



iLink Holdings Limited

合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2001

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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 GEM for the purpose of giving information with regard to the Company. 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.

* For identification purpose only

HIGHLIGHTS

- iLink Holdings Limited (the “Company”) was listed on GEM since 9th March, 2001.
- Turnover for the nine months ended 30th September, 2001 amounted to HK\$63,735,000.
- Loss attributable to shareholders for the nine months ended 30th September, 2001 amounted to HK\$22,061,000.
- The directors do not recommend the payment of a dividend for the nine months ended 30th September, 2001.

FINANCIAL RESULTS

The board of directors of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

| | For the three months ended 30th September | | For the nine months ended 30th September | |
|--|--|------------------|---|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Turnover (<i>Note 2</i>) | 20,685 | 13,285 | 63,735 | 19,761 |
| Cost of revenues | (15,320) | (10,809) | (46,595) | (18,709) |
| Gross profit | 5,365 | 2,476 | 17,140 | 1,052 |
| Selling and marketing expenses | (2,711) | (6,419) | (8,423) | (13,044) |
| General and administrative expenses | (14,420) | (5,898) | (37,991) | (15,002) |
| Other income | - | 86 | 4 | 112 |
| Loss from operations | (11,766) | (9,755) | (29,270) | (26,882) |
| Interest income | 1,979 | 559 | 7,209 | 559 |
| Loss before taxation | (9,787) | (9,196) | (22,061) | (26,323) |
| Taxation (<i>Note 3</i>) | - | - | - | - |
| Net loss attributable to shareholders | (9,787) | (9,196) | (22,061) | (26,323) |
| Loss per share - Basic (<i>Note 4</i>) | 0.19 cents | 0.53 cents | 0.46 cents | 3.09 cents |

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 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 January, 2000 and throughout the relevant accounting periods presented.

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

2. Turnover

Turnover represent income earned from professional consultation, hardware and software services, application solution, connectivity services, hosting services, managed services and digital security solutions during the periods.

3. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong during the periods under review.

The Group has not recorded a deferred tax asset in respect of tax losses for the nine months ended 30th September, 2001 of approximately HK\$22,000,000 (2000: HK\$26,000,000), 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 three months and nine months ended 30th September, 2001 is based on the Group’s respective unaudited consolidated net loss attributable to shareholders of HK\$9,787,000 and HK\$22,061,000 (2000: HK\$9,196,000 and HK\$26,323,000) and the respective weighted average number of 5,267,374,610 shares and 4,818,585,796 shares (2000: 1,744,740,810 shares and 851,850,930 shares) in issue during the periods.

The number of shares for the three months and nine months ended 30th September, 2000 have been adjusted for the subdivision of shares of the Company which was effective on 20th August, 2001. Details of the share subdivision is described in the paragraph “Share Subdivision” below.

Diluted loss per share is not presented because the effect of the assumed conversion of all potential dilutive securities during the above periods would be anti-dilutive.

5. Reserves

Movements in reserves of the Group for the nine months ended 30th September, 2000 and 2001 were as follows:

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Exchange translation reserve HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------------|--|-------------------|
| Balance as at 1st January, 2000 | - | 15,594 | - | 15,594 |
| Capitalisation for bonus issue | - | (780) | - | (780) |
| Share premium created upon share exchange in the Reorganisation | 771 | - | - | 771 |
| Issuance of preferred shares | 62,384 | - | - | 62,384 |
| Issuance of ordinary shares | 119,942 | - | - | 119,942 |
| Capitalisation of loans from Media Touch Group Limited | - | 71,166 | - | 71,166 |
| Bonus issue of convertible note | - | (42,198) | - | (42,198) |
| Conversion of convertible notes | 29,615 | - | - | 29,615 |
| Balance as at 30th September, 2000 and 1st January, 2001 | 212,712 | 43,782 | - | 256,494 |
| Capitalisation issue | (71,110) | - | - | (71,110) |
| Shares issued pursuant to a share adjustment | (1,762) | - | - | (1,762) |
| Conversion of convertible note | (8,868) | - | - | (8,868) |
| Premium on issue of new shares upon listing of shares on GEM | 112,504 | - | - | 112,504 |
| Exchange translation difference | - | - | 50 | 50 |
| Balance as at 30th September, 2001 | 243,476 | 43,782 | 50 | 287,308 |

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.

