



# **iLink Holdings Limited**

**合縱連網控股有限公司\***

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

**ANNUAL RESULTS ANNOUNCEMENT**

**For the year ended 31st December, 2000**

## **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 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 the Company and its subsidiaries. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*

## **HIGHLIGHTS**

- iLink Holdings Limited (the “Company”) was listed on GEM since 9th March, 2001.
- Turnover for the year ended 31st December, 2000 amounted to HK\$39,871,000.
- Loss attributable to shareholders for the year ended 31st December, 2000 amounted to HK\$28,680,000.
- The directors do not recommend the payment of a final dividend for the year ended 31st December, 2000.

## FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2000 together with the comparative audited figures for the six months ended 31st December, 1999 as follows:

	<b>For the year ended 31st December, 2000 HK\$'000</b>	<b>For the six months ended 31st December, 1999 HK\$'000</b>
Turnover ( <i>Note 2</i> )	39,871	—
Cost of revenues	<u>(31,920)</u>	<u>—</u>
Gross profit	7,951	—
Selling and marketing expenses	(17,691)	(829)
General and administrative expenses	(22,285)	(2,926)
Other income	<u>112</u>	<u>—</u>
Loss from operations	(31,913)	(3,755)
Interest income	<u>3,233</u>	<u>—</u>
Loss before taxation	(28,680)	(3,755)
Taxation ( <i>Note 3</i> )	<u>—</u>	<u>—</u>
Net loss attributable to shareholders	<u><u>(28,680)</u></u>	<u><u>(3,755)</u></u>
Loss per share — Basic ( <i>Note 4</i> )	<u><u>(9.7 cents)</u></u>	<u><u>(4.7 cents)</u></u>

*Notes:*

### 1. REORGANISATION AND BASIS OF PRESENTATION

The Company (formerly known as iLink.net Holdings Limited) was incorporated in the Cayman Islands on 10th August, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. On 10th August, 2000, it acquired the entire issued share capital of NetFort Offshore Limited through a share exchange (the “Reorganisation”) and consequently became the holding company of NetFort Offshore Limited and its subsidiaries.

The Group's activities commenced on 1st July, 1999 as a business (the "Business") operated by a founding shareholder, DotCom Pacific Ventures Limited ("DotCom Pacific"). It was on this date DotCom Pacific started the setting up and promotion of the Business. NetFort Offshore Limited was activated on 14th September, 1999, with DotCom Pacific as one of the initial shareholders, to acquire and continue the Business. The transfer of the Business to NetFort Offshore Limited was effected in exchange for the issue of shares of NetFort Offshore Limited to DotCom Pacific at par value of the shares of US\$2. In addition, all expenses incurred for the Business before the transfer of the Business to NetFort Offshore Limited, amounting to approximately HK\$68,000, which were temporarily paid by DotCom Pacific, were reimbursed to DotCom Pacific by NetFort Offshore Limited through iLink.net Limited, a wholly-owned subsidiary of the Company, after the transfer. Accordingly, the transactions of the Business prior to the transfer of the Business to NetFort Offshore Limited have all been included in the consolidated income statement of the Group for the six months ended 31st December, 1999.

The Reorganisation has been accounted for as a reorganisation of the Group as a continuing entity and accordingly, the financial statements have been prepared and presented using the merger basis of accounting as if the current group structure had been in existence since 1st July, 1999 and throughout both accounting periods.

The Company's shares have been listed on GEM since 9th March, 2001.

The financial statements of the Company and the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM.

## 2. TURNOVER AND REVENUES

Turnover and revenues comprised:

	<b>For the year ended 31st December, 2000 HK\$'000</b>	<b>For the six months ended 31st December, 1999 HK\$'000</b>
Installation and connection services	3,553	—
Internet connectivity, server hosting and co-location services	23,235	—
Other value-added services	<u>13,083</u>	<u>—</u>
Total turnover	39,871	—
Interest income	<u>3,233</u>	<u>—</u>
Total revenues	<u><u>43,104</u></u>	<u><u>—</u></u>

## 3. TAXATION

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong during the year and for the six months ended 31st December, 1999.

The Group has not recorded a deferred tax asset in respect of tax losses of approximately HK\$29,000,000 (1999: HK\$4,000,000) subject to agreement by the Hong Kong Inland Revenue Department, due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future.

## 4. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31st December, 1999 and the year ended 31st December, 2000 is based on the Group's consolidated net loss attributable to shareholders for the periods and the weighted average of 80,100,000 and 295,776,078 shares (after the capitalisation issue (the "Capitalisation Issue"), details of which are set out in the prospectus of the Company (the "Prospectus") dated 28th February, 2001).

Diluted loss per share is not presented because there were no potential dilutive securities in existence during the above periods.

## 5. RESERVES

Movements in reserves of the Group were as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Total HK\$'000
Balance as at 1st July, 1999	—	—	—
Capitalisation of loans from a shareholder	<u>—</u>	<u>15,594</u>	<u>15,594</u>
Balance as at 31st December, 1999	—	15,594	15,594
Capitalisation for bonus issue	—	(780)	(780)
Share premium created upon share exchange in the Reorganisation	771	—	771
Issuance of Series A preferred shares	62,384	—	62,384
Issuance of ordinary shares	119,942	—	119,942
Capitalisation of loans from a shareholder	—	71,166	71,166
Bonus issue of convertible notes	—	(42,198)	(42,198)
Conversion of convertible notes	<u>29,615</u>	<u>—</u>	<u>29,615</u>
Balance as at 31st December, 2000	<u>212,712</u>	<u>43,782</u>	<u>256,494</u>

Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

## DIVIDEND

The directors do not propose any dividends in respect of the year ended 31st December, 2000 (1999 : Nil).

