



iLink Holdings Limited

合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2001

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* *For identification purpose only*

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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.

HIGHLIGHTS

- iLink Holdings Limited (the “Company”) was listed on GEM since 9th March, 2001.
- Turnover for the year ended 31st December, 2001 amounted to HK\$81,901,000.
- Net loss attributable to shareholders for the year ended 31st December, 2001 amounted to HK\$34,901,000.
- The directors do not recommend the payment of a dividend for the year ended 31st December, 2001.

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2001 together with the comparative audited figures for the corresponding period in 2000 as follows:

	For the year ended 31st December, 2001 HK\$'000	For the year ended 31st December, 2000 HK\$'000
Turnover (<i>Note 2</i>)	81,901	39,871
Cost of revenues	(63,353)	(31,920)
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Gross profit	18,548	7,951
Selling and marketing expenses	(10,452)	(17,691)
General and administrative expenses	(50,588)	(22,285)
Other (expenses) income, net	(823)	112
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Loss from operations	(43,315)	(31,913)
Interest income	8,414	3,233
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Loss before taxation	(34,901)	(28,680)
Taxation (<i>Note 3</i>)	-	-
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Net loss attributable to shareholders	(34,901)	(28,680)
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Loss per share - Basic (<i>Note 4</i>)	(0.7 cents)	(1.9 cents)
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Loss per share - Diluted (<i>Note 4</i>)	N/A	N/A
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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 its commencement of operations.

Pursuant to a written resolution of all shareholders of the Company dated 31st January, 2001, the Company changed its name from iLink.net Holdings Limited to iLink Holdings Limited.

The Company’s ordinary shares have been listed on GEM of the Stock Exchange since 9th March, 2001.

The financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by Hong Kong Society of Accountants, the 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

	2001	2000
	HK\$’000	HK\$’000
Installation, Internet connectivity, server hosting and co-location services	50,195	26,788
Other value-added services	21,316	10,192
Sales of equipment and software	10,390	2,891
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Total turnover	81,901	39,871
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3. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for the years ended 31st December, 2001 and 2000.

A subsidiary, 北京合縱連橫科技有限公司 (the “Beijing Subsidiary”), is subject to the enterprise income tax of The People’s Republic of China (the “PRC”) on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant income tax laws. No provision for PRC enterprise income tax was made as the Beijing Subsidiary had no taxable income for the year ended 31st December, 2001.

Based on an agreement between the Beijing Subsidiary and a PRC government authority dated 18th May, 2001, a monthly subsidy is granted to the Beijing Subsidiary which is calculated at 35% of the business tax and enterprise income tax paid or payable by the Beijing Subsidiary in the previous month. This arrangement will be in force up to 31st December, 2003.

The Group has not recorded deferred tax assets, mainly in respect of tax losses for the operations in Hong Kong and the PRC due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future. Tax losses for the operations in Hong Kong and the PRC were approximately HK\$88,000,000 and HK\$7,000,000 (2000: HK\$29,000,000 and nil) respectively, subject to agreement by relevant tax authorities.

4. Loss per Share

The calculation of basic loss per share is based on the Group’s consolidated net loss attributable to shareholders for the relevant periods and the weighted average of approximately 4,931,705,000 (2000: 1,478,880,000) shares which have been adjusted for the capitalisation issue and the subdivision of shares of the Company during the year. Details of the share subdivision is described in the section “Share Subdivision” below.

Diluted loss per share is not presented because the effect of the assumed conversion of all potential dilutive securities during the years ended 31st December, 2001 and 2000 would be anti-dilutive.

5. Reserves

Movements in reserves of the Group for the years ended 31st December, 2001 and 2000 are as follows:

	2001				2000	
	Share premium	Contributed surplus	Exchange translation reserve	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance, beginning of year	212,712	43,782	-	(32,435)	224,059	11,839
Capitalisation for bonus issue	-	-	-	-	-	(780)
Share premium created upon share exchange in the Reorganisation	-	-	-	-	-	771
Issuance of Series A preferred shares	-	-	-	-	-	62,384
Capitalisation of loans from a shareholder	-	-	-	-	-	71,166
Bonus issue of convertible notes	-	-	-	-	-	(42,198)
Issuance of ordinary shares	112,504	-	-	-	112,504	119,942
Capitalisation issue	(71,110)	-	-	-	(71,110)	-
Issuance of ordinary shares	(1,762)	-	-	-	(1,762)	-
Conversion of convertible note	(8,868)	-	-	-	(8,868)	29,615
Exchange translation differences	-	-	50	-	50	-
Loss for the year	-	-	-	(34,901)	(34,901)	(28,680)
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Balance, end of year	243,476	43,782	50	(67,336)	219,972	224,059
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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.

