



國際融資控股有限公司*

International Capital Network Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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

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

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

OVERVIEW

This revised results announcement for the year ended 31st July, 2002 was made subsequent to the results announcement for the year ended 31st July, 2002 made on 28th October, 2002. It was made because the directors of the Company believed that disclosure of the following additional information would let shareholders better understand the financial situations of the Company:-

- additional notes added to Post Balance Sheet Events on page 8 and 9
- update on Sponsor's Interest on page 12 and 13
- current status of litigation And Offer For The Company's shares on page 13, 14 and 15
- updated progress on Comparison of Business Objectives With Actual Business Progress For The Period From 1st February, 2002 to 31st July, 2002 on page 15, 16, 17 and 18
- revised statement of Prospects on page 20

Further announcement on why the abovementioned Post Balance Sheet Events, Comparison of Business Objectives with Actual Business Progress for the Period from 1st February, 2002 to 31st July, 2002 and Statement of Prospects were not disclosed in the annual report of 28th October, 2002 will be made as soon as possible by the Company.

FINANCIAL SUMMARY

- Revenue decreased by about 35.9% to approximately HK\$3,219,000.
- Operating cost increased by about 5 times to approximately HK\$11,640,000, mainly due to the costs incurred in developing the group's business in markets both in Hong Kong and elsewhere and the legal and other fees incurred as a result of the requisition for a meeting of shareholders made by Capital Ace Holdings Limited and Wise Express Assets Limited and their subsequent actions in purporting to convene their own meeting and in investigating possible breaches of the Hong Kong Code on Takeovers and Mergers (the "Code") and the ownership of the Company.

- Consolidated loss attributable to shareholders was approximately HK\$10,091,000 which included the impairment loss on goodwill arising on acquisition of a subsidiary amounting to approximately HK\$187,000.
- Loss per share was HK3.34 cents as compared to earnings per share of HK0.79 cents for the previous financial year.

REVISED AUDITED CONSOLIDATED RESULTS 2002

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

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

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 12th July, 2001.

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

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

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

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

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

3. TURNOVER

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

4. OTHER OPERATING INCOME

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

5. (LOSS) PROFIT FROM OPERATIONS

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

6. TAXATION CREDIT (CHARGE)

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

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

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

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

7. DIVIDEND

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

8. BASIC (LOSS) EARNINGS PER SHARE

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

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

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

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

9. RESERVES

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

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

10. DEFERRED TAXATION

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

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

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

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

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

11. POST BALANCE SHEET EVENTS

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

- (1) On 9th August, 2002, International Technology Capital Limited, which is a shareholder of the Company and is beneficially owned by Ms Chu Oi Wan, Cecilia, presented a winding-up petition against the Company to the High Court on a just and equitable ground. The hearing of the petition is fixed on 23rd December, 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.

On 17th December, 2002, a summons was taken out by ITC for the High Court's hearing of an application for the appointment of provisional liquidators to act and exercise all powers, among others, conferred upon them under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). The hearing will be held on 20th December, 2002. Details of the summons has been disclosed in the announcement dated 19th December, 2002 of the Company.

- (2) A voluntary conditional offer was announced by Koffman Securities Limited ("Koffman"), a company incorporated in Hong Kong, for all the issued shares of the Company (the "Offer"). The Offer will consist of two options to be chosen by the Company's shareholders. The first option is an offer of HK\$0.03 in cash for each share in the Company. The second option is an offer that every eight shares in the Company be exchanged for one share in Kong Sung Holdings Limited, which is a company listed on the Stock Exchange and is an indirect shareholder of Koffman. The Company submitted to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission that the offer should not be considered to be an offer under the Hong Kong Code on Takeovers and Mergers (the "Code") as it is not bona fide and that is part of arrangements which are in breach of the Code. On 8th November, 2002, the Takeovers Panel decided that the Offer was an offer for the purposes of the Code and that the Company must comply with the relevant provisions of the Code. Accordingly, the Company was required to dispatch the offeree document to the shareholders of the Company (the "Offered Document") on or before 18th November, 2002. However, the Company was unable to dispatch the Offeree Document on or before 18th November, 2002

and applied for a waiver of that obligation. The Takeovers Executive under the Code declined to entertain that application. The Company was in breach of its obligation to dispatch the Offeree Document within the time required by the Code and was required to issue the Offeree Document as reasonably practicable.