## BUSINESS REVIEW

Year 2000 is a milestone for the Group. Since the commencement of operation of its first data centre in Central, Hong Kong in January 2000, the Group has established another data centre in Shatin, Hong Kong, which commenced operation in July 2000 and also began to offer data centre services in San Jose, the United States, during the year. With this expansion, the Group's customers also grew from 7 at the end of 1999 to 254 at the end of 2000.

The Group incurred a loss attributable to shareholders of HK\$28,680,000 for the year, which was comparable to the estimated loss of not more than HK\$29,000,000 as set out in the Prospectus. Its turnover increased from the first quarter of approximately HK\$1,000,000 to the last quarter of approximately HK\$20,100,000 and its operating results was improving and a breakeven was achieved in December 2000.

## **Strategic Development**

As the first step in expanding into the Greater China market, the Group signed an agreement on 3rd August, 2000 with 中國網絡通信有限公司 (“China Netcom”), an independent licensed ISP and bandwidth provider in the PRC. Pursuant to the agreement, China Netcom will provide bandwidth for a co-operative joint venture to be established by the Group and a PRC third party which will be mainly responsible for setting up a data centre in Beijing.

The Group also signed a contract on 31st August, 2000 with 上海世紀新元信息產業有限公司 (a company which is approximately 44.72% owned by 中國電信集團上海市電信公司) and 上海虹口工業科技投資有限公司 (an affiliate of Shanghai Municipal Hongkou District Foreign Economic Relation Commission) to form an equity joint venture to establish a data centre in Shanghai.

## **Infrastructure and facilities development**

The Group’s first data centre in Hong Kong which situates at “The Center” commenced operation in January 2000. Renovation and installation of the Group’s second data centre in Shatin were completed in June 2000 and the data centre commenced operations in July 2000. The Shatin site has increased the hosting capacity of the Group in Hong Kong from approximately 400 racks to approximately 1,100 racks. Subsequent to the year end, the renovation and installation of the facilities in the expansion phase at “The Center” data centre has already commenced and is expected to be completed in March 2001. On completion, it will increase the hosting capacity of the Group in Hong Kong to approximately 1,300 racks.

In May 2000, the Group began offering data centre services in the United States by entering into a contract with a US data centre operator to provide data centre services in San Jose, California, US. This arrangement allows the Group’s Asian customers to place their Internet content in close proximity to users in North America in order to establish a faster connection at a lower cost.

## **Business development**

The Group continued to expand its then existing data centre services. Additional data centre services introduced by the Group during the year included dedicated server hosting services, faster Internet connections and other value-added services such as secure remote access, system upgrade and system maintenance, virtual private network, global server load-balancing, online network monitoring, firewall management and mail server back-up.

During the year, the Group launched “Thin Client Server Computing”, which offers an alternative platform for its customers to access applications at the Group’s data centres, along with three ASP applications: Desktop Microsoft Office, Unified Messaging and web-based e-mail with WAP interface.

The Group also introduced two additional value-added services in its data centre business, namely the payment gateway to facilitate e-commerce transactions and media streaming. In addition, the Group has also soft-launched a CRM application.

## **PROSPECT**

The rapid growth in the popularity of the Internet has led businesses increasingly to explore opportunities for providing Internet-based applications and services within their organisations and externally to customers and business partners.

The growth in e-commerce and Internet usage has stimulated the demand for Internet hosting, co-location, managed services and other value-added services throughout the world. The Directors believe that the Group is well positioned to capture these opportunities. The Directors are particularly optimistic about the growth potential in Asia and the Group will pursue its business objectives cautiously taking into account of the latest developments in the market.

## **USE OF PROCEEDS**

Subsequent to 31st December, 2000, the Group obtained net proceeds of approximately HK\$121 million from the placing of 110,000,000 new shares on the listing of its shares on GEM. The Group currently intends to apply such net proceeds as follows:

- approximately HK\$59 million will be used to fund the plan of expanding its data centre business in Asia in 2001. In particular, approximately HK\$25 million will be used to establish a data centre in Taiwan and approximately HK\$34 million will be used to establish a data centre in Shenzhen in the first and second half of 2001 respectively;
- approximately HK\$43 million will be used to fund the operations of the data centre and ASP businesses for the year ending 31st December, 2001;



- approximately HK\$12 million will be used to fund the marketing and promotional activities for the year ending 31st December, 2001; and
- the balance of approximately HK\$7 million will be used as additional working capital.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31st December, 2000, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities as the shares of the Company were listed after the end of the year.

## **YEAR 2000 COMPLIANCE**

The Group's computer systems are year 2000 compliant and the Group has not experienced any significant year 2000 problem.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 22nd February, 2001 which comprises Mr. Cheng Kai Ming and Mr. Wong Wing Shing, both of whom are independent non-executive directors of the Company. The terms of reference is based on "A Guide For The Formation of An Audit Committee" issued by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group. The audit committee has not met during the year under review, which was before the listing of the Shares.

By Order of the Board  
**TAM Wai Keung, Billy**  
*Chief Executive Officer*

Hong Kong, 21st March, 2001

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for seven days from the date of its posting.*

\* *For identification purpose only*