



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 THREE MONTHS ENDED 31ST MARCH, 2002

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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

- Turnover for the three months ended 31st March, 2002 amounted to HK\$18,386,000.
- Net loss attributable to shareholders for the three months ended 31st March, 2002 amounted to HK\$39,848,000 after the provision for impairment losses of HK\$29,682,000 in respect of the fixed assets for its data centre operation in Beijing, the PRC, which was discontinued following a corporate restructuring of the Group.
- The directors do not recommend the payment of a dividend for the three months ended 31st March, 2002.

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 ended 31st March, 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	For the three months ended 31st March					
	Continuing Operations		Discontinuing Operation (Data Centre at Beijing)		The Group	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover (<i>Note 2</i>)	16,715	21,283	1,671	-	18,386	21,283
Cost of revenues	(13,233)	(14,545)	(3,320)	-	(16,553)	(14,545)
Gross profit	3,482	6,738	(1,649)	-	1,833	6,738
Selling and marketing expenses	(1,806)	(2,951)	(71)	-	(1,877)	(2,951)
General and administrative expenses	(9,483)	(10,276)	(1,505)	-	(10,988)	(10,276)
Other income, net	6	-	-	-	6	-
Impairment losses in fixed assets (<i>Note 3</i>)	-	-	(29,682)	-	(29,682)	-
Loss from operations	(7,801)	(6,489)	(32,907)	-	(40,708)	(6,489)
Interest income	851	2,525	9	-	860	2,525
Loss before taxation	(6,950)	(3,964)	(32,898)	-	(39,848)	(3,964)
Taxation (<i>Note 4</i>)	-	-	-	-	-	-
Loss after taxation	(6,950)	(3,964)	(32,898)	-	(39,848)	(3,964)
Minority interests	-	-	-	-	-	-
Net loss attributable to shareholders	(6,950)	(3,964)	(32,898)	-	(39,848)	(3,964)
Loss per share						
- Basic (<i>Note 5</i>)					(0.76 cents)	(0.1 cents)
Loss per share						
- Diluted (<i>Note 5</i>)					N/A	N/A

Notes:

1. Basis of Presentation

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 The Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

2. Turnover

Turnover represent income earned from installation, Internet connectivity, server hosting and co-location, other value-added services and sales of equipment and software.

3. Discontinuing operation

On 8th May, 2002, the Group approved a corporate restructuring and formulated a plan to discontinue its data centre operation in Beijing, The People’s Republic of China (the “PRC”). Results of this discontinuing operation for the three months ended 31st March, 2002 are set out above.

As a result of the corporate restructuring, a provision for impairment losses in the amount of approximately HK\$29,700,000 in respect of the fixed assets for the data centre operation in Beijing has been made.

As at 31st March, 2002, the carrying amount of the fixed assets of the operation in Beijing was approximately HK\$29,700,000 and it had no other significant assets or liabilities. The cash outflow from operating activities of the operation in Beijing was approximately HK\$6,400,000 and its cashflow from investing and financing activities was not significant for the three months ended 31st March, 2002.

4. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for the three months ended 31st March, 2002 and 2001.

A subsidiary, 北京合縱連橫科技有限公司 (the “Beijing Subsidiary”), is subject to the PRC enterprise income tax 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 three months ended 31st March, 2002.

The Group has not recorded deferred tax assets, mainly in respect of tax losses for the operations in Hong Kong for the period of approximately HK\$6,000,000 (2001: HK\$4,000,000), subject to agreement by the Hong Kong Inland Revenue, due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future.

5. Loss per Share

The calculation of basic loss per share is based on the Group's unaudited consolidated net loss attributable to shareholders for the period and 5,267,374,610 shares (2001: weighted average of 3,906,048,525 shares, which have been adjusted for the subdivision of shares of the Company in August 2001) in issue during the period.

Diluted loss per share is not presented because the effect of the assumed conversion of all potential dilutive securities during the three months ended 31st March, 2002 and 2001 would be anti-dilutive.

