

If you are in doubt as to any aspect of this document 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 document and the accompanying forms of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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PCCW Limited
電訊盈科有限公司

(Incorporated in Hong Kong with limited liability) (Incorporated in the Cayman Islands with limited liability)



iLink Holdings Limited
合縱連網控股有限公司*

Media Touch Group Limited

(Incorporated in the British Virgin Islands with limited liability)

**PROPOSED PRIVATISATION OF
iLINK HOLDINGS LIMITED**

BY

MEDIA TOUCH GROUP LIMITED

BY WAY OF A SCHEME OF ARRANGEMENT

**(UNDER SECTION 86 OF THE COMPANIES LAW (2003 REVISION)
OF THE CAYMAN ISLANDS)**

AT THE CANCELLATION PRICE OF HK\$0.035 PER SCHEME SHARE

Financial adviser to iLink Holdings Limited

BNP PARIBAS PEREGRINE

**Independent financial adviser to the Independent Director of
iLink Holdings Limited**



DBS ASIA CAPITAL

A letter from the Board (as defined herein) is set out on pages 7 to 13 of this document. An Explanatory Statement (as defined herein) regarding the Proposal (as defined herein) is set out on pages 29 to 37 of this document. A letter from the Independent Director (as defined herein) containing its advice to the Independent Shareholders (as defined herein) in relation to the Proposal is set out on page 14 of this document. A letter from DBS Asia (as defined herein) containing its advice to the Independent Director in relation to the Proposal is set out on pages 15 to 28 of this document.

The action to be taken by the Independent Shareholders and the Scheme Shareholders (as defined herein) is set out on pages 36 to 37 of this document.

Notices convening the Court Meeting (as defined herein) and the Extraordinary General Meeting (as defined herein) to be held at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on Wednesday, October 29, 2003 are set out on pages 96 to 99 of this document. Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting or any adjournment of either, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them with the principal place of business of iLink Holdings Limited in Hong Kong at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible but in any event not later than the times and dates as stated under the paragraph headed "Action to be taken" set out on pages 36 to 37 of this document. In the case of the pink form of proxy in respect of the Court Meeting, it can be returned by facsimile or it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged.

This document will remain on the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication and will also be available from the website of iLink Holdings Limited at www.iLink.net.

October 6, 2003

CHARACTERISTICS OF GEM

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 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.

CONTENTS

	<i>Pages</i>
Definitions	1
Expected timetable	5
Letter from the Board	7
Letter from the Independent Director	14
Letter from DBS Asia	15
Explanatory Statement	
Introduction	29
Summary of the Proposal	29
Conditions of the Proposal	30
Effects of the Proposal	31
Information on the iLink Group	33
Information on Media Touch and the PCCW Group	34
Future intentions of PCCW	34
Share certificates, dealings and listing	34
Registration and payment	35
Overseas Shareholders	36
Court Meeting and Extraordinary General Meeting	36
Action to be taken	36
Recommendation	37
Further information	37
Appendix I – Financial information	38
Appendix II – General information	83
Scheme of arrangement	91
Notice of Court Meeting	96
Notice of Extraordinary General Meeting	98

DEFINITIONS

In this document, the following expressions have the meanings set out below unless the content requires otherwise:

“Announcement”	the announcement dated August 20, 2003 issued jointly by PCCW, Media Touch and iLink in relation to the Proposal
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules and/or (as applicable) the GEM Listing Rules
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“BNP Paribas Peregrine”	BNP Paribas Peregrine Capital Limited, the financial adviser to iLink and deemed licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business for more than four hours
“Cancellation Price”	a price of HK\$0.035 per Scheme Share payable to the Scheme Shareholders under the Scheme
“Companies Law”	the Companies Law (2003 Revision) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme will be voted upon, which will be held at 10:30 a.m. on Wednesday, October 29, 2003 at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong, notice of which is set out on pages 96 to 97 of this document, or any adjournment thereof
“DBS Asia	DBS Asia Capital Limited, the independent financial adviser to the Independent Director and a deemed licensed corporation to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO
“Director(s)”	the director(s) of iLink, including the Independent Director

DEFINITIONS

“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with the Companies Law, which is expected to be December 2, 2003
“Explanatory Statement”	the explanatory statement set out on pages 29 to 37 of this document and issued in compliance with the Rules of the Grand Court of the Cayman Islands 1995 (Revised)
“Extraordinary General Meeting”	an extraordinary general meeting of iLink to be held on Wednesday, October 29, 2003 at 11:00 a.m. or immediately following the Court Meeting at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong for the approval and implementation of the Scheme, notice of which is set out on pages 98 to 99 of this document, or any adjournment thereof
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Henderson Investment”	Henderson Investment Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC Trustee”	HSBC International Trustee Limited, a company incorporated in the British Virgin Islands with limited liability and the trustee of a discretionary trust (the beneficiaries of which include certain directors, employees and consultants of iLink and/or its direct and indirect subsidiaries, holding companies, shareholders or associated companies)
“iLink”	iLink Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“iLink Group”	iLink and its subsidiaries
“Independent Director”	Professor Cheng Kai Ming, the only independent non-executive Director, who has been appointed by the Board to advise the Independent Shareholders in relation to the Proposal

DEFINITIONS

“Independent Shareholders”	Shareholders other than Media Touch, Mr. Tam Wai Keung, Billy and HSBC Trustee and parties acting in concert or deemed to be acting in concert with any of them under the Takeovers Code
“Latest Practicable Date”	October 2, 2003, being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“Media Touch”	Media Touch Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of PCCW, which held 2,523,150,000 Shares, representing approximately 47.90% in the issued share capital of iLink as at the Latest Practicable Date
“Media Touch Share”	a share of US\$1.00 in the capital of Media Touch
“Newspeed Technology”	Newspeed Technology Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Henderson Investment
“NAV”	net asset value
“NTAV”	net tangible asset value
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board and with securities in the form of American Depositary Receipts listed on the New York Stock Exchange, Inc.
“PCCW Group”	PCCW and its subsidiaries
“Proposal”	the proposal for the privatisation of iLink by Media Touch by way of the Scheme
“Record Date”	December 1, 2003, or such other date as shall have been announced to the Shareholders, for determining the entitlements of the Scheme Shareholders under the Scheme

DEFINITIONS

“Reduction of Capital”	the proposed reduction of iLink’s authorised and issued shares capital as set out in the notice of Extraordinary General Meeting, which is set out on pages 98 to 99 of this document
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions including the SFC and the Stock Exchange
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law between iLink and the Scheme Shareholders involving the cancellation of all the Scheme Shares, details of which are set out on pages 91 to 95 of this document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	Shareholder(s) other than Media Touch
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of iLink (after a one-to-five share subdivision effective on August 17, 2001)
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollar(s), the lawful currency of the United States

EXPECTED TIMETABLE

Hong Kong time 2003

Latest time for lodging transfers of the Shares to qualify for attending and voting at the Court Meeting and the Extraordinary General Meeting	4:30 p.m. on Friday, October 24
Register of members closed for determination of entitlements of Independent Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the Extraordinary General Meeting	Monday, October 27 to Wednesday, October 29 (both days inclusive)
Latest time for lodging forms of proxy in respect of Court Meeting (<i>Note 1</i>)	10:30 a.m. on Monday, October 27
Extraordinary General Meeting (<i>Note 1</i>)	11:00 a.m. on Monday, October 27
Suspension of dealings in the Shares	9:30 a.m. on Wednesday, October 29
Court Meeting (<i>Note 1</i>)	10:30 a.m. on Wednesday, October 29
Extraordinary General Meeting (<i>Note 1</i>)	11:00 a.m. on Wednesday, October 29
Announcement of the results of the Court Meeting and the Extraordinary General Meeting on the GEM website	Thursday, October 30
Resumption of dealings in the Shares	9:30 a.m. on Thursday, October 30
Hearing of iLink's application to the Court to dispense with the settling of a list of creditors (<i>Note 2</i>)	Friday, November 7
Last day of dealing in the Shares	4:00 p.m. on Wednesday, November 26
Latest time for lodging transfers of the Shares to qualify for the entitlements under the Scheme	4:30 p.m. on Friday, November 28
Court hearing of the petition to sanction the Scheme and to confirm the Reduction of Capital (<i>Note 2</i>)	Friday, November 28
Record Date	Monday, December 1
Effective Date (<i>Note 3</i>)	Tuesday, December 2
Withdrawal of the listing of the Shares on GEM becomes effective (<i>Note 3</i>)	9:30 a.m. on Wednesday, December 3

EXPECTED TIMETABLE

Announcement of the Effective Date and the withdrawal of the
listing of the Shares on the GEM website Wednesday, December 3

Cheques for cash entitlements under the Scheme
to be despatched on or before Friday, December 12

**Shareholders should note that the above timetable is subject to change. Further announcement(s)
will be made in the event that there is any change.**

Notes:

1. Forms of proxy should be lodged with the principal place of business of iLink in Hong Kong, by hand or by post, at 56th Floor, The Center, 99 Queen’s Road Central, Hong Kong as soon as possible and in any event not later than the times and dates stated above. The pink form of proxy in respect of the Court Meeting can also be returned by facsimile at number 2218 2288 (marked for the attention of “The Company Secretary”) or it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the pink form of proxy for the Court Meeting must be lodged not later than 10:30 a.m. on Monday, October 27, 2003 and the white form of proxy for the Extraordinary General Meeting must be lodged not later than 11:00 a.m. on Monday, October 27, 2003. Completion and return of a form of proxy for the Court Meeting or the Extraordinary General Meeting will not preclude a Shareholder from attending the relevant meetings and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
2. All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates for the Court hearing of the petition to sanction the Scheme and to confirm the Reduction of Capital, and the Court hearing of iLink’s application to dispense with settling of a list of creditors which are the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
3. The Scheme will become effective when it is sanctioned (with or without modification) by the Court and a copy of the Court order is delivered to the Registrar of Companies in the Cayman Islands for registration and is registered. Registration is expected to take place in the morning on Tuesday, December 2, 2003 (Cayman Islands time) (which will be the evening on Tuesday, December 2, 2003 (Hong Kong time)). However, in the event that not all of the conditions of the Proposal have been fulfilled (or, as applicable, waived) by Friday, November 28, 2003, being the proposed date of the Court hearing of the petition to sanction the Scheme and the petition to confirm the Reduction of Capital, the timetable of events thereafter will be subject to change. Scheme Shareholders should note the conditions of the Proposal as set out in the Explanatory Statement on pages 29 to 37 of this document. If the Scheme becomes effective, it is expected that the listing of the Shares on GEM will be withdrawn with effect from 9:30 a.m. on Wednesday, December 3, 2003.



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

Non-executive directors:

Chak Hubert

Chen Johnson

Cheung Sum, Sam

Registered office:

Ugland House

South Church Street

P.O. Box 309 George Town

Grand Cayman

Cayman Islands

British West Indies

Principal place of business in Hong Kong:

56th Floor

The Center

99 Queen's Road Central

Hong Kong

Independent non-executive director:

Professor Cheng Kai Ming

October 6, 2003

To the Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
iLINK HOLDINGS LIMITED
BY
MEDIA TOUCH GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW (2003 REVISION)
OF THE CAYMAN ISLANDS)
AT THE CANCELLATION PRICE OF HK\$0.035 PER SCHEME SHARE**

INTRODUCTION

On August 14, 2003, Media Touch, the controlling shareholder of iLink, requested the Board to put forward the Proposal to the Scheme Shareholders. The Proposal involves the privatisation of iLink to be implemented by way of the Scheme under which all of the Scheme Shares will be cancelled in exchange for HK\$0.035 in cash for each Scheme Share.

* For identification purpose only

LETTER FROM THE BOARD

Upon the Scheme becoming effective, iLink will become a wholly-owned subsidiary of Media Touch. iLink will apply to the Stock Exchange for the withdrawal of the listing of the Shares on GEM immediately following the Scheme becoming effective.

The Board comprises ten Directors, six of whom are executive Directors, three of whom are non-executive Directors and one is an independent non-executive Director. As all of the executive Directors or non-executive Directors are or have been employees of either the iLink Group or the PCCW Group in the last two years, they are not considered to be sufficiently independent under the Takeovers Code for the purpose of advising the Independent Shareholders in respect of the Proposal. Accordingly, Professor Cheng Kai Ming, the only independent non-executive Director, has been appointed by the Board to advise the Independent Shareholders in connection with the Proposal. DBS Asia has been appointed as the independent financial adviser to advise the Independent Director in connection with the Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Court Meeting and the Extraordinary General Meeting. Your attention is also drawn to the letter from the Independent Director set out on page 14 of this document, the letter from DBS Asia set out on pages 15 to 28 of this document, the Explanatory Statement set out on pages 29 to 37 of this document and the Scheme set out on pages 91 to 95 of this document.

SUMMARY OF THE PROPOSAL

It is proposed that, subject to the fulfilment or waiver (as applicable) of the conditions of the Proposal as described in the Explanatory Statement in this document, the Proposal will be implemented by way of the Scheme, which will involve the cancellation of all the Scheme Shares and the reduction of the authorised and issued share capital of iLink under Sections 86 and 16 of the Companies Law respectively. The Scheme provides that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.035 in cash, for each Scheme Share held. No dividends have been or will be declared in respect of the Shares prior to the Effective Date.

The Cancellation Price represents:

- a discount of approximately 2.8% over the closing price of HK\$0.036 per Share as quoted on GEM as at the Latest Practicable Date;
- a premium of approximately 75.0% over the closing price of HK\$0.020 per Share as quoted on GEM on August 14, 2003 (being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);
- a premium of approximately 75.0% over the average closing price of about HK\$0.020 per Share based on the daily closing prices as quoted on GEM over the five trading days up to and including August 14, 2003;
- a premium of approximately 66.7% over the average closing price of about HK\$0.021 per Share based on the daily closing prices as quoted on GEM over the 30 trading days up to and including August 14, 2003;

LETTER FROM THE BOARD

- a premium of approximately 52.2% over the average closing price of about HK\$0.023 per Share based on the daily closing prices as quoted on GEM over the 120 trading days up to and including August 14, 2003;
- a discount of approximately 16.7% to the audited consolidated net asset value per Share of about HK\$0.042 as at December 31, 2002; and
- a discount of approximately 7.9% to the unaudited consolidated net asset value per Share of about HK\$0.038 as at June 30, 2003.

As at the Latest Practicable Date, there were 5,267,374,610 Shares in issue and the Scheme Shareholders were interested in 2,744,224,610 Shares, representing approximately 52.10% of the issued share capital of iLink. At the Cancellation Price, which was arrived at after taking into account the factors set out in the section below headed "Reasons for the Proposal", the Proposal values the entire issued share capital of iLink at approximately HK\$184.4 million. The amount of cash required in order to effect the Proposal is approximately HK\$96.0 million. The consideration payable under the Scheme will be financed out of the internal resources of the PCCW Group. BNP Paribas Peregrine, the financial adviser to iLink, is satisfied that sufficient financial resources are available to Media Touch for the implementation of the Proposal.

The Scheme will lapse if it does not become effective on or before February 29, 2004 or such later date as Media Touch and iLink may agree and the Court may allow, and the Scheme Shareholders will be notified by way of an announcement accordingly. Further announcements on any changes regarding the timetable of the Proposal will be made as and when necessary.

Assuming that the Scheme becomes effective on Tuesday, December 2, 2003, cheques for cash entitlements under the Scheme are expected to be despatched to the Scheme Shareholders on or before Friday, December 12, 2003.

REASONS FOR THE PROPOSAL

In line with the market situation in the United States and Europe, the data centre business in Asia has encountered continuing difficulties over the past two years which were caused mainly by the worldwide overall downturn in the technology sector. Demand for data centre facilities over this period has been growing slower than generally anticipated, resulting in the restructuring and/or consolidation of a number of leading international data centre service providers.

The iLink Group has been making losses since its establishment in 1999 and its relevant markets have been and continue to be affected by poor sentiment and uncertainty which have adversely affected the business performance of the iLink Group.

PCCW invested in the iLink Group in September 1999 as a venture-capital investment. PCCW also has interests in a network of data centres in greater China through facilities located in Hong Kong, Beijing and Shanghai. These data centres are focused on providing a secure and reliable environment in managed hosting services, security services, network and facilities management and monitoring.

LETTER FROM THE BOARD

PCCW believes that data centre service is an essential element of the integrated business solution for its customers. In addition, it is continually evaluating strategic realignment opportunities and has been reviewing the potential synergy of its data centre businesses in order to evaluate the opportunities that may be afforded by rationalisation of those businesses.

PCCW considers that the consolidation of its data centre business and that of the iLink Group should enhance the operational efficiency of the iLink Group's business and may provide the opportunity to enable iLink to restructure its position and thereby ensure a path for the continued participation in the industry within PCCW's enlarged operation.

Since the listing of the Shares on GEM in March 2001, trading in the Shares has been extremely thin. There were only three trading transactions in the Shares with a total turnover of 170,000 Shares for the 12-month period preceding the date of the Announcement. Further, the Shares have been trading at below their issue price of HK\$0.256 (as adjusted for the subdivision of its ordinary shares of HK\$0.10 each into five Shares on August 17, 2001) since July 10, 2001. During the period from July 11, 2001 to August 14, 2003, the Shares were traded within the range of HK\$0.02 and HK\$0.252 per Share, and generally at a descending trend.

Given the lack of trading activity in the Shares and the outlook for the data centre business in general, PCCW expects that the general interest of actual and potential investors in iLink will remain low. PCCW considers that no tangible benefit will be derived from the continued listing of the Shares on GEM.

