
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **iLink Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



iLink Holdings Limited

合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee



Polaris Securities (Hong Kong) Limited

A letter from the Independent Board Committee dated 23rd August, 2002 is set out on page 12 of this circular.

A letter from Polaris Securities (Hong Kong) Limited, the independent financial adviser, containing its advice to the Independent Board Committee dated 23rd August, 2002 is set out on pages 13 to 20 of this circular.

A notice convening an extraordinary general meeting of iLink Holdings Limited to be held at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong on Friday, 13th September, 2002 at 10:30 a.m. is set out on pages 26 to 27 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the head office of the Company on 56th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion of the proxy form will not preclude you from attending and voting at the meeting in person should you so wish.

This circular 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.

23rd August, 2002

* for identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Associate(s)”	has the meaning ascribed thereto under Rule 1.01 of 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 GEM
“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
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 56th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Friday, 13th September, 2002 at 10:30 a.m., notice of which is set out on pages 26 to 27 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	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 Board Committee”	an independent committee of the Board comprising Messrs. Cheng Kai Ming and Wong Wing Shing, both being independent non-executive Directors
“Independent Shareholders”	Shareholders other than PCCW and its Associates
“Latest Practicable Date”	19th August, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Leased Line Services”	telecommunication lines dedicated to particular customers
“New Bandwidth Services Contract”	the contract entered into between the Subsidiary and Reach on 23rd 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 22nd May, 2000 in relation to the provision of the Bandwidth Services to the Subsidiary by HKT
“PCCW”	PCCW Limited (formerly known as 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
“Polaris Securities”	Polaris Securities (Hong Kong) Limited, the independent financial advisor to the Independent Board Committee and is an investment advisor registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“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
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance, Chapter 396 of the laws of Hong Kong (as amended)
“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 securities of which are listed on the Australian Stock Exchange Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong



iLink Holdings Limited
合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

CHUNG Cho Yee, Mico (*Chairman*)
TAM Wai Keung, Billy (*Chief Executive Officer*)
LEE Brandon
LEUNG Man Leuk, Tommy
HUI Kwai
TANG King Fai

Registered Office:

Ugland House
South Church Street
P.O. Box 309 George Town
Grand Cayman
Cayman Islands
British West Indies

Non-Executive Directors:

CHEN Johnson
CHEUNG Sum, Sam

Head Office and Principal

Place of Business:
56th Floor
The Center
99 Queen's Road Central
Hong Kong

Independent Non-Executive Directors:

CHENG Kai Ming
WONG Wing Shing

23rd August, 2002

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

It was announced on 2nd August, 2002 that the Subsidiary had entered into the New Bandwidth Services Contract with Reach, which is effectively 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 waiver granted by the Stock Exchange at the time of the Company's listing in March 2001 in respect of the provisions of the Bandwidth Services and the Leased Line Services by HKT (the "Existing Waiver"), further details of which are set out below, 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

* for identification purpose only

LETTER FROM THE BOARD

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, the Subsidiary is required to pay a cancellation fee of about HK\$350,000 to Reach if the New Bandwidth Services Contract is terminated on 13th September, 2002 being the date of convening the Extraordinary General Meeting, which represents the full amount of outstanding fees up to the expiry of the said contract. The amount of cancellation fee disclosed above is different from that disclosed in the Company's announcement dated 2nd August, 2002 as this fee is a floating amount which is calculated with reference to the period from the termination date to the expiry date of the New Bandwidth Services Contract. Accordingly, the Subsidiary intends to continue 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 New Bandwidth Services Contract will be voted on by the Independent Shareholders at the Extraordinary General Meeting. If the Independent Shareholders disapproved the transaction under the New Bandwidth Services Contract, the Subsidiary has to terminate it with 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 the Extraordinary General Meeting to ratify and 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 a substantial Shareholder, owns effectively 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 the Extraordinary General Meeting.

The main purposes of this circular are (i) to provide you with information relating to the Continuing Connected Transactions; (ii) to provide you with the recommendation and opinion of the Independent Board Committee in relation to the Continuing Connected Transactions; (iii) to set out the letter from Polaris Securities containing its recommendation to the Independent Board Committee in relation to the Continuing Connected Transactions; and (iv) to give you notice of the Extraordinary General Meeting at which ordinary resolutions as set out in the notice of Extraordinary General Meeting will be proposed to ratify and approve the Continuing Connected Transactions.

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.

LETTER FROM THE BOARD

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 non-exempt continuing connected transactions 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 the Existing Waiver was granted by the Stock Exchange on 8th March, 2001. The annual cap for both the provisions of the 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 effectively 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 commencing from 1st June, 2001 and was then 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 Bandwidth Services provided by Reach.