As at 31st December, 2001, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$246,700,000 (2000: HK\$216,600,000), subject to the restriction stated above.

6. Segment Information

The Group's principal activities are conducted mainly in Hong Kong and the PRC and it has 2 reportable segments based on the Group's operations in these two geographical areas. The Group has only one business segment engaged in the provision of Internet connectivity, server hosting and co-location services, other value-added services and sales of equipment and software. An analysis by geographical segment is as follows:

	Hong Kong		The PRC		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover						
External sales	78,898	39,871	3,003	-	81,901	39,871
Result						
Segment result	(30,053)	(31,392)	(12,622)	(521)	(42,675)	(31,913)
Unallocated corporate expenses					(640)	-
Loss from operations					(43,315)	(31,913)
Interest income					8,414	3,233
Net loss attributable to shareholders					(34,901)	(28,680)
Assets						
Segment assets	276,532	241,647	67,504	16,541	344,036	258,188
Unallocated corporate assets					-	13,000
Consolidated total assets					344,036	271,188
Liabilities						
Segment liabilities	11,251	20,890	7,466	521	18,717	21,411
Unallocated corporate liabilities					-	13,110
Consolidated total liabilities					18,717	34,521
Other information						
Capital expenditures	12,890	53,994	14,187	16,541	27,077	70,535
Depreciation	10,777	6,339	1,055	-	11,832	6,339
Provision for doubtful debts	9,014	530	-	-	9,014	530

The Group does not have any inter-segment sales. Revenues generated by the Hong Kong and the PRC reportable segments are mainly from customers located in the respective geographical areas.

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 dividend for the year ended 31st December, 2001 (2000: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st December, 2001, the Group achieved a turnover of approximately HK\$81,901,000 and recorded a net loss attributable to shareholders of approximately HK\$34,901,000.

During the year, the Group had been successful in boosting its revenue and turnover was doubled. However, due to keen competition in the market and the declining economy, the Group experienced much pressure on pricing of its core businesses, such as Internet connectivity, server hosting and co-location services, although the effect of which was partly compensated by its value-added services provided. The Group was also hard hit by the dramatic corporate failures of certain of its customers after the terrorists' attack on the United States and to be prudent, the Group had made a provision of approximately HK\$9,014,000 during the year against its doubtful debts which was included in general and administrative expenses. Further, the Group incurred operating loss arising from its operation in Beijing, at its start-up stage, for the amount of approximately HK\$12,622,000. As a result, the Group recorded an increase in net loss attributable to shareholders for the year.

Financial Resources and Liquidity

As at 31st December, 2001, shareholders' funds of the Group amounted to approximately HK\$325,319,000. Current assets amounted to approximately HK\$246,470,000, of which approximately HK\$216,829,000 were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately HK\$18,717,000, mainly its trade payables and accruals. The net asset value per share was HK\$0.062. The gearing ratio was 5.8% on the basis of total liabilities divided by shareholders' funds.

The business activities of the Group are not exposed to material fluctuations in exchange rates except the operation through its subsidiary in Beijing, the PRC, which is subject to fluctuation in exchange rates between Renminbi and Hong Kong dollars.

Operation Review

Strategic Development

Beijing

In April 2001, the Group commenced its operation in Beijing, PRC through 北京合縱連橫科技有限公司 (the "Beijing Subsidiary"), a wholly-owned subsidiary of the Company registered in the PRC.

Pursuant to an agreement signed 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 is providing bandwidth to the customers of the Beijing data centre.

The Beijing Subsidiary has built its own sales and operation team. In order to maintain the standard and the quality of services, appropriate training has been provided for its staff in Beijing. Services have been soft-launched and several customers moved in while the growth in business is slow. The Group has successfully secured an agreement with China Netcom in providing them with co-location services to broaden its revenue base and has also been considering alternatives to minimise its operating costs in Beijing for its long-term development there.