SHARE SUBDIVISION

The ordinary resolution approving the subdivision of the shares of HK\$0.10 each in the share capital of the Company into five shares of HK\$0.02 each was duly passed by the shareholders of the Company at the extraordinary general meeting held on 17th August, 2001. The subdivision of shares was effective on 20th August, 2001.

DIVIDEND

The directors do not propose any dividends in respect of the nine months ended 30th September, 2001 (2000: Nil).

BUSINESS REVIEW

The Group's objective is to become a leading one-stop Internet application solution provider offering comprehensive Internet application solutions, including a wide range of data centre services and ASP services, targeting enterprises in Asia with a primary focus in Greater China.

Year 2001 sets a milestone for the Group as the Company was listed on GEM since 9th March, 2001.

The Group incurred a loss attributable to shareholders of HK\$22,061,000 for the nine months ended 30th September, 2001. Its turnover decreased slightly from last quarter of approximately HK\$21,767,000 to this quarter of approximately HK\$20,685,000.

Strategic Development

Beijing

Following the completion of the renovation and installation of its data centre in the last quarter, the Group's wholly-owned foreign enterprise in the People's Republic of China (the "PRC") 北京合縱連橫科技有限公司 has been building its sales and operation team. Services have been soft-launched with several customers moving in.

Pursuant to an agreement with 中國網絡通信有限公司 ("China Netcom"), an independent licensed ISP and bandwidth provider in the PRC, China Netcom agreed to provide bandwidth to the customers of the data centre.

Shanghai

The Group is still exploring different alternatives for the provision of data centre services in Shanghai. Having considered the oversupply situation in Shanghai at the moment, it is expected that the delay of providing services there will not materially affect the Group's operation.

Taiwan and Singapore

Potential partners have been identified and negotiation on different alternatives in the provision of data centre services in Taiwan and Singapore are underway. In view of the significant downturn of economy in Taiwan and Singapore, the Group will take a very cautious approach and closely monitor the market conditions before establishing data centres there to minimise the potential risks to the Group.

Infrastructure and facilities development

During the period, the renovation and installation of the respective facilities in the expansion phase of the data centre at "The Center" and the Group's data centre in Beijing were completed. Following the completion of the aforesaid facilities, the Group's hosting capacity reaches approximately 1,300 racks in Hong Kong and approximately 650 racks in Beijing.

Business development

During the period, the Group continued to expand its existing data centre services and introduced two additional services, namely the broadband connectivity for faster Internet access and Fail over Mailing System.

The Group also launched the following additional managed / ASP services during the period:

- Business automation application which is a customized, automated program for business workflow
- Enhanced version of CRM
- Media streaming on demand
- Fiber channel data storage
- Automatic type back up
- Security risk assessment

PROSPECT

In response to the short-term slowdown in the Internet market and the worldwide economic slowdown, in particular, after the recent terrorists' attack on the United States, the Group has been more conservative in setting up its establishments in Shanghai, Taiwan and Singapore while it has successfully created a network of strategic partners in Tokyo, Singapore, Manila, Bangkok and Shanghai providing services to its customers. The directors are comfortable with the Groups' present pace of business development and the Group will pursue its business objectives cautiously taking into account of the latest developments.

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 in the long-run. The directors believe that the Group is well positioned to capture these opportunities. While the directors are particularly confident that the Group will be able to maintain growth in its business following the consolidation of the industry with several players ceasing their operations, the accession of the PRC into the World Trade Organisation and the commencement of operation of its data centre in Beijing, the dramatic contracting economy following the terrorists' attack on the United States has already adversely affected its business. It is anticipated that the Group will experience more pressure on pricing of service revenue and the level of bad debts will rise in the last quarter of 2001. To respond to these market changes, the Group has taken measures to increase its operating efficiency and to reduce its operating costs and the effects of which will be reflected in the last quarter of 2001.