In light of the current competition in the Bandwidth Services 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 provision of 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 demand for Leased Line Services applications and planned new services to be launched, the Group expected that more Leased Line Services will be used in the near future and hence the payments for the provision of Leased Lines Services by HKT 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 Subsidiary 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 being offered by different service providers in the market upon expiration

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of the Original Bandwidth Services Contract. Indeed, at the time of entering into the New Bandwidth Services Contract, there was no single Bandwidth Services provider in the market which could provide a better mix of Bandwidth Services for the Subsidiary to maintain an effective and efficient network as required by the Subsidiary's customers. Furthermore, the terms for the provision of the Bandwidth Services by Reach are arrived at after arm's length negotiation.

LEASED LINE SERVICES

HKT continues to be one of the major Leased Line Services providers to the Subsidiary. When there is a demand for services from customers or for the Subsidiary's infrastructure network requirements, the Subsidiary chooses among the existing providers in terms of cost, stability and coverage of services and customers' preference, if stipulated. The Subsidiary negotiates, and if appropriate, enters into the Leased Line Services contract with HKT after an assessment of the above. Contract terms and scope of services provided in every Leased Line Services contract are customized with the technical and commercial specifications of the Subsidiary and its customers.

GEM LISTING RULES IMPLICATION

As Reach is effectively 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 constituted 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. However, the Company did not inform the Stock Exchange at the time when the Subsidiary entered into the New Bandwidth Services Contract on 23rd May, 2001 because the Directors noted that the Bandwidth Services were provided under the same trade name of Netplus even though the contracting party as to the provision of the Bandwidth Services has been changed from HKT to Reach. From service users' perspective, the essence of the provision of the Bandwidth Services by either HKT or Reach is essentially the same.

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, the Subsidiary is required to pay a cancellation fee of about HK\$350,000 to Reach if the New Bandwidth Services Contract is terminated on 13th September, 2002 being the date of convening the Extraordinary General Meeting. The Subsidiary will not discontinue the New Bandwidth Services Contract unless the engagement of a new Bandwidth Services provider results in a cost saving greater than the cancellation fee to be paid. Additional service charges will also be incurred in engaging other Bandwidth Services provider(s) as substitute. Accordingly, the Subsidiary intends to continue to engage with the Bandwidth Services provided by Reach under the New Bandwidth Services Contract

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until its expiry on 21st October, 2002 but not to renew the contract thereafter. The New Bandwidth Services Contract will be voted on by the Independent Shareholders at the Extraordinary General Meeting. If the Independent Shareholders disapprove the transaction under the New Bandwidth Services Contract, the Subsidiary has to terminate it with immediate effect. Other than the payment of the cancellation fee and service charges incurred in engaging other Bandwidth Services provider(s) as substitute, the Subsidiary's operation will not be materially affected. 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.

Due to the fact that the Existing Waiver is no longer applicable, the provision of the Leased Line Services 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 GBM Listing Rules.

Independent Shareholders' approval for the Continuing Connected Transactions will be sought on the conditions that:

- (1) In respect of the continuing connected transaction relating to the provision of the Bandwidth Services provided by Reach:
 - (a) the Subsidiary continues to engage the Bandwidth Services provided by Reach under the New Bandwidth Services Contract until its expiry on 21st October, 2002;
 - (b) details of the continuing connected transaction relating to the provision of the Bandwidth Services by Reach will be disclosed as required under Chapter 20 of the GEM Listing Rules in the Company's next annual report together with the statement of opinion of the independent non-executive Directors referred to in paragraph (c) below in accordance with Rules 20.34(1) to (5) of GEM Listing Rules;
 - (c) the independent non-executive Directors shall review the provision of the Bandwidth Services by Reach and confirm in the Company's next annual report and accounts that the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
 - (iii) in accordance with the New Bandwidth Services Contract governing it on terms that is fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE BOARD

- (d) the Company's auditors shall review the continuing connected transaction relating to the provision of the Bandwidth Services by Reach and report in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether:
 - (i) the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has received the approval of the Board; and
 - (ii) the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has been entered into in accordance with the terms of the New Bandwidth Services Contracts governing such transaction.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the aforesaid letter, the Directors shall contact the Stock Exchange immediately;

