand JQK Investment Limited to be wholly-owned by Mr. Wong Wai Kwok, a third party independent of the directors, chief executive and substantial shareholders (known to the Company) of ICN.

The Group intends to generate revenues through the lending agreements to JQK Investment Limited. Based on the arrangements, an arrangement and commitment fee of HK\$112,500 has been earned and interest income of HK\$900,000 received in advance will be recognized over the loan period. Furthermore, there is a profit sharing arrangement as part of the transaction which entitles the Group to 20% of the balance of the proceeds of sale of the shares in Regal Town Trading Limited charged to Top Advance (HK) Limited after deducting the amount of the loan and all cost and expenses, subject to a maximum entitlement of HK\$2,000,000. Based on the business objectives and use of proceeds as set out in the prospectus of the Company, the Group planned to spend approximately HK\$5.6 million for the provision of new financial services. As the Group has completed a number of underwriting transactions in the past and achieved a gain on disposal of securities of approximately HK\$0.5 million, the Group has used the funds it earned from those activities and together with other internal resources of about HK\$5 million to finance the loan transaction.

BUSINESS OBJECTIVES

In the Prospectus, the Company stated amongst other things that the business objective of the Group was to become an active business development and corporate advisory services provider in Hong Kong with a focus on small to medium sized enterprises with significant growth potential, and that with a market presence in Hong Kong, the Company aimed to expand its clientele in the PRC by establishing representative offices in the PRC.

It said that the Group would also explore suitable business opportunities which are complementary and incidental to the Group's existing business, including placing of securities, money lending and margin financing to the Group's clients and/or their investors/peers and participating in direct investment.

The Prospectus disclosed that in order to enhance the Group's ability to provide a broader range of business development and corporate advisory services, the Group had applied in October 2001 for a money lenders' licence under the Money Lenders Ordinance. Top Advance (HK) Limited, a wholly-owned subsidiary of the Company, obtained such a licence on 15th January, 2002.

The Prospectus disclosed that the Directors intended that the Group's money lending services to its clients or their investors/peers will be incidental to

and forming part of the Group's focused line of business of provision of business development and corporate advisory services. The directors consider both the arrangements for new offices and the loan described above to be in keeping with these business objectives.

The Prospectus identified as one of the Group's business objectives for the period from 1st February, 2002 to 31st July, 2002 the setting up of a representative office in Shenzhen, the PRC and of a regional office in Singapore.

For the period from 1st August, 2002 to 31st January, 2003 its stated business objectives included setting up a business information centre in Shanghai or Shenzhen, the PRC.

For the period from 1st August, 2003 to 31st January, 2004 its stated business objectives included setting up a representative office in Guangzhou, the PRC.

For the period from 1st February, 2003 to 31st July, 2003 its stated business objectives included setting up a representative office in Beijing.

It was noted in the Prospectus that the Directors believe that the markets where the Group operates and proposes to establish operations are dynamic. Therefore, the implementation plans set out in the Prospectus reflected only the intention of the Directors at the time of the Prospectus after taking into account the overall market conditions and the anticipated changes to these markets in the future. The Prospectus explained that the Directors would use their best endeavours to anticipate future changes in the markets where the Group operates and proposed to establish operations and would take steps to remain flexible in order that the Group may stay ahead of or react appropriately to such changes.

As a result of market changes the Directors decided not to set up an office in Singapore for the time being but instead to focus on the PRC. With that focus the Group implemented (slightly later than planned) its plan to set up a representative office in Shenzhen and brought forward its stated objectives of setting up offices in Beijing and Guangzhou. The plan to open a business information centre in Shanghai or Shenzhen was modified and the Company chose to open a representative office in Shanghai through Mutual Well for the reasons described above. The Directors believe that in the current market an office in Shanghai is more likely to generate revenues for the Group than an office in Singapore. In addition, to obtain broader representation in the PRC the Group decided to open a representative office in Dalian.

The Directors of ICN consider that the above transactions were on normal commercial terms in the ordinary and usual course of its business and at the time they were entered into the Directors believed were not in breach of Rule 4 of the Takeovers Code or of the listing rules applicable to it. The Directors have subsequently been advised that depending on the facts there may have been a breach of Rule 4 and/or the Listing rules but they have not yet determined whether or not this is the case. The Executive Director of the Corporate Finance Division of the Securities and Futures Commission has indicated that it will conduct enquiries regarding a possible breach of Law and/or of Rule 4 of the Takeovers Code and may commence disciplinary action or legal action if it believes there is such a breach. The Listing Division of the Stock Exchange has indicated that it will conduct enquiries regarding a possible breach of its listing rules and may commence disciplinary action if it believes there is such a breach.

