



國際融資控股有限公司*

International Capital Network Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2003

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

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

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

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

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

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

**HIGHLIGHTS**

The Group recorded a turnover of HK\$246,604 for the three months ended 31st October, 2002.

Loss attributable to shareholders was HK\$7,283,842 for the three months ended 31st October, 2002.

The Directors do not recommend the payment of an interim dividend for the three months ended 31st October, 2002.

FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of International Capital Network Holdings Limited (the “Company”) is pleased to announce its unaudited consolidated results for the three months ended 31st October, 2002 and the comparative for the corresponding period ended 31st October, 2001.

		For the three months ended 31st October,	
	<i>Notes</i>	2002	2001
		HK\$	HK\$
Turnover	3	246,604	690,000
Cost of sales		(693,900)	(359,000)
Gross (loss) profit		(447,296)	331,000
Other operating income	4	190,598	53,591
Administrative expenses		(7,027,144)	(967,119)
Amortisation of goodwill		—	(15,606)
Loss before taxation		(7,283,842)	(598,134)
Taxation	5	—	—
Loss for the period		(7,283,842)	(598,134)
Loss per Share (cents)	6	(2.28)	(0.23)

*Notes:***1. Basis of preparation**

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

The Reorganisation has been reflected in the accounts by regarding the Group, which comprises the company and its subsidiaries, as a continuing entity. Accordingly, the combined results of the Group for the period from, 1st August, 2001 to 31st October, 2001 have been prepared on a merger basis, which are based on the unaudited results of the Group as if the current group structure of the Group had been in existence throughout the period from 1st August, 2001 to 31st October, 2001. All material intra-group transactions and balances have been eliminated on combination.

2. Significant accounting policies

The financial information have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities. The financial information have been prepared in accordance with the accounting principles generally accepted in Hong Kong as set out in the financial statements of the Company dated 28th October, 2002.

3. Turnover

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

4. Other operating income

	For the three months ended 31st October,	
	2002	2001
	HK\$	HK\$
Bank interest income	96,571	53,591
Gain on disposal of investments in securities	29	—
Gain on disposal of a subsidiary	93,998	—
	190,598	53,591



5. **Taxation**

No provision for Hong Kong profits tax was made as the Company had no assessable profits for the three months ended 31st October, 2002 (three months ended 31st October, 2001: Nil).

There were no material unprovided deferred tax liabilities as at 31st October, 2002 (2001: Nil).

6. **Loss per Share**

The calculation of basic loss per Share is based on the loss attributable to shareholders of approximately HK\$7,283,842 for the three months ended 31st October, 2002 (three months ended 31st October, 2001: loss of approximately HK\$598,134 and on the assumption that 264,000,000 Shares had been in issue throughout the period) and on the basis that 320,000,000 Shares had been in issue throughout the period.

No diluted earnings per Share for the three months ended 31st October, 2002 and 2001 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

7. **Movement of Reserves**

For the three months ended 31st October, 2002, the only reserve movement was the loss for the period of HK\$7,283,842. As at 31st October, 2001, the only reserve of the Group was retained earnings. There was no other movement of reserve for the three months ended 31st October, 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st October, 2002 (three months ended 31st October, 2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Business Review of the Company

The Directors of the Company announce that the Group has achieved the unaudited turnover for the three months ended 31st October, 2002 of HK\$246,604, representing a decrease of approximately 64% of the same period in 2001. The unaudited loss for the same period was HK\$7,283,842, represented an increase of approximately 1,118% over the same period in 2001. The increase in loss was mainly due to the execution of the business objectives of setting up and running representative offices in the People's Republic of China (the "PRC") and the significant legal and professional and litigation expenses incurred.

**Prospects**

The Directors expect that in the early stage of the setting up and running of the representative offices in the PRC, no material referral business can be obtained. The Directors believe that the situation will improve when all the representative offices in the PRC becoming full functioning.

DIRECTORS' INTEREST IN SHARES

As at 31st October, 2002, the interests of the Directors and their respective associates in the share capital of the Company or its associated corporations, if any, as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange, immediately following the listing of the Shares, were as follows:

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

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

Save as disclosed above, none of the Directors, or their respective associates had, as at 31st October, 2002, any interests in the share capital of the Company or its associated corporations, if any, as recorded in the registrar required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the three months ended 31st October, 2002, none of the Directors was granted options to subscribe for Shares. As at 31st October, 2002, none of the Directors had any rights to acquire Shares.



SUBSTANTIAL SHAREHOLDERS

As at 31st October, 2002, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, revealed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

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

Notes:

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

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

COMPETING INTERESTS

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



SPONSOR'S INTEREST

As at 31st October, 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.

The Company has received a notice from Celestial purporting to resign as the Company's sponsor. The Company is taking legal advice on whether Celestial is entitled to terminate that agreement.

AUDIT COMMITTEE

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

Meanwhile, the Company has only one independent non-executive director and one member of the audit committee and therefore is not in compliance of the Rule 5.05 and Rule 5.23 of the GEM Listing Rules. The Company is trying to ensure compliance with the GEM Listing Rules on or before 11th January, 2003 and has already given to the Stock Exchange notice of intention to appoint a replacement independent non-executive director.

The audit committee, who were of the opinion that the preparation of unaudited results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made, has reviewed the Company's unaudited results for the three months ended 31st October, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31st October, 2002, the Company did not purchase, sell or redeem any of the Company's Shares.

By Order of the Board
Hui Chuen Kin, Daniel
Chairman

Hong Kong, 13th December, 2002