- (e) the auditors of the Company shall provide to the Stock Exchange a confirmation letter confirming that they can discharge their obligation as set out in (d) above notwithstanding that they may not be provided with full access to the relevant records of the counterparties to the continuing connected transaction relating to the provision of the Bandwidth Services by Reach;
 - (f) the Company has undertaken to the Stock Exchange to allow the auditors sufficient access to their records for the purpose of reporting on the relevant continuing connected transaction relating to the provision of the Bandwidth Services by Reach as set out in Rule 20.28 of the GEM Listing Rules; and
 - (g) the Company has undertaken to the Stock Exchange that it shall notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/ or the auditors will not be able to confirm the matters set out in Rules 20.27 and/ or 20.28 of the GEM Listing Rules respectively, whereupon the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate.
- (2) In respect of the continuing connected transaction relating to the provision of the Leased Line Services provided by HKT:
- (a) the aggregate consideration in any financial year for the three years ending 31st December, 2004 in respect of the provision for the Leased Line Services by HKT to the Subsidiary shall not exceed HK\$15,200,000;
 - (b) details of the continuing connected transaction relating to the provision of the Leased Line Services will be disclosed as required under Chapter 20 of the GEM Listing Rules in the Company's annual report together with the statement of opinion of the independent non-executive Directors referred to in paragraph (c) below in accordance with Rules 20.34(1) to (5) of GEM Listing Rules;

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- (c) the independent non-executive Directors shall review the provision of the Leased Line Services by HKT annually and confirm in the Company's annual report and accounts that the continuing connected transaction has been entered into:
- (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties;
 - (iii) in accordance with the Leased Line Services contract governing it on terms that is fair and reasonable and in the interests of the Shareholders as a whole; and
 - (iv) the aggregate amount of the continuing connected transactions in relation to the provision of Leased Line Services by HKT is subject to the cap of HK\$15,200,000.
- (d) the Company's auditors shall review the continuing connected transaction relating to the provision of the Leased Line Services by HKT annually and report in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether:
- (i) the continuing connected transaction relating to the provision of the Leased Line Services by HKT has received the approval of the Board;
 - (ii) the continuing connected transaction relating to the provision of the Leased Line Services by HKT has been entered into in accordance with the terms of the Leased Line Services contracts governing such transaction; and
 - (iii) the cap amount relating to the provision of the Leased Line Services by HKT has not been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the aforesaid letter, the Directors shall contact the Stock Exchange immediately;

- (e) the auditors of the Company shall provide to the Stock Exchange a confirmation letter confirming that they can discharge their obligation as set out in (d) above notwithstanding that they may not be provided with full access to the relevant records of the counterparties to the continuing connected transaction relating to the provision of the Leased Line Services by HKT;
- (f) the Company has undertaken to the Stock Exchange to allow the auditors sufficient access to their records for the purpose of reporting on the relevant continuing connected

LETTER FROM THE BOARD

transaction in relation to the provision of the Leased Line Services by HKT as set out in Rule 20.28 of the GEM Listing Rules;

- (g) the Company has undertaken to the Stock Exchange that it shall notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively, whereupon the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and
- (h) in the event that the cap under the continuing connected transactions in respect of the provision of the Leased Line Services by HKT in any year is greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group, the continuing connected transaction relating to the provision of the Leased Line Services by HKT is subject to review and re-approval by Independent Shareholders at the annual general meeting following the approval to be obtained at the Extraordinary General Meeting on 13th September, 2002 and at each subsequent annual general meeting so long as the continuing connected transaction continues. The independent non-executive Directors will also require to opine in the annual report whether or not the Company should continue with the agreement/arrangement for the continuing connected transaction.

In the event that the cap under the continuing connected transaction relating to the provision of the Leased Line Services by HKT are exceeded or if the Subsidiary enters into any new transactions or agreements with any connected persons in the future, the Company will comply with the provisions of Chapter 20 of the GEM Listing Rules dealing with connected transactions unless the Company has obtained a waiver from the Stock Exchange.

In the event of any future amendments to the GEM Listing Rules imposing more stringent requirements, the Company must take immediate steps to ensure compliance with such requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

The Continuing Connected Transactions have been and will continue to be conducted in the ordinary and usual 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) in the ordinary and usual course of business, and are fair and reasonable to the Company and in the interest of the Shareholders taken as a whole.

EXTRAORDINARY GENERAL MEETING

Set out on pages 26 to 27 of this circular is a notice convening the Extraordinary General Meeting to be held on Friday, 13th September, 2002 at 10:30 a.m. at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong. The Extraordinary General Meeting will be held for the purpose of considering and,

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if thought fit, ratifying and approving 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, effectively 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 the Extraordinary General Meeting.

A form of proxy for use at the Extraordinary General Meeting is enclosed herewith. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon to the Company's principal place of business at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereon should you do desire.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Continuing Connected Transactions; and (ii) the letter from Polaris Securities set out in this circular which contains its recommendations to the Independent Board Committee on the Continuing Connected Transactions and the principal factors and reasons considered by Polaris Securities in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Polaris Securities, considers that the terms of the Continuing Connected Transactions are fair and reasonable so far as Independent Shareholders are concerned and that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, members of the Independent Board Committee unanimously recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Continuing Connected Transactions.