As a result of the reasons stated above, Media Touch, an indirect wholly-owned subsidiary of PCCW, has put forward the Proposal to the Board. In considering the terms of the Proposal, Media Touch has taken into account the following principal factors:

- the unaudited consolidated NAV of the iLink Group as at June 30, 2003;
- the financial results of the iLink Group in the past few years;
- potential synergies which may be derived from consolidating the data centre businesses;
- the outlook of the data centre business;
- the prevailing market conditions; and
- the cost of maintaining the listing of Shares on GEM.

The Board concurs with Media Touch's view. In view of the low liquidity and thin trading volume of the Shares, the Board also believes that the Proposal provides an opportunity for all Scheme Shareholders to realise their investments in iLink. In the circumstances, the Board has decided to put forward the Proposal to the Scheme Shareholders for their consideration.

LETTER FROM THE BOARD

INFORMATION ON THE iLINK GROUP, MEDIA TOUCH AND THE PCCW GROUP

Your attention is drawn to the paragraph headed “Information on the iLink Group” and “Information on Media Touch and the PCCW Group” in the Explanatory Statement on pages 33 to 34 of this document. Your attention is also drawn to the financial information of the iLink Group set out in Appendix I to this document.

FUTURE INTENTIONS OF PCCW

Your attention is drawn to the paragraph headed “Future intentions of PCCW” in the Explanatory Statement set out on page 34 of this document.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

In accordance with the direction of the Court, the Court Meeting will be convened on Wednesday, October 29, 2003 for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). Such resolution will be passed if: (i) the Scheme is approved by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; (ii) the Scheme is approved by the Independent Shareholders holding at least 75% in value of those Shares that are voted either in person or by proxy at the Court Meeting; and (iii) the Scheme is not disapproved by the Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders. Based on 1,262,374,610 Shares held by the Independent Shareholders as at the Latest Practicable Date, 10% of such Shares amounted to 126,237,461 Shares.

As at the Latest Practicable Date, Media Touch was interested in 2,523,150,000 Shares, representing approximately 47.90% of the issued share capital of iLink. Shares held by Media Touch will not form part of the Scheme Shares and Media Touch will not vote at the Court Meeting. In addition, in view of the interests of Media Touch in the Proposal, parties who are acting in concert with Media Touch, being Mr. Tam Wai Keung, Billy and HSBC Trustee, who, as at the Latest Practicable Date, held 1,081,350,000 and 400,500,000 Shares respectively (representing approximately 20.53% and 7.60% respectively of the issued share capital of iLink) will not vote at the Court Meeting. However, the 1,081,350,000 Shares held by Mr. Tam Wai Keung, Billy and the 400,500,000 Shares held by HSBC Trustee will still form part of the Scheme Shares.

The Extraordinary General Meeting will be convened immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the Reduction of Capital). The special resolution will be passed provided that it is approved by a majority of at least three-fourths of the Shareholders present and voting, in person or by proxy, at the Extraordinary General Meeting. All Shareholders will be entitled to attend and vote on such a special resolution at the Extraordinary General Meeting. Media Touch and Mr. Tam Wai Keung, Billy have indicated that if the Scheme is approved at the Court Meeting, they will each vote in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the Reduction of Capital).

LETTER FROM THE BOARD

Notice of Court Meeting is set out on pages 96 to 97 of this document. The Court Meeting will be held at 10:30 a.m. on Wednesday, October 29, 2003 at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong.

Notice of Extraordinary General Meeting is set out on pages 98 to 99 of this document. The Extraordinary General Meeting will be held at 11:00 a.m. (or soon thereafter as the Court Meeting shall have been concluded or adjourned) on Wednesday, October 29, 2003 at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong.

ACTION TO BE TAKEN

Your attention is drawn to the paragraph headed "Action to be taken" in the Explanatory Statement on pages 36 to 37 of this document.

RECOMMENDATION

The Independent Director, having considered the terms of the Proposal and taken into account the opinion of DBS Asia, in particular the factors, reasons and recommendations as set out in the letter from DBS Asia on pages 15 to 28 of this document, considers that the terms of the Proposal taken as a whole are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Director recommends the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and to vote in favour of the special resolution to approve and give effect to the Scheme at the Extraordinary General Meeting. The letter from the Independent Director is set out on page 14 of this document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the paragraphs headed "Share certificates, dealings and listing" and "Registration and payment" in the Explanatory Statement on pages 34 to 36 of this document.

TAXATION AND INDEPENDENT ADVICE

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and in particular, whether the receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of iLink, Media Touch, PCCW and BNP Paribas Peregrine nor any of their respective directors, associates, advisers nor any other person involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

LETTER FROM THE BOARD

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Director and from DBS Asia as set out on page 14 and pages 15 to 28 of this document respectively, the Explanatory Statement as set out on pages 29 to 37 of this document, the appendices to this document, the Scheme as set out on pages 91 to 95 of this document, the notice of Court Meeting as set out on pages 96 to 97 of this document and the notice of Extraordinary General Meeting as set out on pages 98 to 99 of this document.

Yours faithfully,
For and on behalf 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)

October 6, 2003

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
iLINK HOLDINGS LIMITED
BY
MEDIA TOUCH GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW (2003 REVISION)
OF THE CAYMAN ISLANDS)
AT THE CANCELLATION PRICE OF HK\$0.035 PER SCHEME SHARE**

As the Independent Director, I have been appointed to give a recommendation to the Independent Shareholders in respect of the Proposal. Details of the Proposal are set out in the section headed "Letter from the Board" as set out on pages 7 to 13 of a document of iLink dated October 6, 2003 (the "Document"), of which this letter forms part. Terms defined in the Document shall have the same meanings when used herein unless the context otherwise requires. DBS Asia has been appointed as the independent financial adviser to advise me as to the fairness and reasonableness of the terms of the Proposal so far as the Independent Shareholders are concerned.

Having considered the terms of the Proposal and taken into account the opinion of DBS Asia, in particular the factors, reasons and recommendations as set out in the letter from DBS Asia set out on pages 15 to 28 of the Document, I consider that the terms of the Proposal taken as a whole are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, I recommend the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting. I also recommend the Independent Shareholders to vote in favour of the special resolution to approve and give effect to the Scheme at the Extraordinary General Meeting.

I draw the attention of the Independent Shareholders to: (i) the letter from the Board; (ii) the Explanatory Statement; and (iii) the letter from DBS Asia which sets out the considerations and factors taken into account in arriving at my recommendation.

Yours faithfully,
Professor Cheng Kai Ming
Independent non-executive Director

* For identification purpose only

LETTER FROM DBS ASIA

The following is the text of a letter of advice from DBS Asia, the independent financial adviser, which has been prepared for the purpose of incorporation into this document, setting out its advice to the Independent Director in connection with the Proposal.



DBS ASIA CAPITAL LIMITED

16th Floor Man Yee Building, 68 Des Voeux Road Central, Hong Kong

October 6, 2003

*To the Independent Director of
iLink Holdings Limited*

Dear Sir,

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INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Director in relation to the Proposal, the details of which are contained in the document dated October 6, 2003 (the "Document") to the Shareholders, of which this letter forms part. Expressions used herein shall have the same meaning as defined in the Document unless otherwise defined herein. We have been appointed to advise the Independent Director as to whether or not the terms of the Proposal are fair and reasonable so far as the Independent Shareholders as a whole are concerned and to give our opinion in relation to the Proposal for your consideration in making your recommendation to the Independent Shareholders. We recommend that you advise the Independent Shareholders to whom the Proposal is made to read this letter carefully before they decide what action to take in response to the Proposal.

The Board comprises ten Directors, six of whom are executive Directors, three of whom are non-executive Directors and the remaining one is an independent non-executive Director. All of the executive Directors and non-executive Directors are or have been employees of either the iLink Group or the PCCW Group in the last two years. Accordingly, none of these nine Directors are considered independent under the Takeovers Code in so far as the Proposal is concerned and it is not considered appropriate for any of them to give advice to the Independent Shareholders. Professor Cheng Kai Ming, the only independent non-executive Director, has been appointed by the Board as the Independent Director to give advice and recommendation to the Independent Shareholders in connection with the Proposal.

In formulating our advice, we have relied solely on the statements, information and facts contained or referred to in the Document. We have assumed that information contained and representations made or referred to in the Document were true and accurate at the time they were made and continue to be so at the date of the despatch of the Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Document. Also, the Directors have declared in a responsibility statement set out in Appendix II to the Document that they jointly and severally accept responsibility for the accuracy of the information contained in the Document related to the iLink Group. The directors of PCCW and Media Touch have also declared in a responsibility statement set out in Appendix II to the Document that they jointly and severally accept responsibility for the accuracy of the information contained in the Document related to the Proposal (other than those in relation to the iLink Group) including PCCW's intentions on the iLink Group's future direction following the successful implementation of the Proposal.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent in-depth investigation into the businesses and affairs of the iLink Group or any of its respective subsidiaries.

TERMS OF THE PROPOSAL

In summary, the terms of the Proposal involve the following principal steps:

- (i) all the Scheme Shares held by the Scheme Shareholders will be cancelled and in consideration therefor the Scheme Shareholders will receive from Media Touch, an indirect wholly-owned subsidiary of PCCW, HK\$0.035 in cash for every Scheme Share held; and
- (ii) the authorised and issued share capital of iLink will be reduced and iLink will become a wholly-owned subsidiary of Media Touch and the listing of the Shares on GEM will be withdrawn.

As at the Latest Practicable Date, iLink did not have any warrants, options or convertible securities in issue.

Further details of the terms and conditions of the Proposal, including how and when the Cancellation Price will be paid to the Scheme Shareholders, are set out in the Explanatory Statement in the Document.

PRINCIPAL FACTORS AND REASONS

In assessing the merits of the Proposal, we have taken into consideration the following factors and reasons:

1. Background to and reasons for the Proposal

The background to, and reasons for, the Proposal are set out in the Explanatory Statement included in the Document. iLink currently operates two data centres in Hong Kong, providing Internet connectivity, dedicated server hosting and co-location services, and a range of value-added services.

In line with the market situation in the United States and Europe, the data centre business in Asia has encountered continuing difficulties over the past two years which were caused mainly by the worldwide overall downturn in the technology sector. Demand for data centre facilities over this period has been growing slower than generally anticipated, resulting in the restructuring and/or consolidation of a number of leading international data centre service providers. The iLink Group has been making losses since its establishment in 1999 and its relevant markets have been and continue to be affected by poor sentiment and uncertainty which have adversely affected the business performance of the iLink Group.

PCCW invested in the iLink Group in September 1999 as a venture-capital investment. PCCW also has interests in a network of data centres in greater China through facilities located in Hong Kong, Beijing and Shanghai. These data centres are focused on providing a secure and reliable environment in managed hosting services, security services, network and facilities management and monitoring. PCCW believes that data centre service is an essential element of the integrated business solution for its customers. In addition, it is continually evaluating strategic realignment opportunities and has been reviewing the potential synergy of its data centre businesses in order to evaluate the opportunities that may be afforded by rationalisation of those businesses. PCCW considers that the consolidation of its data centre business and that of the iLink Group should enhance the operational efficiency of the iLink Group's business and may provide the opportunity to enable iLink to restructure its position and thereby ensure a path for the continued participation in the industry within PCCW's enlarged operation.

Since the listing of the Shares on GEM in March 2001, trading in the Shares has been extremely thin, representing less than 0.01% of the public float of the Shares prior to the date of the Announcement. There were only three trading transactions in the Shares with a total turnover of 170,000 Shares for the 12-month period preceding the date of the Announcement. Further, the Shares have been trading at below their issue price of HK\$0.256 (as adjusted for the subdivision of its ordinary shares of HK\$0.10 each into five Shares on August 17, 2001) since July 10, 2001. During the period from July 11, 2001 to August 14, 2003, the Shares were traded within the range of HK\$0.02 and HK\$0.252 per Share, and generally at a descending trend. The Shares had also been trading below the NAV per Share since September 2002 up to the date of the Announcement.

Given the lack of trading activity in the Shares and the outlook for the data centre business in general, PCCW expects that the general interest of actual and potential investors in iLink will remain low. PCCW also considers that the continued listing of the Shares on GEM will not in the foreseeable future bring any tangible benefit to the Shareholders. Thus Media Touch, an indirect wholly-owned subsidiary of PCCW, requested the Board to put forward the Proposal to the Scheme Shareholders.

LETTER FROM DBS ASIA

PCCW has confirmed that, upon the Scheme becoming effective, save for the proposed consolidation of the data centre business of iLink with the PCCW Group as stated in the Explanatory Statement to the Document, PCCW has no intention to make any significant changes to the business and staff employment of the iLink Group or any significant redeployment of the fixed assets of the iLink Group by reason only of the Proposal. If the Scheme becomes effective, all Scheme Shares will be cancelled. iLink will, subject to the approval of the Stock Exchange, withdraw the listing of the Shares on GEM. However, in the event that the Proposal is not approved or the Scheme lapses, iLink will maintain the listing of the Shares on GEM.

As at the Latest Practicable Date, iLink is owned as to approximately 47.90% by Media Touch. As a result of the Proposal, an opportunity is available to all the Scheme Shareholders to realise their investments in iLink at a premium over average market prices of the Shares. We consider this choice being made available is in the interests of the Independent Shareholders, especially after taking into account other aspects of the Proposal which we will discuss in the ensuing sections of this letter.

2. Financial performance of the iLink Group

A summary of the audited consolidated results of the iLink Group for each of the three years ended December 31, 2002 and the unaudited consolidated results of the iLink Group for the six months ended June 30, 2003 is set out in Appendix I to the Document.

The following table shows the iLink Group's results for each of the three financial years ended December 31, 2002 and for the six months ended June 30, 2003 (the "Past Financial Period").

	(Audited)			(Unaudited)
	For the year ended December 31,			For the six months
	2000	2001	2002	ended June 30,
	(Note)	(Note)	(Note)	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	39,871	81,901	54,736	19,938
Loss from operations	(31,913)	(43,315)	(107,856)	(23,242)
Interest income	3,233	8,414	3,272	1,104
Loss before taxation	(28,680)	(34,901)	(104,584)	(22,138)
Net loss attributable to shareholders	(28,680)	(34,901)	(104,220)	(21,785)

Note: Includes the contributions from the discontinuing operation (data centre in Beijing).

The iLink Group has only one major business segment, being engaged in the provision of Internet connectivity, server hosting and co-location services, other value-added services and sales of equipment and software. Turnover from its Hong Kong operation accounted for 100.0%, 96.3%, 96.5% and 99.9% of the total turnover of the iLink Group for each of the three years ended December 31, 2002, and the six months period ended June 30, 2003, respectively, with the remaining balance from its operation in the People's Republic of China.

The iLink Group made consecutive losses over the Past Financial Period even in the financial year ended December 31, 2001 when it recorded the highest turnover of approximately HK\$81.9 million. For the year ended December 31, 2001, the losses were mainly due to the keen competition which exerted pressure on the pricing of the iLink Group's services, provision for doubtful debts of approximately HK\$9.0 million, and the operating loss incurred from the start-up operation of the Beijing data centre of approximately HK\$11.6 million. For the year ended December 31, 2002, the losses were mainly due to the making of the provision of approximately HK\$25.8 million for the impairment losses incurred on the fixed assets related to the discontinued data centre operation in Beijing, provision of approximately HK\$35.8 million for the impairment losses of the data centre operation in Hong Kong in accordance with the requirements of Statement of Standard Accounting Practice No. 31 "Impairment of Assets" issued by the Hong Kong Society of Accountants, and the prolonged difficult market conditions and keen competition which continued to exert pressure on the pricing of the iLink Group's services. For the six months period ended June 30, 2003, the losses arose mainly as a result of the even more difficult market conditions as affected by the war between the United States and Iraq and the outbreak of the Atypical Pneumonia in early 2003 and further impairment loss of approximately HK\$7.3 million for its data centre operation in Hong Kong.

Although losses seem to be contained due to, among other things, discontinuing the Beijing data centre and stringent cost control measures, there appears to be no substantial sign of business improvement and recovery of the economy is yet to be seen. The new venture such as the provision of online network game proved to be unsatisfactory and has been ceased, and all other business development and geographical expansion plans as stated in the business objectives of iLink's listing prospectus dated February 28, 2001 have also been suspended or abandoned due to unfavourable business environment and conditions.

3. Prospects

We note that upon the Scheme becoming effective, there will be no change in control or management of the iLink Group. As mentioned in the Explanatory Statement to the Document, upon the Scheme becoming effective, iLink will become a wholly-owned subsidiary of Media Touch and a member of the PCCW Group. It is the intention of PCCW to continue with the business of the iLink Group and, save for the proposed consolidation of the data centre business of the PCCW Group as stated in the Explanatory Statement to the Document, PCCW has no intention to make any significant changes to the business and staff employment of the iLink Group or any significant redeployment of the fixed assets of the iLink Group by reason only of the Proposal if the Scheme becomes effective and is implemented.

In view of the difficult business conditions, the iLink Group has no immediate plans to set up further data centres across the Asia Pacific region and has abandoned plans to establish a third data centre in Hong Kong. It has also suspended the expansion of its other business establishments in Asia Pacific where the iLink Group currently has no presence until there is demand. Furthermore, the iLink Group has slowed down its pace of business development and decided to suspend or abandon plans to introduce interactive media content, real time quotation, news feeds as portal clip-on as these services are neither cost-effective nor demanded by customers.