DIRECTORS' INTERESTS

As at 30th September, 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.49 of the GEM Listing Rules were as follows:

| Name of directors | Personal interests | Family interests | Corporate interests <i>(Note 1)</i> | Other interests <i>(Note 2)</i> | Total |
|--------------------------|---------------------------|-------------------------|---|---|---------------|
| Chung Cho Yee, Mico | - | - | - | 400,500,000 | 400,500,000 |
| Lee Brandon | - | - | - | 400,500,000 | 400,500,000 |
| Leung Man Leuk, Tommy | - | - | - | 400,500,000 | 400,500,000 |
| Hui Kwai | - | - | - | 400,500,000 | 400,500,000 |
| Tang King Fai | - | - | - | 400,500,000 | 400,500,000 |
| Chen Johnson | - | - | - | 400,500,000 | 400,500,000 |
| Cheung Sum, Sam | - | - | - | 400,500,000 | 400,500,000 |
| Ng Chi Shing | - | - | 1,081,350,000 | - | 1,081,350,000 |

Notes:

- (1) Mr. Ng Chi Shing holds 36.16% interest in DBD Ventures Inc., which indirectly owns 65.52% in RadarNet Limited. Therefore, Mr. Ng Chi Shing is deemed to be interested in 1,081,350,000 shares of the Company held by RadarNet Limited. On 19th October, 2001, RadarNet Limited transferred all of its shares of the Company to Mr. Tam Wai Keung, Billy and Mr. Ng Chi Shing resigned as a non-executive director of the Company.
- (2) These directors are deemed to be interested in 400,500,000 shares of the Company held by HSBC International Trustee Limited (“HSBC Trustee”), the trustee of The RadarNet Trust which is a discretionary trust set up by RadarNet Limited, by virtue of being the beneficiaries under such discretionary trust.

Save as disclosed above, as at 30th September, 2001, none of the directors, chief executives of the Company or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Share Option Scheme

The Company has adopted a share option scheme on 22nd February, 2001 (the “Share Option Scheme”). Pursuant to the Share Option Scheme, full time employees, including any executive director, of the Company and its subsidiaries may be granted options to subscribe for the shares of the Company. Up to 33¹/₃%, 66²/₃% and 100% of any option granted under the Share Option Scheme may respectively be exercised after one year, two years and three years from the date of offer of an option is made, but not later than 10 years from the date of offer.

As at 30th September, 2001, no option has been granted or agreed to be granted under the Share Option Scheme.

Trust Scheme

The RadarNet Trust is a discretionary trust which was set up by RadarNet Limited, one of the substantial shareholders of the Company, on 9th August, 2000. HSBC Trustee was appointed as the trustee. Under The RadarNet Trust, HSBC Trustee may at its discretion sell the shares of the Company to certain beneficiaries who are directors, employees or consultants of the Group and its holding companies, shareholders or associated companies. The objective of establishing The RadarNet Trust is to incentivise the beneficiaries who have contributed to the business development of the Group before its listing and to the preparation for the listing of the Company's shares.

Since The RadarNet Trust is a discretionary trust, HSBC Trustee has the absolute discretion in deciding the manner and terms of the sale of the shares comprised therein to any beneficiary. However, the Group has recommended to HSBC Trustee the manner and terms by which any shares to be sold to the beneficiaries. The Group has recommended to HSBC Trustee to sell 200,250,000 shares of the Company representing 50% of the shares comprised in the trust property to 56 then full-time employees including four executive directors of the Company, namely Mr. Lee Brandon, Mr. Leung Man Leuk, Tommy, Mr. Hui Kwai and Mr. Tang King Fai, and a non-executive director, Mr. Cheung Sum, Sam (who changed from an executive director to a non-executive director with effect from 1st October, 2001), and the remaining 50% of such shares to 14 full-time employees of Pacific Century CyberWorks Limited ("PCCW"), one of the substantial shareholders of the Company, including Mr. Chung Cho Yee, Mico, who is an executive director of both PCCW and the Company, and Mr. Chen Johnson, who is a non-executive director of the Company, for their contribution to the business development of the Group before its listing and to the preparation for the listing. In addition, the Group also recommended to HSBC Trustee that any shares to be sold by HSBC Trustee to the beneficiaries should be at a cost of HK\$0.0334 per share. All dividends derived from the shares received by HSBC Trustee will be retained by HSBC Trustee and form part of the trust fund under The RadarNet Trust.

During the period, following the resignation of several employees from the Group, the recommendation of 2,002,500 shares to be sold to them has been withdrawn.