FURTHER INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

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



iLink Holdings Limited
合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

23rd August, 2002

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

As the Independent Board Committee, we have been appointed to advise you in connection with the Continuing Connected Transactions, details of which are set out in the letter from the Board contained in this circular, of which this letter forms a part. The terms used here shall have the same meanings as defined in this circular unless the context otherwise requires.

We wish to draw your attention to the “Letter from Polaris Securities” attached herewith to advise us regarding the Continuing Connected Transactions as set out on pages 13 to 20 of this circular. Having considered the advice given by Polaris Securities and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the Continuing Connected Transactions are entered into on normal commercial terms in the ordinary and usual course of business of the Company and that terms of the Continuing Connected Transactions were fair and reasonable and were in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to ratify and approve the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

Independent Board Committee

CHENG Kai Ming **WONG Wing Shing**

Director

Director

* *for identification purpose only*

LETTER FROM POLARIS SECURITIES

The following is the text of the letter from Polaris Securities, the independent financial adviser to the Independent Board Committee, prepared for the purpose of incorporation in this circular:



Polaris Securities (Hong Kong) Limited

23rd August, 2002

To the Independent Board Committee of
iLink Holdings Limited
56/F The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Continuing Connected Transactions concerning the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT, details of which are set out in a circular (the "Circular") to the Shareholders dated 23rd August, 2002, of which this letter forms part. Terms used in this letter have the same meanings as given to them under the section headed "Definitions" in the Circular.

Under the GEM Listing Rules, the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT constitute connected transactions for the Company and are subject to reporting, announcement and shareholders' approval requirements as set out in Rules 20.34, 20.35 and 20.36 of the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, this letter contains our opinion on the fairness and reasonableness of the Continuing Connected Transactions so far as the Company and the Independent Shareholders are concerned. It should be noted that since PCCW and its Associates are considered to have interested in the Continuing Connected Transactions, they will abstain from voting on the resolutions at the Extraordinary General Meeting.

In arriving at our recommendations, we have relied on the information and facts contained or referred to in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all such information and representations contained or referred to in the Circular or otherwise provided by the Directors and for which they are solely responsible were true and accurate at the time they were made and given and continue to be true as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and management of the Company. We have also been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion on the Continuing Connected Transactions, we have considered the following principal factors and reasons:

Background of the Continuing Connected Transactions and the grant of the previous waiver

On 22nd May, 2000, the Subsidiary and HKT entered into the Original Bandwidth Services Contract in which HKT agreed to provide the Bandwidth Services to the Subsidiary 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. As HKT is an Associate of PCCW, where PCCW is a substantial Shareholder of the Company, HKT is a connected person to the Company as defined under the GEM Listing Rules. A waiver was granted by the Stock Exchange on 8th March, 2001 (the “Existing Waiver”) from strict compliance with the announcement and shareholders’ approval requirements as stipulated in Rule 20 of the GEM Listing Rules in respect of the transactions under the Original Bandwidth Services Contract and the Leased Line Services for the period up to 31st December, 2003. Under the Existing Waiver, among other things, the aggregate consideration under the Original Bandwidth Services Contract and transactions under the Leased Line Services was capped not to exceed HK\$26 million for each year up to 31st December, 2003.

As part of business restructuring of the PCCW group in 2001, PCCW transferred some of the connectivity business under HKT to Reach, which is effectively owned as to 50% by each of PCCW and Telstra, an independent third party. As such, the Subsidiary entered into the New Bandwidth Services Contract with Reach on 23rd May, 2001. We understand from the Directors that the Subsidiary chooses Bandwidth Services providers based on a combination of criteria, including the pricing, quality and reliability of services and the service coverage. At the time of entering into the New Bandwidth Service Contract, there was no single Bandwidth Services provider in the market which could provide a better mix of bandwidth services for the Subsidiary to maintain an effective and efficient network as required by the Subsidiary’s customers. The New Bandwidth Services Contract has an initial term of six months commencing from 1st June, 2001 and was then renewed for another year from 22nd October, 2001 to 21st October, 2002. Other than the amount of monthly payment, principal terms of the New Bandwidth Services Contract are the same as those of the Original Bandwidth Services Contract. During the period from 1st June, 2001 to 31st December, 2001 and the period from 1st January, 2002 to 31st May, 2002, the Group has incurred approximately HK\$1,901,000 and HK\$1,374,000 respectively for Bandwidth Services provided by Reach under the New Bandwidth Services Contract.

