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iLink Holdings Limited

合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

CONTINUING CONNECTED TRANSACTION

The Board announces that the Subsidiary entered into the New Bandwidth Services Contract with Reach, which is owned as to 50% by each of PCCW and Telstra, on 23rd May, 2001 before the expiration of the Original Bandwidth Services Contract with HKT on 31st May, 2001 as a result of the business restructuring of the PCCW group in 2001. The New Bandwidth Services Contract is not covered by the Existing Waiver granted by the Stock Exchange at the time of the Company's listing in March 2001 in respect of the provision of the Bandwidth Services and the Leased Line Services by HKT and hence should have been subject to the announcement requirement and the shareholders' approval requirement set out in Rules 20.35 and 20.36 of the GEM Listing Rules. As the Company failed to inform the Stock Exchange on 23rd May, 2001 at the time when the Subsidiary entered into the New Bandwidth Services Contract with Reach, this constituted a breach to the GEM Listing Rules and the New Bandwidth Services Contract should be terminated with immediate effect. The Stock Exchange has informed the Company that the transaction under the New Bandwidth Services Contract should be suspended immediately unless, and until Independent Shareholders' approval has been obtained. Since the minimum service period under the New Bandwidth Services Contract covers up to 21st October, 2002 and the Subsidiary is required to pay a cancellation fee of about HK\$750,000 to Reach for the early termination, the Subsidiary is continuing to engage the Bandwidth Services provided by Reach under the New Bandwidth Services Contract until its expiry on 21st October, 2002 but not to renew the contract thereafter. The existing New Bandwidth Services Contract will be voted on by the Independent Shareholders. If the Independent Shareholders disapproved the transaction under the New Bandwidth Services Contract, the Subsidiary has to terminate it with an immediate effect. The Stock Exchange has indicated that it reserves the right to take appropriate action against the Company and its directors for the breach of the GEM Listing Rules.

In addition, as the Existing Waiver is no longer applicable, the provision of the Leased Line Services by HKT is required to re-comply with the announcement requirement and the shareholders' approval requirement set out in Rules 20.35 and 20.36 of the GEM Listing Rules.

Ordinary resolutions will be proposed at an extraordinary general meeting of the Company to approve the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT. The annual cap for the

provision of the Leased Line Services by HKT in any financial year for the three years ending 31st December, 2004 shall not exceed HK\$15,200,000. PCCW, as the substantial Shareholder, owns 50% of Reach and 100% of HKT. By virtue of these interests, PCCW is considered to have an interest in the Continuing Connected Transactions and shall abstain from voting at such extraordinary general meeting of the Company.

A circular containing the details of Continuing Connected Transactions, the advice letter of the independent financial adviser in respect thereof and the notice of the extraordinary general meeting of the Company will be despatched to the Shareholders as soon as practicable and within 21 days from the date of this announcement.

BACKGROUND

The Original Bandwidth Services Contract

On 22nd May, 2000, the Subsidiary entered into the Original Bandwidth Services Contract with HKT pursuant to the terms of which, *inter alia*, HKT agreed to provide the Subsidiary with the Bandwidth Services for a monthly fee of HK\$600,000 from 1st June, 2000 to 31st May, 2001. In addition, HKT also agreed to provide the Subsidiary with the Leased Line Services. The terms of the aforesaid Bandwidth Services and Leased Line Services were conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

As HKT is an associate of PCCW, where PCCW is a substantial Shareholder, HKT is a connected person to the Company as defined under the GEM Listing Rules, and thus the provisions of the Bandwidth Services and the Leased Line Services by HKT constituted a non-exempt continuing connected transaction to the Company at the time of its listing in March 2001. A waiver application has been made on 26th February, 2001 from strict compliance with the announcement requirement set out in Rule 20.35 and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules for each of the three years ending 31st December, 2003 and such a waiver was granted by the Stock Exchange on 8th March, 2001 (the "Existing Waiver"). The annual cap for both the provisions of Bandwidth Services and the Leased Line Services by HKT were set at an aggregate of HK\$26 million. Details of which are set out in the prospectus of the Company dated 28th February, 2001.

The New Bandwidth Services Contract

As part of a business restructuring of the PCCW group in 2001, PCCW has transferred some of the connectivity business under HKT to Reach, which is owned as to 50% by each of PCCW and Telstra, an independent third party. As such, before the expiration of the Original Bandwidth Services Contract with HKT on 31st May, 2001, the New Bandwidth Services Contract has been entered into between the Subsidiary and Reach on 23rd May, 2001.

The New Bandwidth Services Contract has an initial term of six months which covered the period from 1st June, 2001 to 31st December, 2001 but was renewed for another one year on 19th October, 2001 which covered the period from 22nd October, 2001 to 21st October, 2002. The New Bandwidth Services Contract is more favourable in terms of pricing as compared to the Original Bandwidth Services Contract. During the period from 1st June, 2001 to 31st December, 2001 and from 1st January, 2002 to 31st May, 2002, the Group has incurred approximately HK\$1,901,000 and

HK\$1,374,000 respectively for the provision of the Bandwidth Services provided by Reach.

In light of the current competition in the bandwidth service provision industry, a more favourable price had been offered by another service provider which is an independent third party and the Subsidiary will accordingly terminate the New Bandwidth Services Contract upon its expiry on 21st October, 2002. However, the Company does not rule out the possibility that it will, in the future, source the Bandwidth Services from Reach again if a more favourable price is being offered.