Shanghai

In May 2001, the contract made between the Group, 上海世紀新元信息產業有限公司 and 上海虹口工業科技投資有限公司 for establishing an equity joint venture to operate a data centre in Shanghai had lapsed. Nevertheless, the Group has engaged a strategic partner in providing data centre services there. Having considered the oversupply situation in Shanghai at the moment, it is expected that the delay in establishing its own data centre there will not materially affect the Group's operation.

Taiwan, Singapore and Shenzhen

Strategic partners have been engaged in Singapore and identified in Taiwan and Shenzhen for the provision of data centre services.

In view of the significant downturn of economy in Taiwan and Singapore and the market conditions in Shenzhen, 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. It is expected that the delay in establishing its own data centres there will not materially affect the Group's operation.

Infrastructure and facilities development

The renovation and installation of the respective facilities in the expansion phase of the data centre at "The Center" in Hong Kong and the Group's data centre in Beijing were completed in March and April 2001 respectively. 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

The Group continued to expand its existing data centre services and has introduced broadband connectivity and Secure Mailing System to the customers in the year.

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

- Business automation application which is a customized, automated program for business workflow
- Enhanced version of CRM
- Media streaming on demand which provides streaming services upon customers' usage request
- Fiber channel data storage
- Automatic tape back up which provides automatic off-site data back up
- Security risk assessment which is a penetration test to identify any security problem
- Intrusion detection system which is a monitoring system to detect any attempted intrusions into the network
- Anti-virus gateway which protects customers from new breeds of virus that may disrupt services

Staff

As at 31st December, 2001, the Group employed approximately 118 (2000: 62) staff with remuneration for the year amounting to approximately HK\$27,773,000 (2000: HK\$16,644,000). The significant increase in headcount mainly arose from recruitment of staff for its Beijing operation. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

To maintain its standard of services and to develop its staff, the Group has been providing a comprehensive range of on-the-job trainings to its staff. The Group also engaged independent specialists to hold in-house seminars and training courses to its staff and sponsored its staff to attend seminars and training courses held by professional bodies. Staff training is always provided as and when required.

The Group operates a defined contribution pension scheme for its qualifying employees, pursuant to which the Group makes contribution at 8% to 12% on the employees' salary or eligible employees may elect to join to its defined contribution Mandatory Provident Fund since 1st December 2000 and to which the Group makes monthly contributions based on the relevant regulations. The Company has adopted a share option scheme on 22nd February, 2001. During the year and as at 31st December, 2001, no option has been granted or agreed to be granted under the said share option scheme.

In view of the difficult economic situation in Hong Kong, the Group has taken measures to control its operating costs. Among which, all Hong Kong staff were not declared any year-end bonus for 2001. To show their commitment to the Group, the executive directors have further decided to waive their entitlement to a monthly fee of HK\$15,000 each commencing on February 2002. An executive director has also entered into a supplementary agreement with the Group to reduce his monthly salary by HK\$33,000 with effect from January 2002.

Prospect

In response to the slowdown across different market segments in Hong Kong and worldwide, in particular, after the terrorists' attack on the United States, the Group has been conservative in setting up further data centres across the Asia Pacific region. On the other hand, the Group has adopted a more flexible strategy in providing its customers data centre services throughout the region by forming alliances with other data centre operators in Shanghai, Shenzhen, Guangzhou, Tokyo, Singapore, Manila, Bangkok, Seoul, Taipei and Kuala Lumpur. The directors are comfortable with the Group's present pace of business development and the Group will pursue its business objectives cautiously taking into account of the latest market development and the best interests of the Group.

In the first half of 2002, the directors believe the Group will continue to experience more pressure on pricing of its service revenue and the level of bad debts will be at a relatively high level before the market rebounds. In view of this, the Group has taken every measure to increase its operating efficiency and to reduce its operating costs so as to increase its competitiveness. The

Group has also set up a task group enhancing its debt collectibility. On the other hand, the Group has been launching more value-added services to its customers to broaden its revenue base. These are to make sure that the Group can be the first to benefit when the economy recovers.