Despite the change in respect of the provision of Bandwidth Services, there is no change in respect of the provision of the Leased Line Services by HKT. For the year ended 31st December, 2001 and the period ended 31st May, 2002, the Group has incurred approximately HK\$6,254,000 and HK\$2,534,000 respectively for Leased Line Services provided by HKT.

As Reach is effectively owned as to 50% by each of PCCW and Telstra and PCCW is a substantial shareholder of the Company, Reach is a connected person of the Company as defined under the GEM Listing Rules. Hence the transactions under the New Bandwidth Services Contract constitute connected transactions. Since the Existing Waiver does not cover the transactions under the New Bandwidth Services Contract, these transactions should have been subject to the reporting, announcement and shareholders’

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approval requirements as stipulated in Rule 20 of the GEM Listing Rules. The Stock Exchange has informed the Company that the transactions under the New Bandwidth Services Contract should be suspended unless and until the Independent Shareholders' approval has been obtained. The Subsidiary is required to pay a cancellation fee of about HK\$350,000 to Reach for early termination of the New Bandwidth Services Contract if the said contract is terminated on 13th September, 2002, being the date of convening the Extraordinary General Meeting, which represents the full amount of outstanding fees up to the expiry of the said contract. The amount of cancellation fee disclosed above is different from that disclosed in the Company's announcement dated 2nd August, 2002 as this fee is a floating amount which is calculated with reference to the period from the termination date and to the expiry date of the New Bandwidth Services Contract. The Subsidiary will not discontinue the New Bandwidth Services Contract unless the engagement of a new Bandwidth Services provider results in a cost saving greater than the cancellation fee to be paid. Since the New Bandwidth Services Contract will be expired in two months from the Latest Practicable Date, we understand from the Directors that terminating the said contract will not result in cost savings and the Subsidiary will incur additional service charges in engaging other Bandwidth Services provider(s) as substitute. Accordingly, the Subsidiary intends to continue to engage Reach to provide the Bandwidth Services until its expiry on 21st October, 2002. We understand from the Directors that the Subsidiary has no present intention to renew the New Bandwidth Services Contract after its expiry as more favourable prices have been offered by service providers which are independent third parties.

As the Original Bandwidth Services Contract was replaced by the New Bandwidth Services Contract, the Existing Waiver is no longer applicable. The provision of the Leased Line Services by HKT is required to re-comply with the reporting, announcement and shareholders' approval requirements as set out in Rule 20 of the GEM Listing Rules. Ordinary resolutions will be proposed at the Extraordinary General Meeting of the Company to be held on Friday, 13th September, 2002, to ratify and 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, 2002, 2003 and 2004 will be HK\$15,200,000.

Nature and terms of the Continuing Connected Transactions

Bandwidth Services

The nature of the provision of the Bandwidth Services by either HKT or Reach is essentially the same. We are advised by the Directors that as a result of the business restructuring of the PCCW group in 2001, the New Bandwidth Services Contract was entered into by the Group with Reach upon the expiry of the Original Bandwidth Services Contract after reviewing the terms offered by different Bandwidth Services providers in the market. We understand from the Directors that the terms under the New Bandwidth Services Contract were arrived at after arm's length negotiation and were on normal commercial terms.

Pursuant to the New Bandwidth Services Contract, Reach initially agreed to provide the Subsidiary with the Bandwidth Services for an initial six-month period commencing from 1st June, 2001, the contract was then renewed on 19th October, 2001 for another year commencing on 22nd October, 2001. Under the New Bandwidth Services Contract, the amount of monthly payment was substantially revised downward following the market trend.

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The Subsidiary intends to continue to engage Reach to provide Bandwidth Services under the New Bandwidth Services Contract until its expiry on 21st October, 2002. The Subsidiary is required to pay a cancellation fee of about HK\$350,000 to Reach for early termination of the New Bandwidth Services Contract if the said contract is terminated on 13th September, 2002, being the date of convening the Extraordinary General Meeting, which represents the full amount of outstanding fees up to the expiry of the said contract. We are advised by the Directors that the Subsidiary could not find another Bandwidth Services provider which could provide comparable services in terms of both quality and cost to justify the Subsidiary to pay the early termination fee to Reach. Since the New Bandwidth Services Contract will be expired in two months from the Latest Practicable Date, we understand from the Directors that terminating the said contract will not result in cost savings and the Subsidiary will incur additional service charges in engaging other Bandwidth Services provider(s) as substitute. As such, we are of the view that given the cancellation fee required to be paid and the additional service charge will be incurred should the said contract be terminated, it would be in the interest of the Company to continue the New Bandwidth Services Contract until expiry. Accordingly, we agree with the Directors that it is in the interest of the Company and the Shareholders as a whole to continue the New Bandwidth Services Contract until its expiry on 21st October, 2002.