USE OF PROCEEDS

The sums raised by the Company in connection with its Share Offer have been applied as follows:-

The revised use of proceeds of the Share Offer for the period from 1st August, 2002 to 31st July, 2003 is as follows:

	Proposed use (as shown in Prospectus) for period Unused proceeds carried forward HK\$'000	1st August, 2002 to 31st July, 2003 HK\$'000	Total available for period 1st August, 2002 to 31st July, 2003 HK\$'000	Actual (from 1st August, 2002 to 31st October, 2002) 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	795	1,200	1,995	2,660
● Recruit additional staff	3,785	8,200	11,985	12,108
● Development/provision of new financial services	5,000	600	5,600	11,250*
For the expansion of the alliance network	1,100	1,000	2,100	2,600
For enhancement of <i>www.hkicn.com</i>	1,595	1,000	2,595	15
For the improvement of public awareness	<u>600</u>	<u>1,200</u>	<u>1,800</u>	<u>2,800</u>
	<u>12,875</u>	<u>13,200</u>	<u>26,075</u>	<u>31,433**</u>

* As the Group has completed a number of underwriting transactions in the past and achieved a gain on disposal of securities of approximately HK\$0.5 million, the Group has used these funding and together with other internal resources to finance a loan transaction with a view to benefit the Group.

** Including an aggregate of approximately HK\$20.2 million to be amortised to the profit and loss account over a period of 12 months as they are the contract sum of the management service agreement and subcontracting service and management agreement for the Group's representative offices in the PRC which will be expired in October 2003. For the three months ended 30 October, 2002, approximately HK\$1.7 million was amortised to the profit and loss account of the Group.

Material cash outflows of the Group since 1st August, 2002 have been as follows:

Payment to Mr. Qi Zhi Guo:

RMB30,000	on 30th September, 2002 by cash
RMB108,000	on 29th October, 2002 by telegraphic transfer

Payment to Mutual Well:

HK\$12,000,000	on 9th October, 2002 by cheque
HK\$8,000,000	on 24th October, 2002 by cheque

Payment of loan to JQK Investment Limited:

HK\$10,237,500	on 7th October, 2002 by telegraphic transfer to So Keung Yip & Sin, legal adviser to the Company in relation to this loan
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Furthermore, there was a payment of approximately HK\$5 million for litigation expenses to the legal financial and other advisers of the Group and other expenses related to litigation, as well as normal operation and establishment expenses.

CURRENT CASH BALANCES

As at 31st July, 2002, the cash balances of the Group amounted to approximately HK\$41 million. As at the date hereof, the cash balances of the Group have dropped significantly, to approximately HK\$3.6 million, after deduction of the cash outflow as mentioned above and legal, financial advertising and other related expenses of approximately HK\$5 million since 1st August, 2002.

RESIGNATION OF FINANCIAL ADVISERS

Anglo Chinese Corporate Finance, Limited resigned as financial adviser to the Company on 12th November, 2002. Its stated reasons for resignation were that it believed that ICN breached the terms on which that company was engaged, and the Takeovers Code and listing rules applicable to ICN.

First Shanghai Capital Limited resigned as independent financial adviser to the independent board committee of the Company appointed in connection with the Offer on 4th November, 2002. Its letter of resignation alleged that material information had been withheld from it in the cause of its due diligence an allegation that the Company does not admit.

CODE ISSUES

As a result of the resignations referred to above the Company is seeking replacement financial advisers and independent financial advisers. It is also preparing full information about the transactions referred to above and consulting with the Securities and Futures Commission and the Stock Exchange on their implications. As a result the Company is unable to publish its response to the Offer within the time required by the Code and has applied for a waiver of that obligation on the basis it will publish its response to the Offer as soon as reasonably practicable. The Takeovers Executive under the Code has declined to entertain that application and has indicated that it believes that to grant the waiver would be against the spirit of Rules 15.4, 15.5 and 16 of the Code. The Company is in breach of its obligation to publish its response within the time required by the Code and will issue that response as soon as reasonably practicable. The Executive maintains the view that ICN must issue an Offeree document as soon as possible. The Company is of the same view.

The Directors of the Company confirm that none of Mr. Qi Zhi Guo, Mutual Well, JQK Investment Limited, Mr. Wong Wai Kwok, Mr. Tsang Chi Fai and Lam Siu Chung are acting in concert with them in respect of the Company for the purposes of the Code.

TRADING

Trading in the shares of the Company was suspended at the request of the Company with effect from 3:00 p.m. on 13th November, 2002. Trading will remain suspended until further notice.

Warning

The Executive and the Stock Exchange have indicated that it considers the information in this announcement to be inadequate. The Company is making this announcement to expedite equal dissemination of information to the public.

This announcement is preliminary and incomplete further announcements containing full details of the matters referred to in this announcement will be made as soon as practicable.

INTERPRETATION

In this announcement:

“Code” means the Hong Kong Code on Takeovers and Mergers;

“Company” and “ICN” mean International Capital Network Holdings Limited;

“Executive” means the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;

“Group” means the Company and its subsidiaries;

“Mutual Well” means Mutual Well International Limited;

“Offer” means the offer by Koffman Securities Limited for shares in the Company 5th September, 2002;

“Prospectus” means the prospectus of the Company dated 20th November, 2001 and issued by it in connection with its initial public offering;

“Share Offer” means the offer of shares in ICN pursuant to the Prospectus; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

By order of the Board
International Capital Network Holdings Limited
Hui Chuen Kin, Daniel
Chairman

Hong Kong, 19th November, 2002

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

** For identification only.*

This announcement, for which the directors of International Capital Network Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to International Capital Network Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:-

- the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- there are no other matters the omission of which would make any statement in this announcement misleading; and*
- all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*