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. The directors also believe that the accession of the PRC into the World Trade Organisation and the recent signs of economic recovery in the United States bring the hope that the economy in Hong Kong has reached its bottom and may rebound in the second half of 2002 and the Group will also benefit from the consolidation of the industry with many players ceasing their operations.

PROGRESS AGAINST BUSINESS OBJECTIVES

The following is the comparison of the Group's business objectives for the periods from 1st January, 2001 to 30th June, 2001 and from 1st July, 2001 to 31st December, 2001 as set out in the Company's Prospectus dated 28th February, 2001 with the actual business progress up to 31st December, 2001.

1st January, 2001 to 30th June, 2001

BUSINESS OBJECTIVES

ACTUAL BUSINESS PROGRESS

Business Development

- | | |
|---|---|
| <ul style="list-style-type: none">● Recruit and train staff for operating data centres in Beijing, Shanghai, Taiwan and Singapore.● Evaluate the feasibility of providing ASP services in the People's Republic of China.● Launch an e-commerce application platform.● Launch an enhanced version of CRM application and introduce other ASP applications. | <ul style="list-style-type: none">● Staff members for Beijing data centre have been recruited and trained. Operations has been commenced.● ASP services have been provided by Beijing data centre.● The Group has introduced the payment gateway to facilitate e-commerce transactions.● The enhanced version of CRM application has been launched during the period. The Group has also launched new ASP services, including business automation application and media streaming on demand. |
|---|---|

- Launch a central monitoring management system as a value-added data centre service to provide in-depth monitoring on servers and applications hosted at the Group's data centres.
- Launch computerized closed racks as a value-added data centre service which record any access to the racks.
- Renovate and install facilities in the additional space leased in "The Center" in Hong Kong at approximately HK\$10 million to increase the hosting capacity by additional 200 racks.
- Due to the slowdown in the Internet market, the introduction of central monitoring management system is postponed. However, it is believed that such delay will not cause any significant changes to the Group's overall business plan.
- Due to the slowdown in the Internet market, the introduction of computerized closed racks service is postponed. However, it is believed that such delay will not cause any significant changes to the Group's overall business plan.
- Renovation and installation was completed in March 2001. The Group's hosting capacity in Hong Kong has been increased from 1,100 to 1,300 racks.

Geographical expansion

- Identify joint venture partner in Beijing and sign a joint venture agreement for establishment of the Beijing joint venture.
- In view of the latest development in the relevant rules and regulations in the PRC, the Group has on 6th April, 2001 established the Beijing Subsidiary for operating the Group's data centre in Beijing.
- Reach agreement with local partners in Taiwan and Singapore to establish data centers in Taiwan and Singapore.
- Strategic partners have been identified in Taiwan and engaged in Singapore for the provision of data centre services there. It is believed that the delay in establishing its own data centres there will not have any significant impact on the Group's business development.

- Launch four data centres, one in Beijing, one in Shanghai, one in Taiwan and one in Singapore with estimated capital investment by the Group of approximately HK\$56 million, HK\$26 million, HK\$25 million and HK\$25 million respectively.
- Investigate the potential benefits of setting up a research and development team in the PRC.
- Explore the potential for data centre business in other Asian cities.
- Renovation and installation of the data centre in Beijing was completed in April 2001 and operation has then been commenced. The co-operation agreement with the strategic partners to establish data centre in Shanghai lapsed during the year and the Group has engaged another strategic partner in providing data centre services there. The Group has also identified in Taiwan and engaged in Singapore strategic partners for the provision of data centre services there. It is expected that the delay in establishing its own data centres in Shanghai, Taiwan and Singapore will not materially affect the Group's operation.
- Every effort has been made to boost the revenue of the Beijing Subsidiary while its management is still actively investigating the costs and benefits of setting up a research and development team there.
- Development pace was slowed down while any investment opportunities in other Asian cities were not oversighted.