As at 30th September, 2001, no shares have been sold to the beneficiaries under the aforesaid trust.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2001, the interests of substantial shareholders in the Company's shares as recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance were as follows:

| Name | Number of shares | Approximate percentage of shareholding |
|---|------------------|--|
| Li Tzar Kai, Richard ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Pacific Century Group Holdings Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Pacific Century International Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Pacific Century Group (Cayman Islands) Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Anglang Investments Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Pacific Century Regional Developments Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Pacific Century CyberWorks Limited (“PCCW”) ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Century Power Group Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| CyberVentures (Bermuda) Limited (“CyberVentures”) ⁽¹⁾ | 2,523,150,000 | 47.90% |
| CyberWorks Internet Ventures Limited ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Media Touch Group Limited (“Media Touch”) ⁽¹⁾ | 2,523,150,000 | 47.90% |
| Ng Chi Shing ⁽²⁾ | 1,081,350,000 | 20.53% |
| DBD Ventures Inc. ⁽²⁾ | 1,081,350,000 | 20.53% |
| Chan Kin Hang, Johnny ⁽²⁾ | 1,081,350,000 | 20.53% |
| Logistic View Ltd. ⁽²⁾ | 1,081,350,000 | 20.53% |
| DotCom Pacific Ventures Limited (“DotCom Pacific”) ⁽²⁾ | 1,081,350,000 | 20.53% |
| RadarNet Limited (“RadarNet”) ⁽²⁾ | 1,081,350,000 | 20.53% |

Notes:

- Media Touch is wholly-owned by CyberWorks Internet Ventures Limited which is, in turn, wholly-owned by CyberVentures. The entire issued share capital of CyberVentures is held by Century Power Group Limited and the entire issued share capital of Century Power Group Limited is held by PCCW. Therefore, CyberWorks Internet Ventures Limited, CyberVentures, Century Power Group Limited and PCCW are deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

PCCW is a subsidiary of Pacific Century Regional Developments Limited. Approximately 37.5% and 37.8% of Pacific Century Regional Developments Limited’s issued share capital were held by Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited respectively. Anglang Investments Limited was wholly-owned by Pacific Century Group (Cayman Islands) Limited whilst the latter was wholly-owned by Pacific Century International Limited. In turn, Pacific Century International Limited was wholly-owned by Pacific Century Group Holdings Limited, the entire issued share capital of which was held by Mr. Li Tzar Kai, Richard. Therefore, Pacific Century Regional Developments Limited, Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited, Pacific Century Group Holdings Limited and Mr. Li Tzar Kai, Richard are all deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

- RadarNet is wholly-owned by DotCom Pacific which is, in turn, 62.52% owned by DBD Ventures Inc. and 35.37% owned by Logistic View Ltd. DBD Ventures Inc. is 36.16% owned by Mr. Ng Chi Shing and Logistic View Ltd. is wholly-owned by Mr. Chan Kin Hang, Johnny. Therefore, DotCom Pacific, DBD Ventures Inc., Logistic View Ltd., Mr. Ng Chi Shing and Mr. Chan Kin Hang, Johnny are deemed to be interested in the shares held by RadarNet for the purposes of the SDI Ordinance. On 19th October, 2001, RadarNet transferred all of its shares to Mr. Tam Wai Keung, Billy.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th September, 2001.

COMPETING INTERESTS

PCCW is one of the substantial shareholders of the Company and in which Mr. Chung Cho Yee, Mico, an executive director of the Company, is an executive director. PCCW has interests in the following entities which are engaged in the data centre or related business:

- a 42.5% interest in 北京中關村數據科技有限公司.
- a 50% interest in IDC Limited, an Internet data centre joint venture company.
- a 100% interest in an indirect subsidiary of PCCW, which provides data centre services under the brand name of Powerb@se.

The directors believe that there is a risk that such businesses may compete with those of the Group's. Details of the above competing interests have been disclosed in the section "Relationship with PCCW" on pages 114 to 119 of the Company's prospectus dated 28th February, 2001. Up to the date of this report, all information regarding the aforesaid competing interests and the arrangements in this connection as mentioned in the Company's prospectus remains unchanged.

Save as disclosed above, none of the directors, the management shareholders or the substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 22nd February, 2001 which comprises Mr. Wong Wing Shing and Mr. Cheng Kai Ming, both of whom are independent non-executive directors of the Company. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group.

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

During the nine months ended 30th September, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTEREST OF SPONSOR

Neither BNP Paribas Peregrine Capital Limited (the "Sponsor") nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 30th September, 2001.

Pursuant to the agreement dated 13th February, 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 9th March, 2001, the date on which the shares of the Company are listed, until 31st December, 2003.

Save for the above, the Sponsor has no other interest in the Company as at 30th September, 2001.

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

Hong Kong, 6th November, 2001

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the date of its publication.