LETTER FROM DBS ASIA

As stated in the various quarterly and annual reports in 2002 and 2003, the iLink Group has expanded into the network game business as a medium term investment aimed to diversify its revenue base. We noted that, as the result of its first self-development network game launched was unsatisfactory, the iLink Group had reviewed its diversification strategy and decided to cease this operation. The iLink Group, on the other hand, has also been promoting online storage and secure mailing systems to its customers in Hong Kong and Beijing and the Directors stated that it will closely monitor the market and response to adjust its strategy to undertake any business opportunities arising. The iLink Group is also continuously enhancing its existing ASP services and other value-added data centre services to its customers, and research and development on certain ASP services are underway and yet to be launched. Nonetheless, we note that the Directors have stated in its 2003 second quarterly report that 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 and the iLink Group may be well positioned to capture these opportunities. But such external factor may not provide short term significant return to the iLink Group to revive its financial performance.

Having taken into account of the above development and the historic performance of the iLink Group, we concur with the views of the Directors that the market conditions of the iLink Group's core business, data centre operations, are difficult. Furthermore, given that the various business developments of the iLink Group are either suspended or have been ceased and there are no definite business development plans in the foreseeable future, we also concur with the Directors' views that it will take time for new investment to develop into a substantial profit contributor for the iLink Group. Given these uncertainties in the business environment of the iLink Group, we consider that we are not in a position to predict the future profitability of the iLink Group.

4. Net asset value

The following table illustrates the published NAV of iLink during the Past Financial Period:

Date	Cash and bank balances* <i>HK\$'000</i>	NAV* <i>HK\$'000</i>	NAV per Share <i>HK\$</i>
As at December 31, 2000 (audited)	160,573	236,667	0.071
As at December 31, 2001 (audited)	216,829	325,319	0.062
As at December 31, 2002 (audited)	195,470	221,111	0.042
As at June 30, 2003 (unaudited)	184,579	199,331	0.038

Note:

* extracted from the iLink Group's respective annual and quarterly reports

LETTER FROM DBS ASIA

The Cancellation Price represents a discount of approximately 16.7% to the audited consolidated NAV per Share of HK\$0.042 as at December 31, 2002 and a discount of approximately 7.9% to the unaudited adjusted consolidated NTAV per Share of HK\$0.038 as at June 30, 2003 as shown in Appendix I to the Document. We also note that the NAV has been progressively eroded due to net losses accumulated over the Past Financial Period. We have reviewed the asset base of the iLink Group and noted that a significant portion (approximately 92.6% as at June 30, 2003) of the iLink Group's NAV comprised cash or cash equivalents. The remaining net assets of the iLink Group principally comprised leasehold improvements, computer and other equipment whereby the realisable value is low and subject to the iLink Group's future profitability.

Based on the unaudited financial results of the iLink Group for the six months ended June 30, 2003, the cash and bank balances of the iLink Group amounted to approximately HK\$184.6 million as at June 30, 2003, representing cash per Share of approximately HK\$0.035, whilst the net cash and bank balances of the iLink Group (including net account receivables and minus all current liabilities) amounted to approximately HK\$176.6 million, representing an unaudited net cash per Share of approximately HK\$0.0335. Notwithstanding the discount to the unaudited adjusted consolidated NTAV per Share, the Cancellation Price is at par to the iLink Group's cash per Share and represents a premium of approximately 4.5% to such unaudited net cash per Share.

As we discussed earlier on in this letter, as the business prospect of the iLink Group appears to be limited and is subject to difficult business conditions, it is uncertain that the iLink Group will be able to reach a critical mass or economies of scale to achieve positive operating cashflow, which means, it will continue to deplete the cash balances, and thus the NAV and value to Shareholders. Cash and bank balances of the iLink Group have been depleted from approximately HK\$216.8 million as at December 31, 2001 to approximately HK\$184.6 million as at June 30, 2003 due to operating losses and losses on an unsuccessful business venture and development. On such basis, we consider it appropriate for the Independent Shareholders to consider the Proposal to privatise iLink as a means to preserving the NAV of the iLink Group and value to Shareholders. As approximately 92.6% of the unaudited adjusted consolidated NTAV of the iLink Group as at June 30, 2003 comprised cash or cash equivalents and the remaining net assets comprised mainly leasehold improvements, computer and other equipment where the realisable value is low and subject to the iLink Group's future profitability, and the Cancellation Price is set at a premium to the iLink Group's unaudited net cash per Share, we consider that the Cancellation Price is fair and reasonable in terms of NAV analysis.

5. Share price performance

(a) *Share prices*

The table below sets out the monthly highest, lowest, and the average closing prices of the Shares as quoted on GEM during the last 12 months preceding the date of the Announcement (the “Pre-Announcement Period”), and from such date to and including the Latest Practicable Date (the “Post-Announcement Period”) (together with the Pre-Announcement Period, hereinafter referred to as the “Relevant Period”):

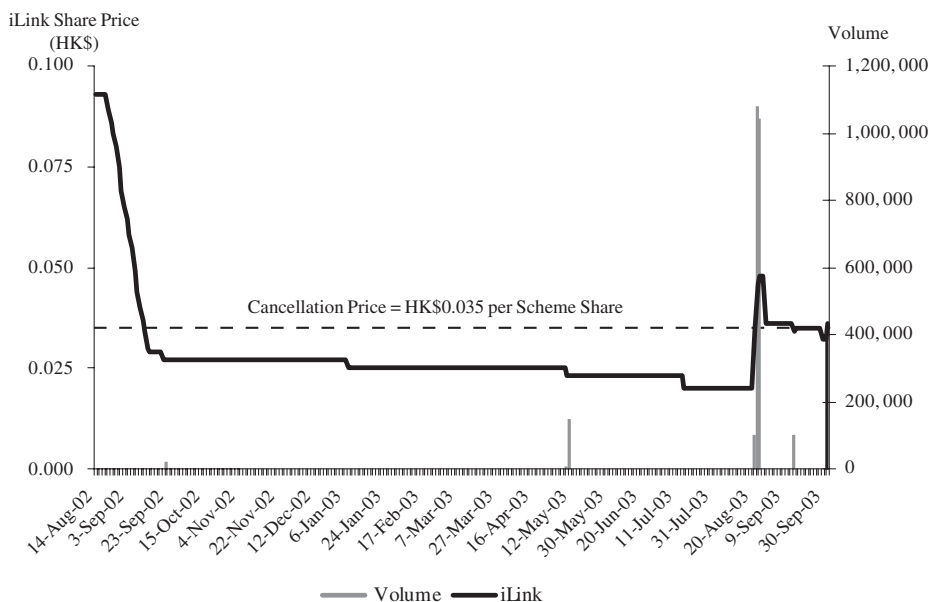
	Closing Price per Share		
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>	Average <i>(HK\$)</i>
2002			
August	0.093	0.062	0.087
September	0.058	0.027	0.034
October	0.027	0.027	0.027
November	0.027	0.027	0.027
December	0.027	0.027	0.027
2003			
January	0.027	0.025	0.025
February	0.025	0.025	0.025
March	0.025	0.025	0.025
April	0.025	0.025	0.025
May	0.025	0.023	0.023
June	0.023	0.023	0.023
July	0.023	0.020	0.021
August 1 to August 14, being the last trading day preceding the date of the Announcement (the “Last Trading Day”)	0.020	0.020	0.020
August 21, being the day trading of the Shares resumed following the Last Trading Day, to the Latest Practicable Date	0.054	0.026	0.036

Source: Bloomberg

The highest and lowest closing prices per Share during the Relevant Period were HK\$0.093 (recorded on August 1, 2002) and HK\$0.020 (recorded since July 15, 2003) respectively. The Cancellation Price of HK\$0.035 per Scheme Share represents a discount of approximately 62.4% and a premium of approximately 75.0% over such highest and lowest closing price per Share respectively, during the Relevant Period.

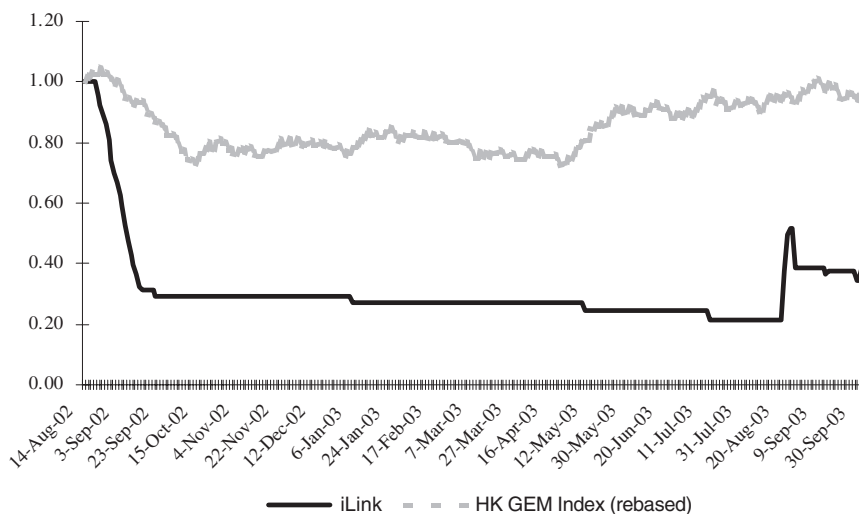
Chart 1 illustrates the daily closing prices of the Shares during the Relevant Period as compared to the Cancellation Price and Chart 2 shows the performance of the Shares against the market as measured by the GEM Index during the Relevant Period:

Chart 1 – The closing price of the Share for 12 months prior to the Last Trading Day and up to and including the Latest Practicable Date



Source: Bloomberg

Chart 2 – Comparison of movements of the closing price of the Share and GEM Index



Source: Bloomberg

Note: The base figures are the closing price per Share and the GEM Index on the Last Trading Day.

LETTER FROM DBS ASIA

The Share price of iLink has largely underperformed throughout the Relevant Period. During the period from January 2002 to August 2002, the price of the Shares fluctuated within a narrow band from HK\$0.093 to HK\$0.095. Since late September 2002, the price of the Shares recorded a substantial decrease to HK\$0.027 and thereafter the Share price remained at that level due to no turnover in Shares throughout the remaining Pre-Announcement Period. Based on the publicly available information, save for the release of the 2002 second quarterly results of iLink in early August 2002 which noted a widened net loss of the iLink Group and the unfavourable performance of the GEM market as a whole, no other reason can be concluded which could be attributable to the decline in the price of the Shares in September 2002. As illustrated above, the Shares were also traded below the Cancellation Price from September 2002 onwards up to the date of the Announcement.

During the Post-Announcement Period, the Share price rose and closed at HK\$0.036 per Share as at the Latest Practicable Date, which is slightly above the Cancellation Price of HK\$0.035 per Scheme Share. In the absence of any significant corporate announcement on the financial and business performance and development of the iLink Group as noted from the public domain, we believe that the surge in Share price in the Post-Announcement Period was attributable to the market reactions and expectations towards the Proposal. However, there is no assurance that the price of the Shares will remain at the current level if the Proposal is not approved by the Independent Shareholders or is withdrawn or lapses.

The reference between the Cancellation Price and the closing price of Shares as at various different dates during the Relevant Period is set out below:

Date/Period	Closing price/ Average closing price per Share for the period HK\$	Premium/(Discount) of the Cancellation Price to the closing price/ average closing price
– As at the Last Trading Day	0.020	75.0%
– 5 days' average*	0.020	75.0%
– 30 days' average*	0.021	66.7%
– 120 days' average*	0.023	52.2%
– 12-month average*	0.028	24.3%
– As at the Latest Practicable Date	0.036	(2.8)%
– 10-day period up to and including the Latest Practicable Date	0.035	0.0%

* Period ended on August 14, 2003, the Last Trading Day.

LETTER FROM DBS ASIA

The Shares have been trading at levels substantially below the Cancellation Price during the period from September 2002 to the Last Trading Day. Following the release of the Announcement on August 20, 2003, the price of the Shares increased to HK\$0.036 as at the Latest Practicable Date. However, as explained above, we consider that there is no assurance that the price of the Shares will remain at the current level if the Proposal is not approved by the Independent Shareholders or is withdrawn or lapses.

(b) Liquidity of the Shares

The following table sets out the monthly trading volume of the Shares during the Relevant Period:

Month	Monthly trading volume of Shares	Monthly trading volume to the number of Shares in issue	Monthly trading volume to the public float <i>(Note)</i>
2002			
August	–	–	–
September	20,000	0.0004%	0.0016%
October	–	–	–
November	–	–	–
December	–	–	–
2003			
January	–	–	–
February	–	–	–
March	–	–	–
April	–	–	–
May	150,000	0.0028%	0.0119%
June	–	–	–
July	–	–	–
August 1 to August 14, being the Last Trading Day	–	–	–
August 21, being the day trading of the Shares resumed following the Last Trading Day, to the Latest Practicable Date	2,720,000	0.0516%	0.2155%

Source: Bloomberg

Note: Based on the public float of approximately 1,262,374,610 Shares as at the date of the Announcement which excludes Shares held by Media Touch, Mr. Tam Wai Keung, Billy and HSBC Trustee.

Trading volume of the Shares was very thin during the Pre-Announcement Period with monthly turnover less than 0.01% of the Shares held by the public. Following the publication of the Announcement, the monthly trading volume increased to 0.0516% of the Shares held by the public during the Post-Announcement Period. The Shares were only traded on five days with a total turnover of 2,720,000 Shares during the Post-Announcement Period. Based on the historic trading volume of the Shares in the Pre-Announcement Period, it is uncertain whether or not the increase in trading volume recorded in the Post-Announcement Period could be sustainable if the Proposal is not approved by the Independent Shareholders or is withdrawn or lapses.

In view of the low liquidity in the trading of the Shares, the Scheme Shareholders would find it difficult to sell their Shares, especially in large blocks, without significantly depressing the Share price. Together with the fact that the Cancellation Price represents a substantial premium to the prevailing market price of the Shares as at the Last Trading Day, we concur with the view of the Directors that the Proposal provides the Scheme Shareholders with an opportunity to sell their Shares at the Cancellation Price, without having to depress the Share price.

6. Price earnings multiple

One of the methodologies commonly used in assessing the value of the Shares is “price earnings multiple analysis”. However, we consider that this is not a relevant methodology in determining the value of the Shares given that the iLink Group has been making losses since its establishment in 1999 and the business conditions remain difficult, and the prospects of the iLink Group appears to be limited to support a substantial improvement in its business performance in near term.

7. Comparisons with publicly listed companies and privatisation precedents

Other methodologies commonly used in assessing the terms of the Proposal are the comparisons of the Cancellation Price and level of discount to the underlying NAV or NTAV as represented by the Cancellation Price against those of publicly listed companies, as represented by their market prices, whose businesses are directly comparable to iLink and those of privatisation precedents. However, we consider that such comparisons are not relevant for the purpose of evaluating the terms of the Proposal given the uniqueness of the iLink Group’s NAV composition where it comprises mainly cash and cash equivalent (about 92.6% of the unaudited adjusted consolidated NTAV of the iLink Group as at June 30, 2003).

8. Dividend

The iLink Group has not declared any dividend over the Past Financial Period as it has no accumulated retained earnings. The Directors consider that dividend payout policy is dependent on the financial performance of the iLink Group in a particular year and the then prevailing capital expenditure program and working capital level of the iLink Group. If the Proposal is not approved or lapses and iLink remains listed on GEM, unless there is substantial improvement in the business performance of the iLink Group in the near term, the Directors anticipate that iLink will not declare any dividends in the near future.

9. Other aspects of the Proposal

As at the date of this letter, iLink is held as to approximately 47.90% by Media Touch, an indirect wholly-owned subsidiary of PCCW. Upon the Scheme becoming effective, iLink will become a wholly-owned subsidiary of Media Touch and therefore a member of the PCCW Group. PCCW has confirmed to us that it does not have any intention of selling its controlling shareholding in iLink. The Independent Shareholders should note that, without the support of PCCW, it is unlikely that they will receive another offer or proposal from a third party which takes greater account of the underlying NAV of the iLink Group.

DISCUSSION, CONCLUSION AND RECOMMENDATION

We have considered the Proposal in light of the following two principal factors: the discount to the unaudited adjusted consolidated NTAV (supplemented by the premium to net cash per Share analysis) and premium over market price. A privatisation proposal similar to iLink's is likely to be in the nature of a compromise between the opportunity to acquire assets at a discount which provides an incentive for the person putting forward the proposal and the premium over market price which provides an incentive for the shareholders to accept the privatisation proposal. In this case, the discount to unaudited adjusted consolidated NTAV per Share is at a level we consider as reasonable and is at a premium over unaudited net cash per Share, whilst the premium over market prices in the Pre-Announcement Period is substantial.

The discount of the Cancellation Price to the unaudited adjusted consolidated NTAV per Share is 7.9%. However, we understand that the iLink Group's principal assets mainly comprised cash and bank balances (which constituted approximately 92.6% of the iLink Group's NAV as at June 30, 2003), with the remaining assets principally comprised leasehold improvements, computer and other equipment, the realisable value of which is low and subject to the iLink Group's future profitability. Notwithstanding the discount to the unaudited adjusted consolidated NTAV per Share, the Cancellation Price is set at a premium to the iLink Group's unaudited net cash per Share. We consider the Cancellation Price to be fair and reasonable for the Scheme Shareholders to accept the Proposal.

The Cancellation Price of HK\$0.035 per Scheme Share is substantially above the 12-month average of HK\$0.028 per Share at which the Shares have been traded prior to the Last Trading Day. The Proposal represents a 66.7% premium to the 30 trading days average price before the Last Trading Day. In view of the above and the fact that the liquidity of the Shares has been extremely low since the listing of the Shares of iLink, we are of the view that the Proposal, through which the Independent Shareholders will be able to dispose of their entire holding of the Shares at a substantial premium over recent market prices, represents a good opportunity for the Independent Shareholders to realise their investments on an attractive basis and, in our opinion, adequately compensates them for a slight discount to the unaudited adjusted consolidated NTAV.