Leased Line Services

HKT continues to be one of the major providers providing Leased Line Services to the Subsidiary. When there is demand for services from customers or for the Subsidiary's infrastructure network requirements, the Subsidiary chooses among the existing providers taking into consideration of cost, quality, stability of services, geographical coverage of services and customers' preference, if stipulated. The Subsidiary negotiates and if appropriate, enters into the Leased Line Services contract with HKT after an assessment of the above. Contract terms and scope of services provided in every Leased Line Services contract are customized with the technical and commercial specifications of the Subsidiary and its customers.

Cap Level of the Leased Line Services

For the year ended 31st December, 2001 and the five-month period ended 31st May, 2002, the aggregate consideration received by HKT for the Leased Line Services provided were approximately HK\$6,254,000 and HK\$2,534,000 respectively. The Subsidiary will continue to use the Leased Line Services provided by HKT due to its extensive network coverage, latency, reliability and the technical support. We understand from the Directors that the Group expects level of Leased Line Services of the Subsidiary will increase due to growth in demand for such services and as a result of its plan to launch new services supported by high capacity leased line with good latency and network coverage. After taking into consideration of the leased line business of the Subsidiary and its future plan, the Directors consider that the revised annual cap of the Leased Line Services for any of the years ending 31st December, 2002, 2003 and 2004 shall not exceed HK\$15,200,000. We also concur with the view of the Directors that the basis of calculating the revised annual cap for any of the three years ending 31st December, 2002, 2003 and 2004 is fair and reasonable.

GEM Listing Rules Compliance

Due to the fact that the Existing Waiver is no longer applicable, the provision of the Leased Line Services by HKT is required to re-comply with the reporting, announcement and shareholders' approval requirements set out in Rules 20.34, 20.35 and 20.36 of the GEM Listing Rules.

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Independent Shareholders' approval for the Continuing Connected Transactions will be sought on the conditions that:

- (1) In respect of the continuing connected transaction relating to the provision of the Bandwidth Services provided by Reach:
 - (a) the Subsidiary continues to engage the Bandwidth Services provided by Reach under the New Bandwidth Services Contract until its expiry on 21st October, 2002;
 - (b) details of the continuing connected transaction relating to the provision of the Bandwidth Services by Reach will be disclosed as required under Chapter 20 of the GEM Listing Rules in the Company's next annual report together with the statement of opinion of the independent non-executive Directors referred to in paragraph (c) below in accordance with Rules 20.34(1) to (5) of GEM Listing Rules;
 - (c) the independent non-executive Directors shall review the provision of the Bandwidth Services by Reach and confirm in the Company's next annual report and accounts that the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
 - (iii) in accordance with the New Bandwidth Services Contract governing it on terms that is fair and reasonable and in the interests of the Shareholders as a whole;
 - (d) the Company's auditors shall review the continuing connected transaction relating to the provision of the Bandwidth Services by Reach and report in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether:
 - (i) the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has received the approval of the Board; and
 - (ii) the continuing connected transaction relating to the provision of the Bandwidth Services by Reach has been entered into in accordance with the terms of the New Bandwidth Services contracts governing such transaction.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the aforesaid letter, the Directors shall contact the Stock Exchange immediately;

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- (e) the auditors of the Company shall provide to the Stock Exchange a confirmation letter confirming that they can discharge their obligation as set out in (d) above notwithstanding that they may not be provided with full access to the relevant records of the counterparties to the continuing connected transaction relating to the provision of the Bandwidth Services by Reach;
 - (f) the Company has undertaken to the Stock Exchange to allow the auditors sufficient access to their records for the purpose of reporting on the relevant continuing connected transaction relating to the provision of the Bandwidth Services by Reach as set out in Rule 20.28 of the GEM Listing Rules; and
 - (g) the Company has undertaken to the Stock Exchange that it shall notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/ or the auditors will not be able to confirm the matters set out in Rules 20.27 and/ or 20.28 of the GEM Listing Rules respectively, whereupon the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate.
- (2) In respect of the continuing connected transaction relating to the provision of the Leased Line Services provided by HKT:
- (a) the aggregate consideration in any financial year for the three years ending 31st December, 2004 in respect of the provision for the Leased Line Services by HKT to the Subsidiary shall not exceed HK\$15,200,000;
 - (b) details of the continuing connected transaction relating to the provision of the Leased Line Services will be disclosed as required under Chapter 20 of the GEM Listing Rules in the Company's annual report together with the statement of opinion of the independent non-executive Directors referred to in paragraph (c) below in accordance with Rules 20.34(1) to (5) of GEM Listing Rules;
 - (c) the independent non-executive Directors shall review the provision of the Leased Line Services by HKT annually and confirm in the Company's annual report and accounts that the continuing connected transaction has been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties;
 - (iii) in accordance with the Leased Line Services contract governing it on terms that is fair and reasonable and in the interests of the Shareholders as a whole; and