Strategic development

- Seek to form alliances with local companies in Taiwan and Singapore where the Group plans to establish data centres in the first half of 2001.
- Seek to form alliances with local companies in Shenzhen and Guangzhou where the Group plans to establish data centres in the second half of 2001, and 2002, respectively.
- Explore opportunities to acquire or form alliances with other ASPs to strengthen the Group's ASP business.
- Continue to seek to form alliances with software vendors to broaden the range of ASP services.
- Strategic partners have been identified in Taiwan and engaged in Singapore for the provision of data centre services there.
- Potential partners have been identified in Shenzhen and Guangzhou for the provision of data centre services there.
- Potential partners have been identified and terms of co-operation are being negotiated.
- Strategic alliance and channel partnerships have been formed with Microsoft Corporation and Oracle Corporation for provision of Microsoft and Oracle Solutions.

- Explore merger and acquisition opportunities which will create synergy with the Group's business operations.
- Potential targets are being reviewed.

Marketing strategies

- Launch marketing program in Beijing, Shanghai, Taiwan and Singapore to promote the four new data centres of the Group.
- The Group had launched the following marketing programs in the first half of 2001:
 - booth exhibition at "Hong Kong Information Infrastructure Expo" in February 2001
 - booth exhibition at "Compaq eInfrastructure Symposium 2001" in May 2001
 - speech delivered at "Enterprise China 2001" in Beijing in June 2001
 - other marketing campaigns such as joint promotions with Hewlett-Packard Hong Kong Limited, Cisco Systems, Inc. and Compaq Computer Limited; various advertisements and new corporate brochures and flyers, etc.
- Introduce customer referral program to provide incentives to existing customers by providing credits, discounts or commissions, for referring new customers to the Group.
- The Group has soft launched a customer referral program to provide incentives to the existing customers for referring new customers to the Group.

1st July, 2001 to 31st December, 2001

Business Development

- Continue to launch ASP services to support game server applications.
- Potential partners are being identified.
- Implement an enhanced monitoring system of site testing, in terms of scalability, integrity, database and storage management.
- The Group has introduced a monitoring system which actively tracks performance parameters.
- Launch ASP services in the PRC.
- ASP services have been provided by Beijing data centre.

- Recruit and train staff for operating data centre in Shenzhen.
- Recruitment and training of staff for operating data centre in Shenzhen will be postponed until the establishment of data centre in Shenzhen.

Geographical expansion

- Reach agreement with local partners in Shenzhen and launch a data centre in Shenzhen with estimated capital investment by the Group of approximately HK\$34 million.
- Considering the current market conditions, the development of data centre in Shenzhen will be postponed. It is believed that such delay will not have any significant impact on the Group's business development. Nevertheless, the Group has identified strategic partner for the provision of data centre services there.
- Explore the feasibility of establishing data centres in Europe.
- In view of the changes in market conditions, development pace was slowed down while any investment opportunities in Europe would be evaluated cautiously.

Strategic Development

- Seek to form alliances with local companies and software vendors to broaden the range of services.
- Potential partners have been identified and negotiations on different services/products are underway.

Marketing Strategies

- Cooperate with business partners and carry out joint marketing programs.
- Joint marketing program was arranged with Microsoft and Compaq to offer SME packages.
- Employ a broad range of marketing communications and public relations activities through local and regional media.
- Local and regional media were employed for marketing communications and public relations activities such as HK6.com and Bulgarian National Television.

USE OF PROCEEDS

The Company obtained net proceeds, after deducting all relevant expenses, of approximately HK\$123,503,000, which is HK\$2,503,000 in excess of the estimated amount as stated in the Company's prospectus dated 28th February, 2001 (the "Prospectus") from the new issue of shares by way of placing (the "Placing"). Up to 31st December, 2001, the Group has applied the net proceeds as follows:

	Use of proceeds as stated in the Prospectus HK\$	Actual amount used up to 31st December, 2001 HK\$	Notes
Establish data centre in Taiwan in the first half of 2001	25,000,000	-	(a)
Establish data centre in Shenzhen in the second half of 2001	34,000,000	-	(a)
Operations of data centre and ASP businesses for the year ended 31st December, 2001	43,000,000	42,389,000	(b)
Marketing and promotional activities for the year ended 31st December, 2001	12,000,000	2,096,000	(c)
Working capital	7,000,000	-	
Total	121,000,000	44,485,000	(d)

Notes:

- (a) To cope with changes in the Group's development pace, the proceeds allocated for the establishment of its data centre in Taiwan and Shenzhen were withheld and placed in banks to earn interest.
- (b) HK\$42,389,000 was utilised to finance the operations of its data centres and ASP services.
- (c) To cope with market changes, the Group has restricted its expenditures in marketing and promotional activities for the year ended 31st December, 2001 from HK\$12,000,000 to HK\$2,096,000 with the balance kept as additional working capital.
- (d) Net proceeds received from the Placing amounted to HK\$123,503,000, which is HK\$2,503,000 in excess of the estimated amount as stated in the Prospectus. The unused proceeds were placed in bank to earn interest and will be used as additional working capital.