LETTER FROM DBS ASIA

Various business developments of the iLink Group have been suspended or terminated in light of the difficult business conditions and the unsatisfactory performance of its development in new business venture. The iLink Group has no immediate plan to set up further data centres across the Asia Pacific region and has slowed down its pace of meeting the business objectives as stated in its listing prospectus. Even though the Directors have expressed that the iLink Group may be well positioned to capture opportunities in the growth in e-commerce and the Internet usage which has stimulated the demand for Internet hosting, co-location, managed services and other value-added services throughout the world in the long run, it may not provide short term significant return to the iLink Group in the foreseeable future. Given the business development and prospects, and despite the implementation of stringent cost measures, it is uncertain that the iLink Group will be able to reach a critical mass or economies of scale to achieve positive operating cashflow, which means, it will continue to deplete the cash balances, and therefore the NAV and value to the Shareholders. Further, no dividend is likely to be declared by iLink in the near future unless there is a substantial improvement in the business performance of the iLink Group in near term. On such basis, we consider that it is appropriate for the Independent Shareholders to accept the Proposal in order to preserve the NAV of the iLink Group and return to the Shareholders.

Having considered the above principal factors and reasons, in particular the substantial premium attached to the Cancellation Price over recent market prices and the closing price as at the Last Trading Day and the overall rationale of preserving the NAV and the value to the Shareholders, we consider the rationale for, and the terms of the Proposal, particularly the Cancellation Price, to be fair and reasonable so far as the Independent Shareholders are concerned and that the Proposal represents a good opportunity for the Independent Shareholders to realise their investments at a substantial premium to the market price prior to the Last Trading Day. Accordingly, the Proposal is in the interests of iLink and the Independent Shareholders as a whole. Accordingly, we advise the Independent Director to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the Court Meeting and at the Extraordinary General Meeting to approve the Proposal and implement the Scheme.

Yours faithfully,

For and on behalf of

DBS ASIA CAPITAL LIMITED

Alex Lau

Managing Director

Flavia Hung

Director

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Order 102, rule 21(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (Revised).

SCHEME OF ARRANGEMENT TO CANCEL ALL OF THE SCHEME SHARES

INTRODUCTION

It was jointly announced by PCCW, Media Touch and iLink on August 20, 2003, that on August 14, 2003 Media Touch requested the Board to put forward the Proposal to the Scheme Shareholders that iLink shall be privatised by way of the Scheme whereby all Scheme Shares shall be cancelled and iLink shall become a wholly-owned subsidiary of Media Touch.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide the Shareholders with other relevant information in relation to the Proposal.

The particular attention of the Shareholders is drawn to the following sections of this document: (a) a letter from the Board set out on pages 7 to 13 of this document; (b) a letter from the Independent Director in connection with the Proposal set out on page 14 of this document; (c) a letter of advice from DBS Asia set out on pages 15 to 28 of this document; and (d) the Scheme set out on pages 91 to 95 of this document.

SUMMARY OF THE PROPOSAL

The Proposal is to be implemented by way of a scheme of arrangement, which involves the cancellation and extinguishment of the Scheme Shares and reduction of the authorised and issued share capital under sections 86 and 16 of the Companies Law respectively, between iLink and the Scheme Shareholders. The Scheme provides that, subject to the conditions of the Proposal being fulfilled or waived (as applicable), the Scheme Shares will be cancelled and extinguished and, in consideration of such cancellation and extinguishment the Scheme Shareholders whose names appear on the register of members of iLink on the Record Date, which is expected to be December 1, 2003, will be entitled to receive the payment of HK\$0.035 in cash for each Scheme Share held on the Record Date.

As at the Latest Practicable Date, there were 5,267,374,610 Shares in issue and the Scheme Shareholders were interested in 2,744,224,610 Shares representing approximately 52.10% of the issued share capital of iLink. On the basis of the Cancellation Price of HK\$0.035 per Scheme Share, the Proposal values the entire issued share capital of iLink at approximately HK\$184.4 million. The amount of cash required in order to effect the Proposal is approximately HK\$96.0 million. The consideration payable under the Scheme will be financed out of the internal resources of the PCCW Group. BNP Paribas Peregrine is satisfied that sufficient financial resources are available to Media Touch for the implementation of the Scheme in full.

EXPLANATORY STATEMENT

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on iLink and all Scheme Shareholders subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:–
 - (i) the Scheme is approved by the Independent Shareholders holding at least 75% in value of those Shares that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the Scheme is not disapproved by the Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders;
- (b) the passing of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the Reduction of Capital) by a majority of at least three-fourths of the Shareholders present and voting, in person or by proxy, at the Extraordinary General Meeting;
- (c) the sanction of the Scheme (with or without modifications) and confirmation of the Reduction of Capital included in the Scheme by the Court and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court and minutes for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of iLink;
- (e) all Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in the Cayman Islands and/or Hong Kong and/or any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (g) all necessary consents which may be required under any existing contractual obligations of iLink being obtained (if any).

Media Touch reserves the right to waive condition (g) either in whole or in respect of any particular matter. Conditions (a) to (f) cannot be waived in any event.

EXPLANATORY STATEMENT

At the Court Meeting, each Independent Shareholder has one vote for each Share registered in his/her name. Assuming that all of the above conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before December 2, 2003. If the Scheme does not become effective by February 29, 2004, or such later date as iLink and Media Touch may agree and the Court may allow, the Scheme will lapse and the Shareholders will be notified by an announcement as soon as practicable thereafter.

If all of the above conditions are satisfied or, where applicable, waived, the Scheme will be binding on all of the Scheme Shareholders including those who voted against the Scheme and those who did not vote.

Media Touch does not intend to avail itself of any power of compulsory acquisition.

EFFECTS OF THE PROPOSAL

Shareholding structure

The table below sets out the shareholding structure of iLink as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares held	%	Number of Shares held	%
Media Touch	2,523,150,000	47.90	2,523,150,000	100.00
Mr. Tam Wai Keung, Billy (<i>Note 1</i>)	1,081,350,000	20.53	–	–
HSBC Trustee (<i>Note 2</i>)	400,500,000	7.60	–	–
Newspeed Technology (<i>Note 3</i>)	468,639,845	8.90	–	–
Other public shareholders	793,734,765	15.07	–	–
Total	<u>5,267,374,610</u>	<u>100.00</u>	<u>2,523,150,000</u>	<u>100.00</u>

Notes:

1. Mr. Tam Wai Keung, Billy is the chief executive officer and an executive Director of iLink.
2. HSBC Trustee is the trustee of The RadarNet Trust (a discretionary trust) under which HSBC Trustee may at its discretion sell and transfer the Shares to certain beneficiaries who are directors, employees or consultants of iLink or its direct or indirect subsidiaries, holding companies, shareholders or associated companies.
3. Newspeed Technology is an indirect wholly-owned subsidiary of Henderson Investment and is an independent shareholder of iLink.

EXPLANATORY STATEMENT

Capital value

The Cancellation Price represents:

- a discount of approximately 2.8% over the closing price of HK\$0.036 per Share as quoted on GEM as at the Latest Practicable Date;
- a premium of approximately 75.0% over the closing price of HK\$0.020 per Share as quoted on GEM on August 14, 2003 (being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);
- a premium of approximately 75.0% over the average closing price of about HK\$0.020 per Share based on the daily closing prices as quoted on GEM over the five trading days up to and including August 14, 2003;
- a premium of approximately 66.7% over the average closing price of about HK\$0.021 per Share based on the daily closing prices as quoted on GEM over the 30 trading days up to and including August 14, 2003; and
- a premium of approximately 52.2% over the average closing price of about HK\$0.023 per Share based on the daily closing prices as quoted on GEM over the 120 trading days up to and including August 14, 2003.

On the basis of the Cancellation Price, the table below illustrates the change in capital value for the Scheme Shareholders, assuming that the Proposal is implemented.

	On August 14, 2003	On the Latest
	<i>HK\$</i>	Practicable Date
		<i>HK\$</i>
Consideration receivable (per 1,000 Shares) under the Proposal	35	35
Value of 1,000 Shares (<i>Note</i>)	(20)	(36)
	15	(1)
	15	(1)
 This represents an increase/(a decrease) of	 75.0%	 (2.8)%

Note: Based on the closing price of the Shares as quoted on GEM on the respective dates.

Net tangible assets value

As at December 31, 2002, the audited consolidated NTAV of iLink amounted to approximately HK\$219.6 million, being approximately HK\$0.042 per Share. The Cancellation Price represents a discount of approximately 16.7% to the audited consolidated NTAV per Share as at December 31, 2002.

EXPLANATORY STATEMENT

As at June 30, 2003, the unaudited consolidated NTAV of iLink amounted to approximately HK\$199.3 million, being approximately HK\$0.038 per Share. The Cancellation Price represents a discount of approximately 7.9% to the unaudited consolidated NTAV per Share as at June 30, 2003.

Historical results

The iLink Group's audited consolidated loss attributable to the Shareholders for the year ended December 31, 2001 amounted to approximately HK\$34.9 million, representing a loss of approximately HK0.7 cents per Share. The iLink Group's audited consolidated loss attributable to the Shareholders for the year ended December 31, 2002 amounted to approximately HK\$104.2 million, representing a loss of approximately HK2.0 cents per Share.

Dividends

The iLink Group has not declared any dividends since its establishment.

INFORMATION ON THE iLINK GROUP

Business

iLink currently operates two data centres in Hong Kong providing Internet connectivity, dedicated server hosting and co-location services, and a range of valued-added services.

Historical financial information

A summary of the audited consolidated results of iLink for each of the two years ended December 31, 2002 and the unaudited consolidated results of the iLink Group for the six months ended June 30, 2003 is set out below:

	(Audited)		(Unaudited)
	For the year ended		For the
	December 31,		six months
	2001	2002	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	81,901	54,736	19,938
Loss from operations	(43,315)	(107,856)	(23,242)
Loss before taxation	(34,901)	(104,584)	(22,138)
Loss for the year attributable to shareholders	(34,901)	(104,220)	(21,785)

Your attention is drawn to Appendix I to this document which sets out the financial information of the iLink Group.

Based on the closing price of HK\$0.036 per Share and the total number of Shares in issue as at the Latest Practicable Date, the market capitalisation of iLink was approximately HK\$189.6 million.

EXPLANATORY STATEMENT

INFORMATION ON MEDIA TOUCH AND THE PCCW GROUP

Media Touch was incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of PCCW. The principal business activity of Media Touch is investment holding of its interests in iLink. The board of directors of Media Touch comprises Messrs. Yuen Tin Fan, Francis, Peter Anthony Allen, Alexander Anthony Arena and Chung Cho Yee, Mico. They are also executive directors of PCCW. Furthermore, Mr. Chung Cho Yee, Mico is also an executive Director of iLink.

PCCW is one of Asia's leading integrated communications companies. From its market-leading position in Hong Kong, PCCW is committed to delivering customer-led total solutions throughout Asia. PCCW provides a spectrum of services including integrated communications, broadband solutions, connectivity, narrowband and interactive broadband (Internet Services), business e-solutions, data centres and related infrastructure. The shares of PCCW are listed on the Main Board and PCCW has securities in the form of American Depositary Receipts listed on the New York Stock Exchange, Inc.

iLink had no shareholdings in Media Touch nor in PCCW as at the Latest Practicable Date and has not dealt for value in the shares or other securities of any of them during the period starting six months prior to August 14, 2003 and ending on the Latest Practicable Date.

FUTURE INTENTIONS OF PCCW

Upon the Scheme becoming effective, iLink will become a wholly-owned subsidiary of Media Touch and therefore a member of the PCCW Group. Following iLink becoming a member of the PCCW Group, PCCW will initiate a detailed review of the business of the iLink Group and will formulate a business plan and strategy for the iLink Group with a view to enhancing its operational efficiency which will be achieved principally through the consolidation of the data centre business of iLink with PCCW's own data centre business as mentioned in the paragraph headed "Reasons for the Proposal" under the section headed "Letter from the Board". Save for the proposed consolidation, PCCW has no intention to make any significant changes to the business and staff employment of the iLink Group or any significant redeployment of the fixed assets of the iLink Group by reason only of the Proposal if the Scheme becomes effective and is implemented. The listing of the Shares on GEM will be withdrawn if the Scheme is implemented or be maintained in the event that the Scheme lapses.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all of the Scheme Shares will be cancelled and all certificates representing the Scheme Shares will cease to have effect as documents or evidence of title.

Upon the approval of the Scheme by the Independent Shareholders at the Court Meeting, the passing of the special resolution in relation to the implementation of the Scheme and the Reduction of Capital at the Extraordinary General Meeting, the Court's sanction of the Scheme and its confirmation of the Reduction of Capital, and the completion of all other requirements of the Companies Law and the Court, iLink will apply to the Stock Exchange for the withdrawal of the listing of the Shares on GEM. Dealings in the Shares on GEM are expected to cease after the close of business on Wednesday, November 26, 2003 and the listing of the Shares on GEM is expected to be withdrawn on Wednesday, December 3, 2003, the same date that the Scheme is expected to become effective. In the event that the Proposal is not implemented, it is intended that the listing of the Shares on GEM will be maintained.

EXPLANATORY STATEMENT

Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on GEM will become effective by way of an announcement.

If the Scheme is not approved or lapses, iLink will not apply to the Stock Exchange for the withdrawal of listing of the Shares on GEM.

REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, payment for the consideration for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of iLink in Hong Kong on the Record Date. On the basis that the Proposal becomes effective on or about Tuesday, December 2, 2003, cheques for payment of the consideration payable under the Scheme are expected to be despatched on or about Friday, December 12, 2003. In the absence of any specific instructions to the contrary received in writing by Computershare Hong Kong Investor Services Limited, the branch registrar of iLink in Hong Kong at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, cheques will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such register in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and iLink, Media Touch and PCCW or any of them will not be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, Media Touch shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in iLink's name with a licensed bank in Hong Kong selected by iLink. iLink shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon, to persons who satisfy iLink that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Media Touch shall be released from any further obligation to make any payments under the Scheme and iLink shall thereafter transfer to Media Touch the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

It is proposed to close the register of members of iLink immediately after 4:30 p.m. on Friday, November 28, 2003 or at the same time on such other date as may be notified to the Shareholders by an announcement, in order to establish the entitlements under the Scheme. The Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Computershare Hong Kong Investor Services Limited, the branch registrar of iLink in Hong Kong at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, before the register of members of iLink is closed.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from Tuesday, December 2, 2003.

EXPLANATORY STATEMENT

Settlement of the cash entitlements to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which Media Touch may otherwise be, or claim to be entitled against such Scheme Shareholder.

OVERSEAS SHAREHOLDERS

The making of the Proposal to persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

In accordance with the directions of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme. The Extraordinary General Meeting will be convened to be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the Scheme and the steps required to implement it, including the Reduction of Capital as referred to in the Scheme.

As at the Latest Practicable Date, Media Touch was interested in 2,523,150,000 Shares, representing approximately 47.90% of the issued share capital of iLink. Such Shares held by Media Touch will not form part of the Scheme Shares and Media Touch will not vote at the Court Meeting under the Takeovers Code. In addition, parties acting in concert with Media Touch, being Mr. Tam Wai Keung, Billy and HSBC Trustee, who, as at the Latest Practicable Date, held 1,081,350,000 and 400,500,000 Shares respectively (representing approximately 20.53% and 7.60% respectively of the issued share capital of iLink) will not vote at the Court Meeting. However, the 1,081,350,000 Shares held by Mr. Tam Wai Keung, Billy and the 400,500,000 Shares held by HSBC Trustee will still form part of the Scheme Shares.

Media Touch and Mr. Tam Wai Keung, Billy have indicated that if the Scheme is approved at the Court Meeting, they will each vote in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the Reduction of Capital).

ACTION TO BE TAKEN

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Court Meeting and/or the Extraordinary General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed thereon, and to lodge them with the principal place of business

EXPLANATORY STATEMENT

of iLink in Hong Kong at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong. The pink form of proxy in respect of the Court Meeting can also be returned by facsimile at number 2218 2288 (marked for the attention of "The Company Secretary") or it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 10:30 a.m. on Monday, October 27, 2003 and the white form of proxy for use at the Extraordinary General Meeting should be lodged not later than 11:00 a.m. on Monday, October 27, 2003 for the purpose of the Court Meeting and the Extraordinary General Meeting to be convened on Wednesday, October 29, 2003. The completion and return of a form of proxy for the Court Meeting or the Extraordinary General Meeting will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

An announcement will be made by iLink in relation to the results of the Court Meeting and the Extraordinary General Meeting. In addition, an announcement will be made on the results of the hearing of the petition to sanction the Scheme by the Court and, if the Scheme is sanctioned, the last date of dealings in the Shares on GEM, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on GEM.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting, you will still be bound by the outcome of such Court Meeting. You are therefore strongly urged to attend and vote at the Court Meeting in person or by proxy.

For the purpose of determining the entitlements of the Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting, the register of members of iLink will be closed from Monday, October 27, 2003 to Wednesday, October 29, 2003 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of iLink, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, October 24, 2003.

RECOMMENDATION

Your attention is drawn to the paragraph headed "Recommendation" in the "Letter from the Board" on page 12 of this document.