On 9th December, 2002, Koffman announced that the Offer lapsed as acceptance of the offer received did not reach the required amount.

- (3) On 23th September, 2002, the subsidiary of the Company set up a representative office in Beijing, the People's Republic of China (the "PRC"). The representative office is engaged in the provision of communication channel for business development and corporate advisory services.
- (4) On 19th November, 2002, the Company announced that the Group had paid HK\$20 million for setting offices in the PRC and made a loan of HK\$11,250,000 to a third party which is due for repayment in October 2003. Details of these transactions are set out in Company's announcement dated 19th November, 2002.
- (5) On 2nd December, 2002, the Company held an extraordinary general meeting. Results of this meeting were included in an announcement made by the Company dated 5th December, 2002.

12. MODIFIED AUDITORS' REPORT

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

"Fundamental uncertainty relating to going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 31(1) to the revised financial statements concerning the winding-up petition and the application for the appointment of provisional liquidators made to the High Court of the Hong Kong Special Administrative Region (the "High Court") by International Technology Capital Limited, which is a shareholder of the Company and is beneficially owned by Ms Chu Oi Wan, Cecilia. The hearing of the petition has been adjourned to 23rd December, 2002 and the hearing of the application for the appointment of provisional liquidators will be held on 20th December, 2002. We have also considered the disclosure in note 1(a) to the revised financial statements which explains that against the background of the transactions disclosed in note 31 to the revised financial statements, the directors have given careful consideration to the future liquidity of the Group. On the basis that the Group does not incur unforeseen costs in connection with the winding-up petition and the application for the appointment of provisional liquidators made to the High Court as disclosed in note 31(1) to the revised financial statements, or with the pending litigations disclosed in note 29, and provided that if necessary the loan receivable

described in note 31(4) can be assigned in order to raise additional working capital of the Group, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, and as the outcome of the hearing on the winding-up petition and the application for the appointment of provisional liquidators cannot be predicted at this time, the directors have prepared the revised financial statements on a going concern basis. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

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

BUSINESS REVIEW AND PROSPECTS

ANALYSIS OF RESULTS

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

OPERATION

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

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

Both elements are critical in fulfilling the Group’s overall objective of becoming an active business development and corporate advisory services provider in Hong Kong. During the year, our principal subsidiary, International Capital Network Limited, has participated in a number of initial public offering (“IPO”) projects and other fund raising exercises. It was the financial

adviser and underwriter for the two IPOs clients, which were listed on GEM of the Stock Exchange in October 2001 and December 2001 respectively. It also acted as co-sponsor and underwriter in the IPOs of Hon Po Group (Lobster King) Limited and Water Oasis Group Limited, which were listed on the main board of the Stock Exchange in February 2002 and March 2002 respectively. International Capital Network Limited also acted as financial advisers of several clients involving a mergers and acquisitions transaction and other transactions, including the subscription of new shares in Ananda Wing On Travel (Holdings) Limited by Million Good Limited and Wealth Bonus Limited becoming substantial shareholder of Neo-Tech Global Limited.

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

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operation was carried out in Hong Kong and primarily financed with the proceeds from new issue, cash revenue derived from its operating activities and internal resources. Furthermore, all the Group's revenue during the year was denominated in Hong Kong dollars. Therefore, the Group did not expose to any fluctuation in exchange rates and any related hedges during the year. As at 31st July, 2002, the Group had net current assets of approximately HK\$41,275,000 (2001: net current liabilities of HK\$578,000) and there were no charges on the Group's assets. The liquidity position, in the opinion of the Board, is sufficient to meet the needs of the Group for its operations, capital requirements and investments in future.