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- (iv) the aggregate amount of the continuing connected transactions in relation to the provision of Leased Line Services by HKT is subject to the cap of HK\$15,200,000.
- (d) the Company's auditors shall review the continuing connected transaction relating to the provision of the Leased Line Services by HKT annually and report in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether:
 - (i) the continuing connected transaction relating to the provision of the Leased Line Services by HKT has received the approval of the Board;
 - (ii) the continuing connected transaction relating to the provision of the Leased Line Services by HKT has been entered into in accordance with the terms of the Leased Line Services contracts governing such transaction; and
 - (iii) the cap amount relating to the provision of the Leased Line Services by HKT has not been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the aforesaid letter, the Directors shall contact the Stock Exchange immediately;

- (e) the auditors of the Company shall provide to the Stock Exchange a confirmation letter confirming that they can discharge their obligation as set out in (d) above notwithstanding that they may not be provided with full access to the relevant records of the counterparties to the continuing connected transaction relating to the provision of the Leased Line Services by HKT;
- (f) the Company has undertaken to the Stock Exchange to allow the auditors sufficient access to their records for the purpose of reporting on the relevant continuing connected transaction in relation to the provision of the Leased Line Services by HKT as set out in Rule 20.28 of the GEM Listing Rules;
- (g) the Company has undertaken to the Stock Exchange that it shall notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively, whereupon the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and
- (h) in the event that the cap under the continuing connected transactions in respect of the provision of the Leased Line Services by HKT in any year is greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group, the continuing connected transaction relating to the provision of the Leased Line Services by HKT is subject to review and re-approval by Independent Shareholders at the annual general meeting following the approval to be obtained at the Extraordinary General Meeting

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on 13th September, 2002 and at each subsequent annual general meeting so long as the continuing connected transaction continues. The independent non-executive Directors will also require to opine in the annual report whether or not the Company should continue with the agreement/arrangement for the continuing connected transaction.

In the event that the cap under the continuing connected transaction relating to the provision of the Leased Line Services by HKT are exceeded or if the Subsidiary enters into any new transactions or agreements with any connected persons in the future, the Company will comply with the provisions of Chapter 20 of the GEM Listing Rules dealing with connected transactions unless the Company has obtained a waiver from the Stock Exchange.

In the event of any future amendments to the GEM Listing Rules imposing more stringent requirements, the Company must take immediate steps to ensure compliance with such requirements within a reasonable time.

Taking into account the above conditions, in particular the restriction by way of cap level, ongoing review by the independent non-executive Directors and the auditors on the terms of the transactions under the Leased Line Services and the disclosure requirements and the relevant compliance under the New Bandwidth Services Contract, we consider the Company has taken appropriate measures to govern the Company in carrying out the Leased Line Services, thereby safeguarding the interests of the Independent Shareholders.

RECOMMENDATION

Given the above principal factors and reasons, we consider the Continuing Connected Transactions under the New Bandwidth Services Contract and the Leased Line Services are on normal commercial terms and are conducted in the ordinary and usual course of business of the Group. In addition, we consider the terms of the New Bandwidth Services Contract and the Leased Line Services are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the provision of the Bandwidth Services by Reach under the New Bandwidth Services Contract and the provision of the Leased Line Services by HKT at the Extraordinary General Meeting.

Yours faithfully
For and on behalf of
POLARIS SECURITIES (HONG KONG) LIMITED
Phillis Wong
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, 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 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
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, 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 the Latest Practicable Date, 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.

3. SERVICE CONTRACTS

Six directors of the Company namely, Mr. Tam Wai Keung, Billy, Mr. Lee Brandon, Mr. Leung Man Leuk, Tommy, Mr. Hui Kwai, Mr. Tang King Fai and Mr. Cheung Sum, Sam had entered into service agreements with the Company on 22nd February, 2001. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:

Each of the above named persons is appointed under the agreement as an executive director of the Company for an initial term of two years commencing on 1st January, 2001 and his appointment shall continue thereafter for such further term as the parties shall agree. Each of them shall be entitled to a monthly director's fee of HK\$15,000 and in addition he shall be entitled to the reimbursement of all reasonable expenses properly incurred by him in the performance of his duties as an executive director of the Company. Each of them is required to work full time for the Company.