FURTHER INFORMATION

Further information is set out in the appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

THREE-YEAR FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the iLink Group for each of the three financial years ended December 31, 2002:

	For the year ended December 31,		
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>54,736</u>	<u>81,901</u>	<u>39,871</u>
Loss before taxation	(104,584)	(34,901)	(28,680)
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
Loss after taxation	(104,584)	(34,901)	(28,680)
Minority interests	<u>364</u>	<u>—</u>	<u>—</u>
Loss attributable to Shareholders	<u>(104,220)</u>	<u>(34,901)</u>	<u>(28,680)</u>
Dividend per Share	<u>—</u>	<u>—</u>	<u>—</u>
Loss per Share (HK cents)			
Basic	<u>(2.0)</u>	<u>(0.7)</u>	<u>(1.9)</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE iLINK GROUP FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002

Set out below is a summary of the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity of each of the two years ended December 31, 2002 and the consolidated balance sheets as at December 31, 2001 and, 2002 of the iLink Group together with the relevant notes as extracted from the audited financial statements of the iLink Group for the year ended December 31, 2002.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2002

	Note(s)	Continuing Operation		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	3, 5 & 13	52,975	78,898	1,761	3,003	54,736	81,901
Cost of revenues	13	(45,275)	(58,481)	(3,658)	(4,872)	(48,933)	(63,353)
Gross profit/(loss)		7,700	20,417	(1,897)	(1,869)	5,803	18,548
Selling and marketing expenses	13	(6,542)	(10,194)	(102)	(258)	(6,644)	(10,452)
General and administrative expenses	13	(38,729)	(41,041)	(3,294)	(9,547)	(42,023)	(50,588)
Other expenses, net	4	(274)	(823)	(3,116)	–	(3,390)	(823)
Impairment losses in fixed assets	3, 4 & 15	(35,800)	–	(25,802)	–	(61,602)	–
Operating loss	6	(73,645)	(31,641)	(34,211)	(11,674)	(107,856)	(43,315)
Interest income	5	3,259	8,345	13	69	3,272	8,414
Loss before taxation		(70,386)	(23,296)	(34,198)	(11,605)	(104,584)	(34,901)
Taxation	9	–	–	–	–	–	–
Loss after taxation		(70,386)	(23,296)	(34,198)	(11,605)	(104,584)	(34,901)
Minority interests		364	–	–	–	364	–
Net loss attributable to shareholders	3, 10 & 21	<u>(70,022)</u>	<u>(23,296)</u>	<u>(34,198)</u>	<u>(11,605)</u>	<u>(104,220)</u>	<u>(34,901)</u>
Dividend	12					<u>–</u>	<u>–</u>
Loss per share – Basic	11					<u>(2.0 cents)</u>	<u>(0.7 cents)</u>
Loss per share – Diluted	11					<u>N/A</u>	<u>N/A</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 2002*

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Note 26)</i>
OPERATING ACTIVITIES			
Net cash outflow from operating activities	25	(18,051)	(44,485)
INVESTING ACTIVITIES			
Interest received		3,272	8,414
Purchase of fixed assets		(7,243)	(27,077)
Sale of fixed assets		1,391	35
Purchase of intangible assets		(745)	–
Increase in other investment		–	(3,900)
Net cash outflow from investing activities		(3,325)	(22,528)
NET CASH OUTFLOW BEFORE FINANCING		(21,376)	(67,013)
FINANCING ACTIVITIES			
Issue of ordinary shares		–	140,800
Share issue expenses		–	(17,297)
Interest element of finance lease payments		–	(13)
Capital element of finance lease payments		–	(271)
Investments from minority shareholders in subsidiaries		5	–
Net cash inflow from financing		5	123,219
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(21,371)	56,206
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		216,829	160,573
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		12	50
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		<u>195,470</u>	<u>216,829</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31st December, 2002*

	<i>Note(s)</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Total equity as at 1st January		325,319	236,667
Exchange differences arising on translation of the financial statements of foreign subsidiaries		12	50
Issue of ordinary shares	<i>20(c)</i>	–	140,800
Share issue expenses	<i>20(c)</i>	–	(17,297)
Net loss for the year		<u>(104,220)</u>	<u>(34,901)</u>
Total equity as at 31st December		<u><u>221,111</u></u>	<u><u>325,319</u></u>

BALANCE SHEET(S)*As at 31st December, 2002*

	<i>Note(s)</i>	The Group		The Company	
		2002	2001	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS					
Intangible assets, net	14	1,503	–	–	–
Fixed assets, net	15	20,600	91,966	–	–
Investments in subsidiaries, net	16	–	–	223,366	352,092
Prepayment		–	5,600	–	–
Total non-current assets		<u>22,103</u>	<u>97,566</u>	<u>223,366</u>	<u>352,092</u>
CURRENT ASSETS					
Cash and bank deposits		195,470	216,829	–	–
Accounts receivable, net	13 & 17	2,506	15,007	–	–
Amount due from a director		–	135	–	–
Other investment	18	3,900	3,900	–	–
Prepayments, deposits and other current assets	13	8,361	10,599	–	–
Total current assets		<u>210,237</u>	<u>246,470</u>	<u>–</u>	<u>–</u>
CURRENT LIABILITIES					
Accounts payable	13 & 19	(1,345)	(8,461)	–	–
Accruals and other payables	13	(9,045)	(10,156)	(1,412)	–
Amounts due to directors	13	(100)	(100)	(100)	–
Total current liabilities		<u>(10,490)</u>	<u>(18,717)</u>	<u>(1,512)</u>	<u>–</u>
Net current assets/(liabilities)		<u>199,747</u>	<u>227,753</u>	<u>(1,512)</u>	<u>–</u>
Total assets less current liabilities		<u><u>221,850</u></u>	<u><u>325,319</u></u>	<u><u>221,854</u></u>	<u><u>352,092</u></u>
Financed by:					
Share capital	20	105,347	105,347	105,347	105,347
Reserves	21	115,764	219,972	116,507	246,745
Shareholders' funds		<u>221,111</u>	<u>325,319</u>	<u>221,854</u>	<u>352,092</u>
Minority interests		739	–	–	–
		<u><u>221,850</u></u>	<u><u>325,319</u></u>	<u><u>221,854</u></u>	<u><u>352,092</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACTIVITIES

iLink Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10th August, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. On 10th August, 2000, it acquired the entire issued share capital of NetFort Offshore Limited through a share exchange (the “Reorganisation”) and consequently became the holding company of NetFort Offshore Limited and its subsidiaries (together with the Company, collectively referred to as the “Group”).

The Reorganisation has been accounted for as a reorganisation of the Group as a continuing entity and, accordingly, the financial statements have been prepared and presented using the merger basis of accounting as if the current group structure had been in existence since its commencement of operations.

The Company’s ordinary shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited since 9th March, 2001 (the “Listing”).

The Group is principally engaged in the provision of Internet connectivity, server hosting and co-location services, other value-added services and sales of equipment and software. The Group discontinued its data centre operation in The People’s Republic of China (the “PRC”) during the year.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants (“HKSA”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM. They have been prepared under the historical cost convention except that, as disclosed in the accounting policy below, other investment is stated at fair value.

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34 (revised)	Employee benefits

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Intangibles*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 5 years.

(ii) Patents and trademarks

Expenditures on acquired patents and trademarks are capitalised and amortised using the straight-line method over their estimated useful lives of 5 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of intangible asset is assessed and written down immediately to its recoverable amount.

(d) Fixed assets*(i) Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, beyond its originally assessed standard performance, the expenditure is capitalised as an additional cost of the fixed asset.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Data centres and related equipment	
– Leasehold improvements	7% to 10% (over lease terms)
– Computer and other equipment	20%
Office leasehold improvements	7% to 10% (over lease terms)
Furniture, fixtures and office equipment	20%
Computer equipment	20%
Motor vehicle	20%

The useful lives of assets and depreciation method are reviewed periodically.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(ii) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing companies are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing companies are charged to the income statement on a straight-line basis over the lease periods.

(f) Other investment

Other investment is carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investment is recognised in the income statement. Gain or loss on disposal of other investment, representing the difference between the net sales proceed and the carrying amount, is recognised in the income statement as it arises.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Bonus plans

Provision for bonus plans due wholly within twelve months after balance sheet date is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Pension obligations*

The Group operates a number of defined contribution plans in Hong Kong and the PRC, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(k) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes at rates of the respective jurisdictions.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Revenue recognition

Service income from the provision of Internet connectivity, server hosting and co-location services, and other value-added services is recognised as the services are rendered.

Revenue from the sale of equipment and software is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the respective income statements are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the income statements of foreign enterprises were translated at closing rate. This is a change in accounting policy; however, the translation of the income statements of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format since the Group has only one business segment.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

3. SEGMENT INFORMATION

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

	Hong Kong		The PRC		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	<u>52,846</u>	<u>78,898</u>	<u>1,890</u>	<u>3,003</u>	<u>54,736</u>	<u>81,901</u>
Result						
Segment results	<u>(61,738)</u>	<u>(30,053)</u>	<u>(43,592)</u>	<u>(12,622)</u>	(105,330)	(42,675)
Unallocated corporate expenses					<u>(2,526)</u>	<u>(640)</u>
Operating loss					(107,856)	(43,315)
Interest income					3,272	8,414
Minority interests					<u>364</u>	<u>–</u>
Net loss attributable to shareholders					<u>(104,220)</u>	<u>(34,901)</u>
Assets						
Segment assets	<u>222,817</u>	<u>276,532</u>	<u>9,523</u>	<u>67,504</u>	<u>232,340</u>	<u>344,036</u>
Liabilities						
Segment liabilities	7,428	11,251	1,550	7,466	8,978	18,717
Unallocated corporate liabilities					<u>1,512</u>	<u>–</u>
Consolidated total liabilities					<u>10,490</u>	<u>18,717</u>
Other information						
Capital expenditures	5,790	12,890	2,198	14,187	7,988	27,077
Depreciation	11,954	10,777	826	1,055	12,780	11,832
Amortisation charge	–	–	114	–	114	–
Provision for doubtful debts	3,181	9,014	–	–	3,181	9,014
Impairment losses in fixed assets in the income statement	35,800	–	25,802	–	61,602	–
Impairment losses in intangible assets in the income statement	–	–	226	–	226	–

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

4. DISCONTINUING OPERATION

On 8th May, 2002, the Group approved a corporate restructuring to discontinue its data centre operation in Beijing, the PRC. Results of this discontinuing operation for the year ended 31st December, 2002 are set out in the consolidated income statement, whereas the cash flows and net assets were as follows:

	For the year ended	
	31st December, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net operating cash outflow	(7,823)	(6,461)
Net investing cash inflow/(outflow)	354	(9,215)
Net financing cash inflow	—	23,397
	<u> </u>	<u> </u>
Total net cash (outflow)/inflow	<u>(7,469)</u>	<u>7,721</u>
	At	At
	31st December, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	—	29,664
Current assets	450	12,071
	<u> </u>	<u> </u>
Total assets	450	41,735
Total liabilities	(785)	(6,720)
	<u> </u>	<u> </u>
Net (liabilities)/assets	<u>(335)</u>	<u>35,015</u>

Part of the fixed assets with net book value of approximately HK\$4,241,000 were sold or transferred to a fellow subsidiary for approximately HK\$1,468,000, resulting in a loss on disposal of approximately HK\$2,773,000.

As a result of the corporate restructuring, impairment losses of approximately HK\$25,802,000 has been made which represented the carrying amount of fixed assets for the data centre operation in Beijing as at 31st December, 2002. 北京合縱連橫科技有限公司, an indirect wholly-owned subsidiary of the Group which was principally engaged in the Beijing data centre operation, was in the process of winding up as at 31st December, 2002.

5. TURNOVER AND REVENUES

Turnover and revenues comprise:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Internet connectivity, server hosting and co-location services	44,182	50,195
Other value-added services	6,389	21,316
Sales of equipment and software	4,165	10,390
	<hr/>	<hr/>
Total turnover	54,736	81,901
Interest income	3,272	8,414
	<hr/>	<hr/>
Total revenues	<u>58,008</u>	<u>90,315</u>

6. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	2002 HK\$'000	2001 HK\$'000
Charging:		
Staff costs (including directors' emoluments):		
– Wages and salaries	23,455	25,861
– Unutilised annual leave	777	–
– Pension costs – defined contribution plans (Note 8)	1,901	1,912
Operating lease:		
– Buildings and racks	14,167	16,377
– Internet connectivity bandwidth and leased lines	16,837	22,807
Depreciation (Note 15):		
– Owned fixed assets	12,780	11,773
– Leased fixed assets	–	59
Impairment losses in fixed assets (Note 15):		
– Continuing operation	35,800	–
– Discontinuing operation (Note 4)	25,802	–
Amortisation of intangible assets (included in general and administrative expenses) (Note 14):		
– Goodwill	105	–
– Patents and trademarks	9	–
Impairment losses in intangible assets (included in other expenses) (Note 14):		
– Patents and trademarks	226	–
Provision for doubtful debts	3,181	9,014
Interest expense on a finance lease	–	13
Loss on disposal of fixed assets, net	2,836	823
Net exchange losses	–	106
Auditors' remuneration	502	500
	<u>502</u>	<u>500</u>
Crediting:		
Net exchange gains	38	–
	<u>38</u>	<u>–</u>

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments (including the provision for unutilised annual leaves first made in 2002) paid or payable to directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees*	175	1,000
Other emoluments		
– Basic salaries and allowances	5,478	7,520
– Pension scheme contributions	515	776
	<u>6,168</u>	<u>9,296</u>

* Other than HK\$50,000 each payable to two independent non-executive directors, all fees were paid to executive directors.

The individual emoluments for the five (2001: six) paid executive directors for the year ended 31st December, 2002 were approximately HK\$2,261,000 (2001: HK\$2,644,000), HK\$1,019,000 (2001: HK\$1,113,000), HK\$943,000 (2001: HK\$1,032,000), HK\$929,000 (2001: HK\$1,032,000), HK\$917,000 (2001: HK\$1,032,000), HK\$ Nil (2001: HK\$2,343,000) and no emoluments were paid to the remaining directors, other than the independent non-executive directors for the years ended 31st December, 2002 and 2001.

- (b) All executive directors have agreed to waive their director's fee commencing on 1st February, 2002.

An executive director has also entered into a supplementary agreement to reduce his monthly basic salary by HK\$33,000 from the amount stated in his service contract, commencing on 1st January, 2002.

On 23rd December, 2002, the service contracts with the executive directors were renewed for another two years ending on 31st December, 2004 on substantially the same terms, except that the executive directors will no longer be entitled to any director's fee.

- (c) The five (2001: seven) individuals whose emoluments were the highest in the Group for the year include four (2001: six) directors whose emoluments are reflected in the analysis presented above. The emoluments (including the provision for unutilised annual leaves first made in 2002) payable to the remaining one (2001: one) individual during the year are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Basic salaries and other allowances	1,068	987
Pension scheme contributions	83	67
	<u>1,151</u>	<u>1,054</u>

The emolument fell within the following band:

	Number of individual	
	2002	2001
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>

8. PENSION SCHEME

The Group operates a defined contribution pension scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. The pension cost charged to the income statement represents contributions payable by the Group at 8% to 12% on the employees' salaries. Where employees leave the scheme prior to the full vesting of their contributions, the amount of forfeited contributions is used to reduce the future contributions payable by the Group. The pension scheme contributions for the year ended 31st December, 2002 were approximately HK\$1,783,000 (2001: HK\$1,825,000). The forfeited contributions for the year ended 31st December, 2002 were approximately HK\$343,000 (2001: HK\$94,000).

The Group has participated in the defined contribution Mandatory Provident Fund (the "MPF") in Hong Kong since 1st December, 2000, in which employees in Hong Kong joined subsequent to this date are entitled to join this scheme. Under this scheme, the Group makes monthly contributions to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK\$12,000 per annum per person. During the year, the Group's contributions to the MPF were approximately HK\$27,000 (2001: HK\$32,000). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

As stipulated by the rules and regulations in the PRC, the subsidiaries in Beijing ("the Beijing Subsidiaries"), are required to contribute to a state-sponsored retirement plan for their PRC employees at 19% of their basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Beijing Subsidiaries have no further obligations for the actual pension payments or other post-retirement benefit beyond the annual contributions. For the year ended 31st December, 2002, the Beijing Subsidiaries' retirement plan contributions were approximately RMB97,000 (HK\$91,000) (2001: RMB59,000 (HK\$55,000)).

9. TAXATION

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

The Beijing Subsidiaries are subject to 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 Subsidiaries had no taxable income for the years ended 31st December, 2002 and 2001.

The Group has not recorded deferred tax assets, mainly in respect of the tax loss for the operations in Hong Kong due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future. The tax loss for the operation in Hong Kong was approximately HK\$108,000,000 (2001: HK\$88,000,000), subject to agreement by relevant tax authority.

10. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately HK\$130,238,000 (2001: HK\$640,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's consolidated net loss attributable to shareholders and 5,267,374,610 ordinary shares (2001: weighted average of approximately 4,931,705,000 ordinary shares which have been adjusted for the capitalisation issue and the subdivision of ordinary shares as set out in note 20(d) and note 20(f) respectively) in issue during the year.

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

12. DIVIDEND

The directors do not propose any dividend in respect of the year ended 31st December, 2002 (2001: Nil).

13. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

- (a) During the year, the Group had the following significant transactions with related parties:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Advertising fees paid or payable to:		
– A former associated company of DotCom Pacific Ventures Limited (“DotCom Pacific”), a former substantial shareholder of the Company	–	421
Operating lease rental for Internet connectivity bandwidth and leased lines paid or payable to:		
– Subsidiaries of PCCW Limited (formerly known as Pacific Century CyberWorks Limited) (“PCCW”), a substantial shareholder of the Company	5,518	6,854
– A jointly-controlled entity of PCCW	2,940	4,301
Telephone charges paid or payable to:		
– A former associated company of PCCW	14	155
Operating lease rental for buildings and related charges paid or payable to:		
– Beijing Jing Wei House & Land Estate Development Co. Ltd. (“Jing Wei House”), a subsidiary of PCCW (see Note (c) below)	3,603	6,141
– DotCom Pacific (see Note (d) below)	–	1,532
Service fee paid or payable to:		
– A subsidiary of DotCom Pacific	–	193
Insurance premium paid or payable to:		
– A fellow subsidiary of PCCW	240	325
Service income received or receivable from:		
– Subsidiaries of PCCW	3,469	20,526
– Associated companies of PCCW	607	1,824
– A former associated company of PCCW	453	–
– A subsidiary of DotCom Pacific	–	301
– An associated company of DotCom Pacific	–	33
– A former associated company of DotCom Pacific	–	246
– A company wholly-owned by a former non-executive director of the Company	–	88

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors of the Company.

- (b) As at 31st December, 2002, the Group had the following significant current balances with related companies:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in:		
Accounts receivable, net	19	4,263
Prepayment, deposits and other current assets	20	1,825
Accounts payable	416	292
Accruals and other payables	8	185

The Group's current balances with related companies are unsecured, non-interest bearing and repayable according to the trading terms between the Group and the related companies.

- (c) Pursuant to a leasing agreement entered into between Jing Wei House, and iLink.net (Beijing) Limited, an indirect wholly-owned subsidiary of the Company, dated 1st January, 2001, Jing Wei House leased to iLink.net (Beijing) Limited premises (with net floor area of approximately 2,617 square meters) for a monthly rental of US\$25 per square meter, exclusive of management fee and air-conditioning charges of US\$20 per square meter per month. The tenancy was for a term of five years commencing on 1st January, 2001 and with three options to renew the lease of three years each. Commencing on 1st October, 2002, the monthly rental together with management fee and air-conditioning charges have been reduced.
- (d) Pursuant to a sub-lease agreement entered into between DotCom Pacific and iLink.net Limited, an indirect wholly-owned subsidiary of the Company, dated 19th February, 2001, DotCom Pacific sub-leased to iLink.net Limited premises (with net floor area of approximately 6,200 square feet). The sub-lease commenced on 1st January, 2001 and was terminated on 13th September, 2001. On the same day, a deed of novation was signed by DotCom Pacific, iLink.net Limited and the landlord of the premises which effectively transferred the rights and obligations of DotCom Pacific under the original lease agreement with the landlord of the premises to iLink.net Limited.
- (e) Pursuant to a deed of settlement dated 9th August, 2000, certain directors and employees of the Group were named as beneficiaries of a discretionary trust and the independent trustee may at its discretion sell and transfer the ordinary shares of the Company to the beneficiaries at prices to be determined by the trustee. As at 31st December, 2002, no shares had been sold by the trust to the beneficiaries (2001: same). As at 31st December, 2002, this trust held approximately 7.6% (2001: 7.6%) of the issued share capital of the Company.
- (f) During the year ended 31st December, 2001, PCCW and the Company entered into an agreement providing for cross referral of customers, with effect from the Listing, subject to prospective customers' requirements and final decisions.

The cooperation arrangements apply to all the data centre businesses of PCCW over which it has absolute control by the fact that it or its subsidiaries holding 35% or more of the share capital of the companies owning the relevant data centre businesses and it or its subsidiaries being the single largest shareholder of such companies. The cooperation arrangement, however, will be terminated if PCCW or its subsidiaries (i) cease to hold 35% or more of the share capital of the companies owning the relevant data centre businesses or (ii) cease to be the single largest shareholder of companies owning such data centre businesses or (iii) cease to hold 35% or more of the issued share capital of the Company.

(g) Amounts due to directors

The outstanding balances with directors represent fees payable to the two independent non-executive directors. These balances are unsecured, non-interest bearing and payable on demand.

14. INTANGIBLE ASSETS, NET

	The Group		
	Goodwill	Patents and trademarks	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost	1,098	745	1,843
Amortisation charge for the year	(105)	(9)	(114)
Impairment charge for the year	–	(226)	(226)
	<u>993</u>	<u>510</u>	<u>1,503</u>
Net book value as at 31st December, 2002	<u>993</u>	<u>510</u>	<u>1,503</u>
Net book value as at 31st December, 2001	<u>–</u>	<u>–</u>	<u>–</u>

15. **FIXED ASSETS, NET**

Movements in fixed assets of the Group are as follows:

	2002						2001	
	Data centres and related equipment		Office leasehold improve- ments	Furniture, fixtures and office equipment	Computer equipment	Motor vehicle	Total	Total
	Leasehold improvements	Computer and other equipment	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1st January	64,222	35,292	3,303	1,913	4,919	296	109,945	83,980
Additions	43	4,154	175	489	2,382	–	7,243	27,077
Disposals	(34)	(4,477)	–	(7)	(110)	–	(4,628)	(1,112)
At 31st December	64,231	34,969	3,478	2,395	7,191	296	112,560	109,945
Accumulated depreciation and impairment								
At 1st January	6,848	8,809	633	597	1,003	89	17,979	6,401
Charge for the year	4,541	6,225	386	399	1,170	59	12,780	11,832
Impairment charge	41,767	14,100	1,502	929	3,209	95	61,602	–
Disposals	(9)	(370)	–	(2)	(20)	–	(401)	(254)
At 31st December	53,147	28,764	2,521	1,923	5,362	243	91,960	17,979
Net book value								
At 31st December	11,084	6,205	957	472	1,829	53	20,600	91,966
At 1st January	57,374	26,483	2,670	1,316	3,916	207	91,966	77,579

In addition to the impairment losses of approximately HK\$25,802,000 made for the fixed assets of the Beijing data centre as mentioned in note 4, management's revised forecast showed that the economic performance of the Group's data centre operation in Hong Kong is worse than originally expected and updated analyses were then prepared to determine if there was an impairment of the underlying assets by assessing their value in use. In assessing the value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects the then current market assessments of the time value of money and the risk specific to the asset. As a result of the assessment, the Group recognised an impairment loss of approximately HK\$35,800,000 to write down the fixed assets for the data centre operation in Hong Kong to their estimated recoverable value of approximately HK\$20,313,000.

16. INVESTMENTS IN SUBSIDIARIES, NET

In the Company's balance sheet, investments in subsidiaries comprise:

	2002 HK\$'000	2001 HK\$'000
Unlisted share, at cost	46,887	46,887
Amounts due from subsidiaries	304,190	305,205
	351,077	352,092
Less: Impairment losses	(127,711)	–
	<u>223,366</u>	<u>352,092</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and without fixed repayment terms.

The directors of the Company are of the opinion that after the impairment losses, the underlying value of the subsidiaries is not less than their carrying value as at 31st December, 2002.

The following is a list of the significant subsidiaries at 31st December, 2002:

Name	Place and date of incorporation/ registration, and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
<i>Directly held:</i>				
NetFort Offshore Limited	The British Virgin Islands (the "BVI"), 24th August, 1999, limited liability company	US\$ 100,000	100%	Investment holding
All Cyber Holdings Inc.	The BVI, 2nd February, 2000, limited liability company	US\$ 1	100%	Investment holding
<i>Indirectly held:</i>				
Asia Guide International Limited ("Asia Guide")	The BVI, 10th June, 2002, limited liability company	US\$ 1,000	70%	Investment holding

Name	Place and date of incorporation/ registration, and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Cyber Space Innovations Limited	The BVI, 14th April, 2000, limited liability company	US\$ 1	100%	Investment holding
Honor Spirit Investment Limited ("Honor Spirit")	The BVI, 15th April, 2002, limited liability company	US\$ 1,000	80%	Investment holding
iLink Business Solutions Limited (formerly known as Logain Limited)	Hong Kong, 13th May, 2002, limited liability company	HK\$ 2	100%	Provision of IT business solutions and consultation services in Hong Kong
iLink IP Limited	Isle of Man, 12th July, 2002, limited liability company	GBP 1	100%	Investment holding
iLink Network Games Holdings Limited	The BVI, 8th May, 2002, limited liability company	US\$ 1	100%	Investment holding
iLink.net Limited (formerly known as Verona Limited)	Hong Kong, 11th August, 1999, limited liability company	HK\$ 2	100%	Provision of Internet connectivity, server hosting and co-location services, other value-added services and sales of equipment and software in Hong Kong
iLink.net (Beijing) Limited (formerly known as Cyber Starlight Limited)	The BVI, 28th June, 2000, limited liability company	US\$ 1	100%	Investment holding
iLink.net (China) Limited (formerly known as Wealthy Millennium Limited)	The BVI, 20th April, 2000, limited liability company	US\$ 1	100%	Investment holding
iLink.net Intellectual Property Limited	Isle of Man, 4th April, 2001, limited liability company	GBP 1	100%	Investment holding

Name	Place and date of incorporation/ registration, and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
iLink.net (Shanghai) Holdings Limited (formerly known as Phonic Spirit Inc.)	The BVI, 12th January, 2000, limited liability company	US\$ 1	100%	Investment holding
北京合縱連橫科技有限公司	The PRC, 6th April, 2001, wholly foreign-owned enterprise	US\$ 5,000,000 (US\$ 2,999,981 contributed)	100%	Provision of Internet connectivity, server hosting and co-location services and other value- added services in Beijing, and was in the process of winding up as at 31st December, 2002 (Note 4)
北京合縱連訊網絡技術有限公司	The PRC, 18th June, 2002, wholly foreign-owned enterprise	US\$ 150,000	100%	Provision of online storage and secure mailing system services in Beijing
北京數碼仙境娛樂科技有限公司	The PRC, 2nd August, 2002, wholly foreign-owned enterprise	US\$ 250,000 (US\$ 150,000 contributed)	80%	Development, distribution and operation of network games in Beijing
北京樂樂在錢娛樂軟件有限公司	The PRC, 29th September, 2002, wholly foreign-owned enterprise	US\$ 290,000 (US\$ 145,000 contributed)	70%	Development, distribution and operation of network games in Beijing

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st December, 2002.

Pursuant to the shareholders agreements of Honor Spirit and Asia Guide, if performance of the underlying subsidiaries exceeded the pre-agreed budgeted results for any financial years ending on or before 31st December, 2005 and 2006 respectively, the PRC management of these companies, who are also the minority shareholders, shall be entitled to exercise an option to acquire shares from iLink Network Games Holdings Limited, the majority shareholder of both companies and an indirect wholly-owned subsidiary of the Group. The total number of shares in respect of the option may be exercised in aggregate shall not exceed:

- 25% of the total number of issued shares of Honor Spirit from time to time on or before 31st December, 2005;
- 15% of the total number of issued shares of Asia Guide from time to time on or before 31st December, 2006.

Subject to the terms above, the number of shares in respect of which the option may be exercised for any financial year shall be up to the number of the respective shares as representing:

- 10% of the total number of the issued shares of Honor Spirit at the time of exercise of the option for that financial year.
- 5% of the total number of the issued shares of Asia Guide at the time of exercise of the option for that financial year.

As at 31st December, 2002, no options had been exercised for Honor Spirit and Asia Guide.

17. ACCOUNTS RECEIVABLE, NET

An aging analysis of accounts receivable of the Group is set out below:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,676	5,656
31 to 60 days	506	2,432
61 to 90 days	130	2,245
Over 90 days	4,031	14,013
	<u>6,343</u>	<u>24,346</u>
<i>Less: Provision for doubtful debts</i>	<u>(3,837)</u>	<u>(9,339)</u>
	<u><u>2,506</u></u>	<u><u>15,007</u></u>

The normal credit period granted by the Group is 30 days.

18. OTHER INVESTMENT

The other investment of the Group comprises the following:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted investment at market value	<u>3,900</u>	<u>3,900</u>

19. ACCOUNTS PAYABLE

An aging analysis of accounts payable of the Group is set out below:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0 to 30 days	718	6,354
31 to 60 days	165	338
61 to 90 days	64	154
over 90 days	<u>398</u>	<u>1,615</u>
	<u>1,345</u>	<u>8,461</u>

20. SHARE CAPITAL

	Number of shares		Amount		
	Ordinary shares of HK\$0.1 each and subdivided into HK\$0.02 each in 2001 (f)	Series A preferred shares of HK\$0.1 each	Ordinary shares HK\$	Series A preferred shares HK\$	Total HK\$
Authorised:					
As at 1st January, 2001	40,000,000	53,330	4,000,000	5,333	4,005,333
Increase in authorised ordinary shares (b)	3,960,000,000	–	396,000,000	–	396,000,000
Cancellation of authorised Series A preferred shares (b)	–	(53,330)	–	(5,333)	(5,333)
Subdivision of ordinary shares (f)	16,000,000,000	–	–	–	–
As at 31st December, 2001 and 2002	<u>20,000,000,000</u>	<u>–</u>	<u>400,000,000</u>	<u>–</u>	<u>400,000,000</u>
Issued and fully paid:					
As at 1st January, 2001	835,540	53,330	83,554	5,333	88,887
Conversion of Series A preferred shares (a)	53,330	(53,330)	5,333	(5,333)	–
Issuance of ordinary shares for the Listing (c)	110,000,000	–	11,000,000	–	11,000,000
Capitalisation Issue (d)	711,096,000	–	71,109,600	–	71,109,600
Issuance of ordinary shares (d)	17,623,052	–	1,762,305	–	1,762,305
Conversion of convertible notes (e)	213,867,000	–	21,386,700	–	21,386,700
Subdivision of ordinary shares (f)	4,213,899,688	–	–	–	–
As at 31st December, 2001 and 2002	<u>5,267,374,610</u>	<u>–</u>	<u>105,347,492</u>	<u>–</u>	<u>105,347,492</u>

- (a) On 15th August, 2000, 53,330 Series A preferred shares of the Company were issued to an institutional investor at US\$150 per share, resulting in the receipt of net proceeds of approximately US\$8.0 million. The Series A preferred shares were converted into 53,330 ordinary shares of HK\$0.1 each of the Company on 19th February 2001.
- (b) On 22nd February, 2001, the authorised share capital of the Company was increased from HK\$4,005,333 to HK\$400,000,000 by the creation of an additional 3,960,000,000 ordinary shares of HK\$0.1 each, ranking pari passu with the then existing ordinary shares, and the cancellation of the 53,330 Series A preferred shares.

- (c) On 7th March, 2001, 110,000,000 ordinary shares of HK\$0.1 each were issued for the Listing, resulting in the receipt of net proceeds of approximately HK\$123,503,000, after deducting share issuance expenses of approximately HK\$17,297,000 from the gross proceeds of HK\$140,800,000.
- (d) On 7th March, 2001, upon the share premium account of the Company being credited pursuant to the Listing:
 - (i) the sum of HK\$71,110,000 being part of the amount then standing to the credit of the share premium account of the Company, was capitalised by issuing 711,096,000 ordinary shares of HK\$0.1 each, credited as fully paid at par, to the then shareholders of the Company immediately before the Listing (the “Capitalisation Issue”); and
 - (ii) 17,623,052 additional ordinary shares of HK\$0.1 each were issued to two institutional investors at no further consideration on exercise of the downside price protection provisions contained in their respective share subscription agreements.
- (e) On 8th March, 2001, an existing shareholder fully converted the convertible notes which then remained outstanding in the amount of HK\$12,519,000 into 213,867,000 ordinary shares of HK\$0.1 each (after the Capitalisation Issue) of the Company.
- (f) On 17th August, 2001, the Company subdivided its ordinary shares of HK\$0.10 each into five ordinary shares of HK\$0.02 each and consequently the number of authorised ordinary shares have been increased to 20,000,000,000 shares.

21. RESERVES

Movements in reserves of the Group and the Company are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
The Group					
At 1st January, 2001	212,712	43,782	–	(32,435)	224,059
Issuance of ordinary shares (see Note 20(c))	112,504	–	–	–	112,504
Capitalisation Issue (see Note 20(d)(i))	(71,110)	–	–	–	(71,110)
Issuance of ordinary shares (see Note 20(d)(ii))	(1,762)	–	–	–	(1,762)
Conversion of convertible notes (see Note 20(e))	(8,868)	–	–	–	(8,868)
Exchange translation differences	–	–	50	–	50
Loss for the year	–	–	–	(34,901)	(34,901)
At 1st January, 2002	243,476	43,782	50	(67,336)	219,972
Exchange translation differences	–	–	12	–	12
Loss for the year	–	–	–	(104,220)	(104,220)
At 31st December, 2002	<u>243,476</u>	<u>43,782</u>	<u>62</u>	<u>(171,556)</u>	<u>115,764</u>
The Company					
At 1st January, 2001	216,621	–	–	–	216,621
Issuance of ordinary shares (see Note 20(c))	112,504	–	–	–	112,504
Capitalisation Issue (see Note 20(d)(i))	(71,110)	–	–	–	(71,110)
Issuance of ordinary shares (see Note 20(d)(ii))	(1,762)	–	–	–	(1,762)
Conversion of convertible notes (see Note 20(e))	(8,868)	–	–	–	(8,868)
Loss for the year	–	–	–	(640)	(640)
At 1st January, 2002	247,385	–	–	(640)	246,745
Loss for the year	–	–	–	(130,238)	(130,238)
At 31st December, 2002	<u>247,385</u>	<u>–</u>	<u>–</u>	<u>(130,878)</u>	<u>116,507</u>

Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31st December, 2002, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$116,507,000 (2001: HK\$246,745,000), subject to the restriction stated above.