6. Reserves

Movements in reserves of the Group for the three months ended 31st March, 2002 and 2001 are as follows:

	<u>2002</u>				<u>2001</u>	
	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 period	243,476	43,782	50	(67,336)	219,972	256,494
Issuance of ordinary shares	-	-	-	-	-	110,742
Capitalisation issue	-	-	-	-	-	(71,110)
Conversion of convertible note	-	-	-	-	-	(8,868)
Exchange translation differences	-	-	12	-	12	-
Loss for the period	-	-	-	(39,848)	(39,848)	(3,964)
Balance, end of period	243,476	43,782	62	(107,184)	180,136	283,294

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 dividend for the three months ended 31st March, 2002 (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31st March, 2002, the Group achieved a turnover of approximately HK\$18,386,000 and recorded a net loss attributable to shareholders of approximately HK\$39,848,000.

In the period under review, the Group's continuing operations improved from last quarter by its value-added services provided which carried higher profit margin and by its cost control measures while its turnover also increased slightly as compared to the last quarter.

While the Group focused on improving its operation in Hong Kong, the Group also critically reviewed the data centre operation in Beijing, the PRC. Different alternatives had been implemented to try to increase its revenue and to control its costs. However, all of these had not been very successful and after a comprehensive review of its operation and the data centre market in Beijing, the Group had decided in May 2002 to restructure this operation. A plan was formulated by the Group to discontinue its data centre operation in Beijing and accordingly, a provision for impairment losses in respect of the fixed assets for this data centre operation amounting to approximately HK\$29,682,000 was made as the realizable value of these fixed assets was not expected to be significant. However, part of this provision may be recoverable upon disposing some of these assets. The directors do not anticipate any further significant restructuring cost arising from the closure.

Operation Review

Strategic Development

Beijing

As explained above, the Group has in May 2002 formulated a plan to discontinue its data centre operation in Beijing, PRC through 北京合縱連橫科技有限公司, a wholly-owned subsidiary of the Company registered in the PRC.

On the other hand, the directors believe that Beijing and the other major cities of the PRC are still areas for growth for the Group and a new operation will be established in Beijing which will be providing web-hosting, online storage and secure mailing system to its customers. The Group has also engaged a strategic partner in Beijing for the provision of data centre services to its customers. The restructuring of its operation is an act of prudence by the management to cater for the existing business environment and the Group will also closely monitor the market and adjust its strategy responsively to undertake any business opportunities arising. It is expected that no significant capital expenditures will be incurred for its new operation in Beijing.

Shanghai

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, Shenzhen and Guangzhou

Strategic partners have been engaged in Singapore and identified in Taiwan, Shenzhen and Guangzhou 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 and Guangzhou, 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

In view of the soft market and the Group had completed its renovation and installation of the facilities in the expansion phase of the data centre at "The Center" in Hong Kong last year, no material costs were incurred this period for its infrastructure and facilities. The Group's hosting capacity reaches approximately 1,300 racks in Hong Kong.

Business development

The Group continued to expand its existing data centre services in the period. The Group also strengthened its managed / ASP services during the period.

Prospect

While the different market segments in Hong Kong and worldwide remained soft in the period, the Group has been conservative in setting up further data centres across the Asia Pacific region and 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.

As already set out in the Company's Annual Report for 2001, the directors believe in the first half of 2002, 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. Nevertheless, 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 tightened its credit control and set up a task group enhancing its debt collectibility. It is expected that provision for bad debts will return to a lower level in the second half of 2002. 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 benefit from the consolidation of the industry with many players ceasing their operations. The restructuring of its Beijing data centre operation will also contribute positively to the Group's overall results in the coming periods.

DIRECTORS' INTERESTS

As at 31st March, 2002, 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 March, 2002, 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 terminated its share option scheme adopted on 22nd February, 2001 (the "Share Option Scheme") and adopted a new share option scheme on its 2002 Annual General Meeting on 3rd May, 2002 (the "New Share Option Scheme"). Pursuant to the New Share Option

Scheme, details of which have been set out in a circular of the Company to its shareholders dated 28th March, 2002, any individual being an employee, officer or consultant of the Group, including any executive or non-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 New 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 period and as at 31st March, 2002, 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, 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, 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.

Following the resignation of employees from the Group, as at 1st January, 2002, the recommendation of 2,002,500 shares to be sold to them had been withdrawn and the recommendation of another 8,210,250 shares was withdrawn during the period.

As at 31st March, 2002, 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 31st March, 2002, 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 March, 2002.

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 audit committee of the Company comprises Mr. Cheng Kai Ming and Mr. Wong Wing Shing, 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.

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 period.

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 March, 2002.

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 March, 2002.

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

During the three months ended 31st March, 2002, 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, 8th May, 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.