DIRECTORS' INTERESTS

As at 31st December, 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	Other interests (Note)	Total
Chung Cho Yee, Mico	-	-	-	400,500,000	400,500,000
Tam Wai Keung, Billy	1,081,350,000	-	-	-	1,081,350,000
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

Note: 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 a discretionary trust named The RadarNet Trust, by virtue of being the beneficiaries under such discretionary trust.

Save as disclosed above, as at 31st December, 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 33 $\frac{1}{3}$ %, 66 $\frac{2}{3}$ % and 100% of any option offered 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. The subscription price on the exercise of an option shall be at least the highest of (i) the closing price of the Company's shares quoted on the GEM on the date of offer, (ii) the average closing price of the Company's shares quoted on the GEM for the five business days immediately preceding the date of offer, and (iii) the nominal value of the Company's shares.

During the year ended and as at 31st December, 2001, no option has been granted or agreed to be granted under the Share Option Scheme.

The directors propose to adopt a new share option scheme in the forthcoming annual general meeting of the Company. Details of which will be set out in a circular of the Company to its shareholders dated 28th March, 2002.

Trust Scheme

The RadarNet Trust is a discretionary trust which was set up by RadarNet Limited, the then substantial shareholder of the Company, on 9th August, 2000. HSBC Trustee was appointed as the trustee. Under The RadarNet Trust, HSBC Trustee may at its discretion to 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 ceased to act as an executive director and was appointed 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 year, following the resignation of several employees from the Group, the recommendation of 2,002,500 shares to be sold to them has been withdrawn. Subsequent to the year end, the recommendation of another 7,209,000 shares has been withdrawn due to resignation of employees.

As at 31st December, 2001, no shares have been sold to the beneficiaries under the aforesaid trust.

Save as disclosed above, at no time during the year 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 31st December, 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 ^(Note)	2,523,150,000	47.90%
Pacific Century Group Holdings Limited ^(Note)	2,523,150,000	47.90%
Pacific Century International Limited ^(Note)	2,523,150,000	47.90%
Pacific Century Group (Cayman Islands) Limited ^(Note)	2,523,150,000	47.90%
Anglang Investments Limited ^(Note)	2,523,150,000	47.90%
Pacific Century Regional Developments Limited ^(Note)	2,523,150,000	47.90%
Pacific Century CyberWorks Limited ("PCCW") ^(Note)	2,523,150,000	47.90%
Century Power Group Limited ^(Note)	2,523,150,000	47.90%
CyberVentures (Bermuda) Limited ("CyberVentures") ^(Note)	2,523,150,000	47.90%
CyberWorks Internet Ventures Limited ^(Note)	2,523,150,000	47.90%
Media Touch Group Limited ("Media Touch") ^(Note)	2,523,150,000	47.90%
Tam Wai Keung, Billy	1,081,350,000	20.53%

Note: 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 are held by Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited respectively. Anglang Investments Limited is wholly-owned by Pacific Century Group (Cayman Islands) Limited whilst the latter is wholly-owned by Pacific Century International Limited. In turn, Pacific Century International Limited is wholly-owned by Pacific Century Group Holdings Limited, the entire issued share capital of which is 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.

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 31st December, 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, which provides IT and professional services.
- 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. Regular meetings have been held by the Committee since its establishment and the Committee met four times in 2001.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the “Board Practices and Procedures” as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year, except that the independent non-executive directors are not required for a specific term but are subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

INTEREST OF SPONSOR

As notified by BNP Paribas Peregrine Capital Limited (the “Sponsor”), the Company’s sponsor, neither 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 31st December, 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 31st December, 2001.

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

During the year ended 31st December, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 11th March, 2002

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.