CAPITAL STRUCTURE

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

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

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

GEARING RATIO

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

MATERIAL ACQUISITIONS/DISPOSALS

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

CONTINGENT LIABILITIES

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

EMPLOYEE INFORMATION

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

BOARD PRACTICES AND PROCEDURES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

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

SPONSOR’S INTEREST

As at 31st July, 2002, the Company’s sponsor, Celestial Capital Limited (“Celestial”), its directors, employees or associates did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

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

On 10th December, 2002, Celestial purported to terminate the agreement by which it acts as sponsor of the Company. The Company has not admitted that Celestial had any right to do so, and is seeking for legal advice.

LITIGATION AND OFFER FOR THE COMPANY'S SHARES

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 High Court 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 and the pleadings have not been closed and the parties have yet to exchange lists of documents and witness statements before trial.

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 adjourned to 23rd December 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.

A summons was taken out by the same party for the High Court's hearing of an application for the appointment of provisional liquidators to act and exercise all powers, among others, conferred upon them under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), details of which has been disclosed in the announcement dated 19th December, 2002 of the Company. The directors will publish further announcement(s) and keep the shareholders of the Company informed of the development of summons hearing in accordance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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.

On 9th December, 2002, Koffman Securities Limited commenced that the offer lapsed as acceptance of the Offer received did not reach the required amount.

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

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

Actual business progress for the period from February to July 2002

Business development

- | | |
|---|---|
| 1. Set up a representative office in Shenzhen, the People's Republic of China (the "PRC") | Establishment of a representative office in Shenzhen is in progress. Moreover, 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. |

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

3. Continue the feasibility study on setting up a business centre in Shanghai or Shenzhen, the PRC
4. Recruit additional staff
5. Continue the development of a wider range of financial services

Actual business progress for the period from February to July 2002

Establishment of a representative office/business centre in Shanghai, Shenzhen in addition to Guangzhou and Dalian, the PRC are in progress.

Some staff left the group in this period. The Group will continue to identify and recruit further qualified and experienced staff.

Other than the provision of business development and corporate advisory services and participate in money lending business, the Group continues to participate in underwriting of several IPOs and other fund raising exercises.

Expansion of the alliance network

1. Continue to form additional alliances in Hong Kong and the PRC
2. Commence feasibility study on the establishment of alliance network in Singapore

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.

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

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

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, newsletters or periodic magazine 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

1. Launch an artificial intelligence search engine for www.hkicn.com

Abandoned. Instead, the content of the website is being updated 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.

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

2. Launch a real-time interactive media for online seminar, training and conference
3. Launch a business knowledge database

Abandoned.

In view of the existing scale of the alliance network and the cost and benefit to the Group, the launch of a business knowledge database is expected to be delayed to the fourth quarter of the financial year ending 31st July, 2003.

Improvement of public awareness

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

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

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

REVISED USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

**For the period from
1st February, 2002 to 31st July, 2002** **13th November, 2001
to 31st July, 2002**

	Proposed	Actual	Proposed	Actual
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

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

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

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

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

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

Because of the continue downturn of the outlook for the global economy, the Group continues to implement cost-control measures which have resulted in the actual spending incurred for the Group's business activities being lower than that envisaged in the prospectus of the Company dated 20th November,

2001 in relation to the implementation plans of the business objectives of the Group for the year ended 31st July, 2002. Furthermore, certain business activities, which were set out in the implementation plans, have been delayed or abandoned. As a result, the Group has spent less money than envisaged in implementing its business objectives as stated in the prospectus and will redirect the existing resources to finance the business objectives which are fundamental to the development and expansion of the Group's operation. As at 31st July, 2002, the unused proceeds were deposited at banks. The Board will speed up the execution of its plans to expand the Group's operations and to provide a wider range of financial services and to improve the public awareness.

PROSPECTS

Following the granting of the money lenders licence, the Group intends to provide money lending and margin financing services which will be complementary and incidental to the provision of its business development and corporate advisory services to the Group's clients. In addition, the Group will concentrate on forming strategic alliances and establishing further representative offices so as to enlarge the client base and to widen its scope of business. The Beijing representative office of International Capital Network Limited was opened on 23rd September, 2002 which operation has been commenced to coordinate the improvement of public awareness and to enhance the client base of the Group.

ACKNOWLEDGEMENT

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

By Order of the Board
HUI Chuen Kin, Daniel
Chairman

Hong Kong, 19th December, 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 purpose only.*