Despite the change in respect of the provision of the Bandwidth Services, there is no change in respect of the provision of the Leased Line Services by HKT. During the period from 1st January, 2001 to 31st December, 2001 and from 1st January, 2002 to 31st May, 2002, the Group has incurred approximately HK\$6,254,000 and HK\$2,534,000 respectively for the Leased Line Services provided by HKT. In view of the expected growth in business and demand in Leased Line Services, the Group expected that additional leased lines will be used in the near future and hence the costs for the provision of the Leased Line Services will be increased.

REASONS FOR THE EXECUTION OF THE NEW BANDWIDTH SERVICES CONTRACT

As mentioned above, the New Bandwidth Services Contract was entered into by the Group with Reach as a result of the business restructuring of the PCCW group in 2001 and as a normal business practice after its review of terms offered by the different service providers in the market upon expiration of Original Bandwidth Services Contract. In addition, the terms for the provision of the Bandwidth Services by Reach are arrived at after arm's length negotiation.

GEM LISTING RULES IMPLICATION

As Reach is owned as to 50% by each of PCCW and Telstra, where PCCW is a substantial Shareholder, Reach is a connected person to the Company as defined under the GEM Listing Rules. Based on terms of the New Bandwidth Services Contract, total consideration for the provision of the Bandwidth Services by Reach to the Subsidiary would be higher than HK\$1,000,000 and 0.03% of the net tangible assets of the Company and thereby constitutes a non-exempt continuing connected transaction as defined under Rule 20.26 of the GEM Listing Rules. The New Bandwidth Services Contract is not covered under the Existing Waiver and hence should have been subject to the announcement requirement and the shareholders' approval requirement set out in Rules 20.35 and 20.36 of the GEM Listing Rules. As the Company failed to inform the Stock Exchange on 23rd May, 2001 at the time when the Subsidiary entered into the New Bandwidth Services Contract with Reach, this constituted a breach to the GEM Listing Rules and the New Bandwidth Services Contract should be terminated with immediate effect. The Stock Exchange has informed the Company that the transaction under the New Bandwidth Services Contract should be suspended immediately unless, and until Independent Shareholders' approval has been obtained. Since the minimum service period under the New Bandwidth Services Contract covers up to 21st October, 2002 and the Subsidiary is required to pay a cancellation fee of about HK\$750,000 to Reach for the early termination, the Subsidiary is continuing to engage the Bandwidth Services provided by Reach under the New Bandwidth Services Contract until its expiry on 21st October, 2002 but not to renew the contract thereafter. The existing New Bandwidth Services Contract will be voted on by the Independent Shareholders. If the Independent Shareholders disapproved the

transaction under the New Bandwidth Services Contract, the Subsidiary has to terminate it with an immediate effect. The Stock Exchange has indicated that it reserves the right to take appropriate action against the Company and its directors for the breach of the GEM Listing Rules.

In addition, due to the fact that the Existing Waiver is no longer applicable, the provision of the Leased Line Service by HKT is required to re-comply the announcement requirement and the shareholders' approval requirement set out in Rules 20.35 and 20.36 of the GEM Listing Rules. Ordinary resolutions will be proposed at an extraordinary general meeting of the Company to approve the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT. The annual cap for the provision of the Leased Line Services by HKT in any financial year for the three years ending 31st December, 2004 shall not exceed HK\$15,200,000. It is based on historical usage adjusted for, *inter alia*, the expected growth in business and demand in additional leased lines estimated by the management of the Company.

CONFIRMATION FROM THE DIRECTORS

The Continuing Connected Transactions have been and will continue to be conducted in the normal and ordinary course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. The Directors, including the independent non-executive Directors, are of the view that they were entered into on normal commercial terms (terms no less favourable to the Group than terms available from independent third parties) and are fair and reasonable to the Company and in the interest of the Shareholders taken as a whole.

GENERAL

Ordinary resolutions will be proposed at an extraordinary general meeting of the Company to approve the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT under the revised annual cap. PCCW, being the substantial Shareholder, owns 50% of Reach and 100% of HKT. By virtue of these interests, PCCW is considered to have an interest in the Continuing Connected Transactions and shall abstain from voting at such extraordinary general meeting.

A circular containing the details of the Continuing Connected Transactions, the advice letter of the independent financial adviser in respect thereof and the notice of the extraordinary general meeting of the Company will be despatched to the Shareholders as soon as practicable and within 21 days from the date of this announcement.

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“Associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Bandwidth Services”	Internet connectivity bandwidth services

“Board”	the board of Directors
“Company”	iLink Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Continuing Connected Transactions”	the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT which constitute non-exempt continuing connected transactions under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HKT”	PCCW-HKT Limited (formerly known as Cable & Wireless HKT Limited), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“Independent Shareholders”	Shareholders other than PCCW and its Associates
“Leased Line Services”	telecommunication lines dedicated to particular customers
“New Bandwidth Services Contract”	the contract entered into between the Subsidiary and Reach on 23 rd May, 2001 in relation to the provision of the Bandwidth Services to the Subsidiary by Reach
“Original Bandwidth Services Contract”	the contract entered into between the Subsidiary and HKT on 22 nd May, 2000 in relation to the provision of the Bandwidth Services to the Subsidiary by HKT
“PCCW”	Pacific Century CyberWorks Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange
“Reach”	Reach Services Hong Kong Limited, a wholly owned subsidiary of Reach Ltd., which is a jointly-controlled entity owned as to 50% by each of PCCW and Telstra
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	iLink.net Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Telstra”	Telstra Corporation Limited, (Australian Business Number 33 051 775 556), a company incorporated in Australia with limited liability and the shares of which are listed on the Australian Stock Exchange Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

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

Hong Kong, 2nd August, 2002

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.

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 and the Company’s website at www.iLink.net.

** For identification purpose only*