Each service agreement can be terminated by the Company by 6 months' written notice but cannot be terminated by the relevant executive director prior to the expiry of the term, whereas the agreement in respect of Mr. Cheung Sum, Sam can be terminated by either party prior to the expiry of the term by 6 months' written notice. In certain other circumstances, each agreement can also be terminated by the Company, including but not limited to, serious breaches of the director's obligations under the agreement or serious misconduct.

Pursuant to a mutual agreement, the service agreement with Mr. Cheung Sum, Sam was terminated on 1st October, 2001. On the same date, Mr. Cheung Sum, Sam ceased to act as an executive director but was appointed as a non-executive director of the Company. Mr. Cheung Sum, Sam also waived his director's fees for the period from 1st January, 2001 to 30th September, 2001 in the amount of HK\$135,000. The other five executive directors have also agreed to waive their director's fees from 1st February, 2002 until further notice. In addition, Mr. Tam Wai Keung, Billy has agreed, pursuant to a supplementary agreement, to reduce his monthly basic salary by HK\$33,000 commencing on 1st January, 2002.

Save as disclosed above, none of the directors, including those being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, as based upon the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance, the following persons (other than the Directors or the chief executive of the Company) were, directly or indirectly, interested in 10 per cent. or more of the issued share capital of the Company:

Name	No. of Shares	% of Issued share capital
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%
PCCW Limited (formerly known as 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 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 the Latest Practicable Date.

5. MATERIAL CHANGES

Save as disclosed in the Group’s second quarterly report for 2002, the directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2001, the date to which its latest published audited financial statements were made up.

6. INTEREST OF SPONSORS

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 the Latest Practicable Date.

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 the Latest Practicable Date.

7. MANAGEMENT SHAREHOLDERS' INTERESTS

Save for the substantial shareholders as disclosed herein, the Directors are not aware of any persons who, as at the Latest Practicable Date, were entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company and were able, as a practical matter, to direct or influence the management of the Company.

8. QUALIFICATION AND CONSENT OF EXPERT

Polaris Securities, an investment adviser registered under the Securities Ordinance (Chapter 333) of the Laws of Hong Kong, has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group as at the Latest Practicable Date.

Polaris Securities has also given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and of references to its name in the form and context in which it is included.

9. 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 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.

Save as disclosed above, none of the Directors, the management shareholders or the substantial shareholders of the Company or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

10. MISCELLANEOUS

- (a) None of the Directors nor Polaris Securities have any interest, direct or indirect in any assets which have been, since 31st December, 2001, the date to which the Group's latest published audited financial statements were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Polaris Securities has no shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) There are no contracts or arrangements subsisting at the Latest Practicable Date in which a Director or the Company is materially interested and is significant in relation to the business of the Group.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours up to and including 13th September, 2002 at the head office of the Company at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong:

- (a) all the services agreements as referred to in paragraph 3 of this Appendix headed "Service Contracts";
- (b) the Original Bandwidth Services Contract with HKT dated on 22nd May, 2000;
- (c) the New Bandwidth Services Contract with Reach dated on 31st May, 2001.



iLink Holdings Limited
合縱連網控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

NOTICE is hereby given that an extraordinary general meeting of iLink Holdings Limited (the “Company”) will be held at 56th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Friday, 13th September 2002 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

- (a) “**THAT** the provision of Internet connectivity bandwidth services by Reach Services Hong Kong Limited (“Reach”) (an indirect jointly-controlled entity of PCCW Limited, a substantial shareholder of the Company) to iLink.net Limited (“iLink.net”) (an indirect wholly-owned subsidiary of the Company) under the New Bandwidth Services Contract (copy of which marked “A” has been produced to this Meeting and signed by the Chairman hereof for the purpose of identification) entered into between Reach and iLink.net dated 23rd May, 2001 be and is hereby approved, ratified and confirmed.”; and
- (b) “**THAT** the provision of the leased line services by PCCW-HKT Limited in any financial year for the three years ending 31st December, 2004 which shall not exceed HK\$15,200,000 be and is hereby approved and confirmed **AND THAT** any one director of the Company be and is hereby authorised to do all acts and things which the directors of the Company consider necessary and expedient for the implementation of any contracts for the leased line services.”

By Order of the Board
LAM Yuk Lau
Company Secretary

Hong Kong, 23rd August 2002

Head office and principal place of business:

56th Floor
The Center
99 Queen’s Road Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice may appoint any number of proxies to attend and vote in his/her stead in accordance with the articles of the Company. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's head office at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting should they so wish.
- (3) A form of proxy for use at the meeting is enclosed.