22. SHARE OPTION SCHEME

The Company has terminated its share option scheme adopted on 22nd February, 2001 (the “Old Share Option Scheme”) and adopted a new share option scheme (the “New Share Option Scheme”) on its Annual General Meeting on 3rd May, 2002 (the “Approval Date”).

Pursuant to the New Share Option Scheme, 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. The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme must not represent more than 10% of the nominal amount of the issued share capital of the Company as at the Approval Date.

As at the Approval Date, no options had been granted or agreed to be granted under the Old Share Option Scheme. During the year and as at 31st December, 2002, no option has been granted or agreed to be granted under the New Share Option Scheme.

23. COMMITMENTS

The Group has the following significant commitments which were not provided for in the consolidated financial statements:

(a) Capital commitments

The Group has the following capital commitments in respect of acquisitions of assets:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	475	4,244
Authorised but not contracted for	—	207
	<u>475</u>	<u>4,451</u>

(b) Operating leases commitments

At 31st December, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings, racks and Internet connectivity bandwidth and leased lines amounting to approximately HK\$29,925,000 (2001: HK\$80,949,000). The amounts payable are analysed as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Buildings and racks		
– Not later than one year	11,520	15,024
– Later than one year and not later than five years	17,206	34,125
	<u>28,726</u>	<u>49,149</u>
Internet connectivity bandwidth and leased lines		
– Not later than one year	1,199	11,357
– Later than one year and not later than five years	–	20,443
	<u>1,199</u>	<u>31,800</u>
	<u><u>29,925</u></u>	<u><u>80,949</u></u>

(c) Other commitments

On 1st August, 2001, one of the Beijing subsidiaries (the “Beijing Subsidiary”) signed a sales agreement with a third party company (“Party A”) in the PRC. According to the sales agreement, the Beijing Subsidiary would provide co-location services to Party A for a period of five years from the date of agreement for a monthly charge of RMB600,010. On the same date, the Beijing Subsidiary also signed a purchase agreement with Party A, pursuant to which Party A would provide bandwidth to the Beijing Subsidiary for a period of five years from the date of agreement for a monthly charge of RMB600,000, which would be reduced by the amount charged back by the Beijing Subsidiary for any bandwidth utilised by Party A in the data centre operated by the Beijing Subsidiary. The operating lease commitment for 2001 in respect of the bandwidth purchase had been included in note 23(b) above. Both agreements were terminated in 2002 after the discontinuation of the Beijing data centre operation.

24. CONTINGENT LIABILITY

On 29th May, 2002, a contractor filed a lawsuit against iLink.net Limited, an indirect wholly-owned subsidiary of the Company, to claim for an amount of approximately HK\$1,383,000 for providing additional services under some alleged variation orders in respect of one of the Group’s data centres in Hong Kong.

The directors are of the opinion that the possibility of an outflow of resources embodying economic benefits is remote, therefore, no provision has been made in the financial statements of the Group for the year ended 31st December, 2002.

25. CONSOLIDATED CASH FLOW STATEMENT**Reconciliation of loss before taxation to net cash outflow from operating activities**

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 26)</i>
Loss before taxation	(104,584)	(34,901)
Interest income	(3,272)	(8,414)
Interest expense	–	13
Provision for doubtful debts	3,181	9,014
Depreciation	12,780	11,832
Amortisation	114	–
Loss on disposal of fixed assets	2,836	823
Impairment losses in fixed assets	61,602	–
Impairment losses in intangible assets	226	–
Decrease/(Increase) in prepayment	5,600	(5,600)
Decrease/(Increase) in accounts receivable	9,320	(8,495)
Decrease/(Increase) in amount due from a director	135	(135)
Decrease in prepayments, deposits and other current assets	2,238	6,911
Decrease in accounts payable	(7,116)	(5,032)
Decrease in accruals and other payables	(1,111)	(10,601)
Increase in amounts due to directors	–	100
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(18,051)</u>	<u>(44,485)</u>

26. PRIOR YEAR COMPARATIVES

Certain 2001 comparative figures have been reclassified to conform with the current year's presentations and in accordance with the new presentation and disclosure requirements under the new SSAPs as disclosed in note 2.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 13th March, 2003.

UNAUDITED CONSOLIDATED RESULTS OF THE iLINK GROUP FOR THE SIX MONTHS ENDED JUNE 30, 2003

The following is the unaudited consolidated results of the iLink Group extracted from the second quarterly report of iLink for the six months ended June 30, 2003:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th June, 2003

	For the three months ended 30th June,					
	Continuing Operations		Discontinuing Operation (Data Centre at Beijing)		The Group	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (Note 2)	10,019	13,165	–	46	10,019	13,211
Cost of revenues	(7,825)	(10,881)	–	(338)	(7,825)	(11,219)
Gross profit/(loss)	2,194	2,284	–	(292)	2,194	1,992
Selling and marketing expenses	(1,365)	(1,619)	–	(64)	(1,365)	(1,683)
General and administrative expenses	(7,979)	(8,865)	–	(689)	(7,979)	(9,554)
Other (expenses)/income, net (Impairment losses)/reversal of impairment losses in fixed assets (Notes 3 & 7)	(1,333)	–	1	(1,646)	(1,332)	(1,646)
(Loss)/profit from operations	(15,783)	(8,200)	1	(418)	(15,782)	(8,618)
Interest income	541	849	–	1	541	850
(Loss)/profit before taxation	(15,242)	(7,351)	1	(417)	(15,241)	(7,768)
Taxation (Note 5)	–	–	–	–	–	–
(Loss)/profit after taxation	(15,242)	(7,351)	1	(417)	(15,241)	(7,768)
Minority interests	224	–	–	–	224	–
Net (loss)/profit attributable to shareholders	<u>(15,018)</u>	<u>(7,351)</u>	<u>1</u>	<u>(417)</u>	<u>(15,017)</u>	<u>(7,768)</u>
Loss per share						
– Basic (Note 6)					<u>(0.29 cents)</u>	<u>(0.15 cents)</u>
Loss per share						
– Diluted (Note 6)					<u>N/A</u>	<u>N/A</u>

	For the six months ended 30th June,					
	Continuing Operations		Discontinuing Operation (Data Centre at Beijing)		The Group	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover (Notes 2, 11 & 12)	19,938	29,880	–	1,717	19,938	31,597
Cost of revenues (Note 12)	(15,309)	(24,114)	–	(3,658)	(15,309)	(27,772)
Gross profit/(loss)	4,629	5,766	–	(1,941)	4,629	3,825
Selling and marketing expenses	(2,782)	(3,425)	–	(135)	(2,782)	(3,560)
General and administrative expenses (Note 12)	(16,455)	(18,348)	(11)	(2,194)	(16,466)	(20,542)
Other (expenses)/income, net	(1,336)	6	13	(1,646)	(1,323)	(1,640)
Impairment losses in fixed assets (Notes 3 & 7)	(7,300)	–	–	(27,409)	(7,300)	(27,409)
(Loss)/profit from operations (Note 11)	(23,244)	(16,001)	2	(33,325)	(23,242)	(49,326)
Interest income (Note 11)	1,104	1,700	–	10	1,104	1,710
(Loss)/profit before taxation	(22,140)	(14,301)	2	(33,315)	(22,138)	(47,616)
Taxation (Note 5)	–	–	–	–	–	–
(Loss)/profit after taxation	(22,140)	(14,301)	2	(33,315)	(22,138)	(47,616)
Minority interests (Note 11)	353	–	–	–	353	–
Net (loss)/profit attributable to shareholders (Note 11)	<u>(21,787)</u>	<u>(14,301)</u>	<u>2</u>	<u>(33,315)</u>	<u>(21,785)</u>	<u>(47,616)</u>
Loss per share						
– Basic (Note 6)					<u>(0.41 cents)</u>	<u>(0.90 cents)</u>
Loss per share						
– Diluted (Note 6)					<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2003 and 31st December, 2002

	As at 30th June, 2003 HK\$'000	As at 31st December, 2002 HK\$'000
NON-CURRENT ASSETS		
Intangible assets, net	–	1,503
Fixed assets, net (<i>Note 7</i>)	11,304	20,600
	<hr/>	<hr/>
Total non-current assets	11,304	22,103
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and bank deposits	184,579	195,470
Accounts receivable, net (<i>Notes 8 & 12</i>)	2,289	2,506
Other investment	3,900	3,900
Prepayments, deposits and other current assets (<i>Note 12</i>)	7,932	8,361
	<hr/>	<hr/>
Total current assets	198,700	210,237
	<hr/>	<hr/>
CURRENT LIABILITIES		
Accounts payable (<i>Notes 9 & 12</i>)	(1,046)	(1,345)
Accruals and other payables (<i>Note 12</i>)	(9,241)	(9,045)
Amounts due to directors	–	(100)
	<hr/>	<hr/>
Total current liabilities	(10,287)	(10,490)
	<hr/>	<hr/>
Net current assets	188,413	199,747
	<hr/>	<hr/>
Total assets less current liabilities	<u>199,717</u>	<u>221,850</u>
Financed by:		
Share capital	105,347	105,347
Reserves (<i>Note 10</i>)	93,984	115,764
	<hr/>	<hr/>
Shareholders' funds	199,331	221,111
Minority interests	386	739
	<hr/>	<hr/>
	<u>199,717</u>	<u>221,850</u>

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2003*

	For the six months ended 30th June,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance – Total equity	221,111	325,319
Net gains and losses not recognized in the income statement		
– Exchange translation differences	5	19
Net loss for the period	<u>(21,785)</u>	<u>(47,616)</u>
Closing balance – Total equity	<u><u>199,331</u></u>	<u><u>277,722</u></u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June, 2003*

	For the six months ended 30th June,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(11,695)</u>	<u>(13,426)</u>
INVESTING ACTIVITIES		
Interest received	1,104	1,710
Purchase of fixed assets	(335)	(3,184)
Proceeds from disposal of fixed assets	<u>30</u>	<u>575</u>
	799	(899)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,896)	(14,325)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5	19
CASH AND CASH EQUIVALENTS		
Beginning of period	<u>195,470</u>	<u>216,829</u>
End of period	<u><u>184,579</u></u>	<u><u>202,523</u></u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS:

1. BASIS OF PRESENTATION

The unaudited condensed financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by Hong Kong Society of Accountants (“HKSA”), 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”).

These unaudited condensed financial statements should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12, Income Taxes, and SSAP 34 (Revised), Employee Benefits, issued by HKSA which are effective for accounting periods commencing on or after 1st January, 2003.

2. TURNOVER

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

3. DISCONTINUING OPERATION

In 2002, the Group discontinued its data centre operation in Beijing, The People’s Republic of China (the “PRC”). The results and cashflows from this discontinuing operation in Beijing were not significant for the six months ended 30th June, 2003. As at 30th June, 2003, this operation had no significant assets or liabilities.

4. STAFF COSTS

	For the six months ended 30th June,	
	2003	2002
	<i>HK\$’000</i>	<i>HK\$’000</i>
Staff costs (including directors’ emoluments)	<u>11,561</u>	<u>12,598</u>

5. TAXATION

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for the six months ended 30th June, 2003 and 2002.

The Group's subsidiaries in Beijing (the "Beijing Subsidiaries"), are subject to the PRC enterprise income tax on the taxable income as reported in their statutory financial statements adjusted in accordance with relevant income tax laws. No provision for PRC enterprise income tax was made as the Beijing Subsidiaries had no taxable income for the six months ended 30th June, 2003.

The Group has not recorded deferred tax assets, mainly in respect of tax losses carried forward of approximately HK\$116,000,000 (31st December, 2002: HK\$108,000,000) for the operations in Hong Kong, subject to agreement by the Hong Kong Inland Revenue Department, due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future. These tax losses have no expiry date.

6. 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 six months ended 30th June, 2003 and 2002 and 5,267,374,610 shares in issue during the periods.

Diluted loss per share is not presented because the effect of the assumed conversion of all potential dilutive securities during the six months ended 30th June, 2003 and 2002 would be anti-dilutive.

7. FIXED ASSETS, NET

In addition to the impairment losses of HK\$35,800,000 made for the fixed assets for the data centre operation in Hong Kong in 2002, the management's latest revised forecast showed that the economic performance of the Group's data centre operation in Hong Kong was not in line with the original budget, and updated analyses were then prepared to determine if there was further impairment of the underlying assets by assessing their value in use. In assessing the value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects the then current market assessments of the time value of money and the risk specific to the asset. As a result of the assessment, the Group recognized an additional impairment loss of HK\$7,300,000 for the period to write down the fixed assets for the data centre operation in Hong Kong to their estimated recoverable value of approximately HK\$10,998,000.

8. *ACCOUNTS RECEIVABLE, NET*

An aging analysis of accounts receivable of the Group is set out below:

	As at 30th June, 2003	As at 31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,639	1,676
31 to 60 days	244	506
61 to 90 days	187	130
Over 90 days	2,710	4,031
	<hr/>	<hr/>
	4,780	6,343
<i>Less: Provision for doubtful debts</i>	<i>(2,491)</i>	<i>(3,837)</i>
	<hr/>	<hr/>
	2,289	2,506
	<hr/> <hr/>	<hr/> <hr/>

The normal credit period granted by the Group is 30 days.

9. *ACCOUNTS PAYABLE*

An aging analysis of accounts payable of the Group is set out below:

	As at 30th June, 2003	As at 31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	629	718
31 to 60 days	–	165
61 to 90 days	–	64
Over 90 days	417	398
	<hr/>	<hr/>
	1,046	1,345
	<hr/> <hr/>	<hr/> <hr/>

10. RESERVES

Movements in reserves of the Group for the six months ended 30th June, 2003 and 2002 are as follows:

	For the six months ended 30th June,				2002	
	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	62	(171,556)	115,764	219,972
Exchange translation differences	-	-	5	-	5	19
Loss for the period	-	-	-	(21,785)	(21,785)	(47,616)
Balance, end of period	243,476	43,782	67	(193,341)	93,984	172,375

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.

11. SEGMENT INFORMATION

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

	For the six months ended 30th June,					
	Hong Kong		The PRC		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	19,912	29,880	26	1,717	19,938	31,597

	For the six months ended 30th June,					
	Hong Kong		The PRC		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Result						
Segment result	<u>(15,451)</u>	<u>(13,226)</u>	<u>(6,949)</u>	<u>(35,743)</u>	(22,400)	(48,969)
Unallocated corporate expenses					<u>(842)</u>	<u>(357)</u>
Loss from operations					(23,242)	(49,326)
Interest income					1,104	1,710
Minority interests					<u>353</u>	<u>–</u>
Net loss attributable to shareholders					<u>(21,785)</u>	<u>(47,616)</u>
Other information						
Capital expenditures	216	2,140	119	1,044	335	3,184
Depreciation	2,224	5,882	82	778	2,306	6,660
Amortization charge	–	–	170	–	170	–
Provision for doubtful debts	208	3,219	–	–	208	3,219
Impairment losses in fixed assets	7,300	–	–	27,409	7,300	27,409
Impairment losses in intangible assets	–	–	1,333	–	1,333	–
As at 30th June, 2003 and 31st December, 2002						
	Hong Kong		The PRC		Total	
	As at	As at	As at	As at	As at	As at
	30th	31st	30th	31st	30th	31st
	June,	December,	June,	December,	June,	December,
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	<u>203,996</u>	<u>222,817</u>	<u>6,008</u>	<u>9,523</u>	<u>210,004</u>	<u>232,340</u>
Liabilities						
Segment liabilities	7,555	7,428	1,913	1,550	9,468	8,978
Unallocated corporate liabilities					<u>819</u>	<u>1,512</u>
Consolidated total liabilities					<u>10,287</u>	<u>10,490</u>

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

12. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following significant transactions with related parties, all being subsidiaries, jointly-controlled entity, associated companies or former associated companies of PCCW Limited (“PCCW”), a substantial shareholder of the Company:

	For the six months ended	
	30th June,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating lease rental for Internet connectivity bandwidth and leased lines paid or payable	2,196	5,247
Operating lease rental for buildings and related charges paid or payable	1,868	2,182
Insurance premium paid or payable	183	103
Service income received or receivable	392	3,590

The above transactions were carried out after negotiation between the Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors of the Company.

- (b) As at 30th June, 2003, the Group had the following significant current balances with the aforesaid related parties:

	As at	As at
	30th June,	31st December,
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in:		
Accounts receivable, net	30	19
Prepayment, deposits and other current assets	265	20
Accounts payable	150	416
Accruals and other payables	1,049	8

13. CONTINGENT LIABILITY

In 2002, a contractor filed a lawsuit against iLink.net Limited, an indirect wholly-owned subsidiary of the Company, to claim for an amount of approximately HK\$1,383,000 for providing additional services under some alleged variation orders in respect of one of the Group's data centres in Hong Kong.

The directors are of the opinion that the possibility of an outflow of resources embodying economic benefits is remote, therefore, no provision has been made in the financial statements of the Group as at 30th June, 2003 (31st December, 2002: Nil).

SHARE CAPITAL

The authorised and issued share capital of iLink as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>20,000,000,000</u> Shares	<u>400,000,000</u>
<i>Issued and fully paid:</i>	
<u>5,267,374,610</u> Shares	<u>105,347,492</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No Shares have been issued since December 31, 2002 (the date to which the latest audited financial statements of the iLink Group were made up) to the Latest Practicable Date.

The Shares are listed on GEM and none of the securities of iLink are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

iLink terminated its share option scheme adopted on February 22, 2001 and adopted a new share option scheme which was approved at the annual general meeting of iLink held on May 3, 2002.

As at the Latest Practicable Date, the iLink Group had no options, warrants, derivatives or other securities that are convertible into Shares.

INDEBTEDNESS

As at August 31, 2003, being the latest practicable date for this indebtedness statement prior to the publication of this document, the iLink Group had no outstanding borrowings.

As at the Latest Practicable Date, there was an outstanding lawsuit against iLink.net Limited, an indirectly wholly-owned subsidiary of iLink, made by a contractor (the "Plaintiff") for an amount of approximately HK\$1,383,000 for providing additional services under some alleged variation orders in respect of one of the iLink Group's data centres in Hong Kong. In this connection, iLink.net Limited has filed a defence on July 4, 2002, which was amended on July 11, 2003. iLink.net Limited and the Plaintiff have been exchanging information with respect to the contents of their respective pleadings.

Save as disclosed and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the iLink Group, the iLink Group did not have any outstanding mortgages, charges, debentures, loan capital or other similar indebtedness, or hire-purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities as at August 31, 2003, being the latest practicable date for this indebtedness statement prior to the publication of this document.

MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or prospects of the iLink Group since December 31, 2002, the date to which the latest published financial statements of the iLink Group were made up.

STATEMENT OF NET TANGIBLE ASSETS VALUE

Set out below is a statement of the unaudited adjusted consolidated NTAV of the iLink Group as at June 30, 2003, which was arrived at based on its consolidated NTAV as at December 31, 2002 and adjusted as follows:

	<i>HK\$'000</i>
Consolidated NTAV of the iLink Group as at December 31, 2002 (Note)	219,608
Adjustments:	
Less: Unaudited attributable loss for the six months ended June 30, 2003	(21,785)
Add: Goodwill amortised and written off for the six months ended June 30, 2003	1,503
Exchange translation reserve for the six months ended June 30, 2003	5
	<hr/>
Unaudited adjusted consolidated NTAV of the iLink Group as at June 30, 2003	<u>199,331</u>
	<i>HK\$</i>
Unaudited adjusted consolidated NTAV per Share (based on 5,267,374,610 Shares in issue as at the Latest Practicable Date)	<u>0.038</u>

Note: The consolidated NTAV was arrived at after deducting intangible assets of HK\$1,503,000 from the audited consolidated net asset value of HK\$221,111,000 for iLink as stated in the annual report for the year ended December 31, 2002. The exclusion of intangible assets of iLink is mainly for the computation of unaudited consolidated NTAV.

RESPONSIBILITY STATEMENT

The information in this document relating to the iLink Group has been supplied by the Directors. The issue of this document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document in relation to the iLink Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document in relation to the iLink Group have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document in relation to the iLink Group misleading.

The information in this document relating to the PCCW Group and Media Touch has been supplied by the directors of PCCW and Media Touch (as appropriate). The issue of this document has been approved by the directors of PCCW and Media Touch respectively, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that in relation to the iLink Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those in relation to the iLink Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document (other than those relating to the iLink Group) misleading.

MARKET PRICES

The Shares are traded on GEM.

The table below shows the respective closing prices of the Shares on GEM (i) on the last trading day of each of the six calendar months preceding August 20, 2003 (being the date of the Announcement); (ii) on August 14, 2003 (being the last full trading day immediately preceding the date of the Announcement); and (iii) on the Latest Practicable Date.

Date	Closing price per Share <i>HK\$</i>
February 28, 2003	0.025
March 31, 2003	0.025
April 30, 2003	0.025
May 31, 2003	0.023
June 30, 2003	0.023
July 31, 2003	0.020
August 14, 2003	0.020
Latest Practicable Date	0.036

The highest and lowest closing prices of the Shares recorded on GEM during the period from February 20, 2003, being the date six months prior to the date of the Announcement, to the Latest Practicable Date were HK\$0.048 on the trading days between August 25, 2003 and August 26, 2003 (both days inclusive), and HK\$0.020 on the trading days between July 15, 2003 and August 20, 2003 (both days inclusive) respectively.

DISCLOSURE OF INTERESTS

For the purpose of this section, the “Offer Period” means the period from August 20, 2003 to the Latest Practicable Date, both days inclusive, the “Disclosure Period” means the period beginning from the six months prior to the Offer Period and ending with the Latest Practicable Date, both days inclusive, and “interested” and “interests” have the meanings respectively ascribed thereto in the SFO.

(a) Interests and dealings in the Shares

- (i) As at the Latest Practicable Date, Media Touch held 2,523,150,000 Shares and PCCW did not hold any Shares directly.
- (ii) As at the Latest Practicable Date, save as otherwise disclosed in this document, (a) none of the directors of PCCW or Media Touch had an interest in the Shares; (b) none of the persons acting in concert or deemed to be acting in concert with PCCW or Media Touch owned or controlled any of the Shares; (c) no Shares are owned or controlled by any persons, who prior to the posting of this document, had irrevocably committed themselves to accept or reject the offer.
- (iii) As at the Latest Practicable Date, the interests of the Directors in the Shares, underlying Shares and debentures of iLink or any of its associated corporations, within the meaning of the SFO, which were notified to iLink and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by iLink pursuant to Section 352 of the SFO or which were notified to iLink and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Director	Note	Interests in Shares	Interests in Underlying Shares	Aggregate Long Position	% of Issued Share Capital
Tam Wai Keung, Billy	1	1,081,350,000	–	1,081,350,000	20.53%
Lee Brandon	2	400,500,000	–	400,500,000	7.60%
Leung Man Leuk, Tommy	2	400,500,000	–	400,500,000	7.60%
Hui Kwai	2	400,500,000	–	400,500,000	7.60%
Tang King Fai	2	400,500,000	–	400,500,000	7.60%
Cheung Sum, Sam	2	400,500,000	–	400,500,000	7.60%

Notes:

1. The 1,081,350,000 Shares are held personally by Mr. Tam Wai Keung, Billy, who is also the chief executive officer and an executive Director of iLink. By virtue of his interests in iLink, Mr. Tam Wai Keung, Billy is a substantial shareholder of iLink.
 2. These Directors are deemed to be interested in the 400,500,000 Shares held by HSBC Trustee by virtue of them being beneficiaries under a discretionary trust.
 3. There were no debentures issued by the iLink Group at any time during the disclosure period.
 4. No short position in the Shares was recorded in the register of iLink required to be kept under section 352 of the SFO.
- (iv) Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest or short positions in any Shares, underlying shares or debentures of iLink or any of its associated corporations, within the meaning of the SFO, which would have to be notified to iLink and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to iLink and the Stock Exchange.
- (v) Neither Media Touch, directors of Media Touch nor persons acting in concert with Media Touch had dealt for value in any Shares during the Disclosure Period.
- (vi) As at the Latest Practicable Date, no option was granted or agreed to be granted by iLink and there were no outstanding derivatives, warrants or convertible securities of iLink.
- (vii) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between Media Touch or any person acting in concert with Media Touch and any other person with respect to the interests in the Shares.
- (viii) As at the Latest Practicable Date, there was no interest in any Shares which was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with iLink and no such fund manager dealt for value in any Shares during the Disclosure Period.

(b) Interests and dealings in the Media Touch Share

- (i) As at the Latest Practicable Date, no option in respect of the Media Touch Share was granted or agreed to be granted by Media Touch and there were no outstanding derivatives, warrants or convertible securities of Media Touch.
- (ii) As at the Latest Practicable Date, no member of the iLink Group nor its pension fund nor its adviser (as defined in the Takeovers Code) held any interest in the Media Touch Share nor, during the Disclosure Period, had any of the aforementioned dealt for value in the Media Touch Share.
- (iii) As at the Latest Practicable Date, there was no interest in the Media Touch Share which was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with iLink and no such fund manager dealt for value in the Media Touch Share during the Disclosure Period.
- (iv) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between iLink or any person acting in concert with iLink by virtue of classes (1), (2), (3) and (4) of the definition of associate and any person with respect to the interest in the Media Touch Share.

(c) Other interests

- (i) No benefit is or will be paid to any Director as compensation for loss of office or otherwise in connection with the Proposal.
- (ii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) or intention to enter into any agreement, arrangement or understanding (including any compensation arrangement) between Media Touch or any person acting in concert with Media Touch and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Scheme.
- (iii) As at the Latest Practicable Date, there was no agreement or arrangement which existed between any Director and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.
- (iv) As at the Latest Practicable Date, no material contract was entered into by Media Touch in which any Director had a material personal interest.

- (v) Five Directors namely, Messrs. Tam Wai Keung, Billy, Lee Brandon, Leung Man Leuk, Tommy, Hui Kwai and Tang King Fai entered into service agreements with iLink on February 22, 2001, for a fixed monthly salary and a monthly director's fee of HK\$15,000, plus a discretionary annual bonus of not more than an amount equivalent to one month's salary, for an initial term of two years commencing on January 1, 2001 and the aforesaid service agreements were renewed on December 23, 2002 for another two years ending on December 31, 2004 on substantially the same terms save for the removal of any entitlement to any director's fee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had a service contract in force with any member of the iLink Group which had more than twelve months to run or which was entered into or amended within six months before the date of the Announcement.

- (vi) As at the Latest Practicable Date, there was no agreement, arrangement or understanding or intention to enter into any agreement, arrangement or understanding between Media Touch or any person acting in concert with it and any other person for the transfer of the beneficial interests in the Scheme Shares under the Scheme.

MATERIAL CONTRACTS

iLink had entered into the following contracts within the two years prior to the Latest Practicable Date:

- (a) A joint venture agreement with certain independent third parties in the PRC for the development of PC games and video games dated May 30, 2002, in which the iLink Group has contributed US\$256,001 for 80% interest; and
- (b) A joint venture agreement with other independent third parties in the PRC for the development of PC games and video games dated August 6, 2002, in which the iLink Group has contributed US\$300,001 for 70% interest.

Save as aforesaid, the iLink Group had not entered into any contracts which are or may be material other than in the ordinary course of the business carried on or intended to be carried on by the iLink Group within the two years prior to the Latest Practicable Date.

MATERIAL LITIGATION

As at the Latest Practicable Date, there was an outstanding lawsuit against iLink.net Limited, an indirectly wholly-owned subsidiary of iLink, made by a contractor (the "Plaintiff") for an amount of approximately HK\$1,383,000 for providing additional services under some alleged variation orders in respect of one of the iLink Group's data centres in Hong Kong. In this connection, iLink.net Limited has filed a defence on July 4, 2002, which was amended on July 11, 2003. iLink.net Limited and the Plaintiff have been exchanging information with respect to the contents of their respective pleadings.

Save as aforesaid, iLink was not, as at the Latest Practicable Date, engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to any of the Directors to be pending or threatened by or against iLink.

MISCELLANEOUS

- (a) Media Touch is the offeror under the Proposal, and the ultimate holding company of which is PCCW. The registered offices of Media Touch and PCCW and the names of their respective directors are as follow:

Name	Registered Office Address	Name of Directors
Media Touch	TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	Mr. Yuen Tin Fan, Francis Mr. Peter Anthony Allen Mr. Alexander Anthony Arena Mr. Chung Cho Yee, Mico
PCCW	39th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong	Mr. Li Tzar Kai, Richard Mr. So Chak Kwong, Jack Mr. Yuen Tin Fan, Francis Mr. Cheung Wing Lam, Linus Mr. Peter Anthony Allen Mr. Alexander Anthony Arena Mr. Michael John Butcher Mr. Chung Cho Yee, Mico Mr. Lee Chi Hong, Robert Professor Chang Hsin-kang Sir David Ford Dr. Fung Kwok King, Victor Dr. The Hon. Li Kwok Po, David Sir Roger Lobo The Hon. Raymond George Hardenbergh Seitz

- (b) Mr. Tam Wai Keung, Billy and HSBC Trustee, who, as at the Latest Practicable Date, held 1,081,350,000 and 400,500,000 Shares respectively (representing approximately 20.53% and 7.60% respectively of the issued share capital of iLink) are deemed to be acting in concert with Media Touch under the Proposal under the Takeovers Code. Their addresses are set out below:

Name	Address
Tam Wai Keung, Billy	Flat E, 34th Floor, Tower 1, Park Belvedere, Ma On Shan, New Territories, Hong Kong
HSBC Trustee	P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

- (c) The Scheme Shareholders will not be subject to any stamp duty under the Stamp Duty Ordinance (Cap. 117 Laws of Hong Kong) with respect to the sale of the Scheme Shares under the Proposal.

- (d) All costs, charges and expenses of and incidental to the Proposal and the costs of carrying the Scheme into effect shall be borne by Media Touch.
- (e) The Shares held by Mr. Tam Wai Keung, Billy form part of the Scheme Shares. However, Mr. Tam Wai Keung, Billy is not an Independent Shareholder. Mr. Tam Wai Keung, Billy has informed both Media Touch and iLink that he intends to exercise the votes attaching to his Shares in favour of the special resolution to be proposed at the Extraordinary General Meeting. In addition, he intends to be bound by the Scheme in the event it becomes effective.

EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
DBS Asia	Deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities

CONSENTS

BNP Paribas Peregrine has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and content in which it appears. DBS Asia has given and has not withdrawn its written consent to the issue of this document with the inclusion of its opinions and letter and the references to its name, opinions and letter in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the transaction solicitors, Richards Butler, at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of iLink;
- (b) the memorandum and articles of association of Media Touch;
- (c) the audited consolidated financial statements of iLink for the two years ended December 31, 2002 and the unaudited second quarterly report of iLink for the six months ended June 30, 2003;
- (d) the audited consolidated financial statements of PCCW for the two years ended December 31, 2002 and the unaudited interim report of PCCW for the six months ended June 30, 2003;
- (e) the letter from DBS Asia to the Independent Director, the text of which is set out on pages 15 to 28 of this document;
- (f) the letter of recommendation of the Independent Director, the text of which is set out on page 14 of this document;
- (g) the material contracts set out under the paragraph headed “Material Contracts” referred to in this Appendix;
- (h) the letters of consent referred to in this Appendix; and
- (i) Services Agreements dated February 22, 2001 entered into between iLink and each of Messrs. Tam Wai Keung, Billy, Lee Brandon, Leung Man Leuk, Tommy, Hui Kwai and Tang King Fai and the respective renewed service agreements all dated December 23, 2002.

SCHEME OF ARRANGEMENT

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO. 585 OF 2003

IN THE MATTER OF iLINK HOLDINGS LIMITED

AND

IN THE MATTER OF
THE COMPANIES LAW (2003 REVISION) OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT
BETWEEN
iLINK HOLDINGS LIMITED
AND
THE HOLDERS OF THE SCHEME SHARES

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the following meanings:–

“Companies Law”	the Companies Law (2003 Revision) of the Cayman Islands;
“Court”	the Grand Court of the Cayman Islands;
“Effective Date”	the date (Hong Kong time) on which this Scheme becomes effective as contemplated by clause 6 of this Scheme;
“Excluded Parties”	Mr. Tam Wai Keung, Billy and HSBC International Trustee Limited, holders of an aggregate of 1,481,850,000 Shares (representing approximately 28.13% of the issued share capital of iLink) as at the date of this Scheme who are deemed to be parties acting in concert with Media Touch under the Takeovers Code;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“holder(s)”	registered holder(s) of Shares including a person entitled by transmission to be registered as such and subject to the provisions of this Scheme, joint holders of Shares;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“iLink”	iLink Holdings Limited, a company incorporated in the Cayman Islands with limited liability;

SCHEME OF ARRANGEMENT

“Media Touch”	Media Touch Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of PCCW;
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited and with securities in the form of American Depositary Receipts listed on the New York Stock Exchange, Inc.;
“Record Date”	the business day (being any day on which banks are open for business in Hong Kong, other than Saturday) in Hong Kong immediately preceding the Effective Date;
“Scheme”	this Scheme of Arrangement in its present form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court;
“Scheme Shares”	the 2,744,224,610 Shares in issue on the Record Date, together with any further Shares which may be issued on or prior to the Record Date which are not held by Media Touch;
“Shares”	the ordinary shares of HK\$0.02 each in the issued share capital of iLink and which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited; and
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers.

- (B) As at the date of this Scheme, the authorised share capital of iLink is HK\$400,000,000 divided into 20,000,000,000 Shares of HK\$0.02 each, of which 5,267,374,610 Shares have been issued and are fully paid.
- (C) The purpose of this Scheme is that all the Scheme Shares shall be cancelled and extinguished and that iLink shall become a wholly-owned subsidiary of Media Touch on the Effective Date.
- (D) As at the date of this Scheme, Media Touch is the registered and beneficial owner of 2,523,150,000 Shares, representing approximately 47.90% of the issued share capital of iLink.

SCHEME OF ARRANGEMENT

- (E) As at the date of this Scheme, an aggregate of 1,481,850,000 Shares, representing approximately 28.13% of the issued share capital of iLink, are owned by the Excluded Parties and are registered as follows:

Name of Excluded Party	Name of Registered Holder	Number of Shares held
Mr. Tam Wai Keung, Billy	Mr. Tam Wai Keung, Billy	1,081,350,000
HSBC International Trustee Limited	HSBC International Trustee Limited	400,500,000

- (F) Each of Media Touch and Mr. Tam Wai Keung, Billy has agreed to appear by Counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them respectively for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the authorised and issued share capital of iLink shall be reduced by cancelling and extinguishing the Scheme Shares; and
 - (b) iLink shall apply the amount of the credit arising in its books of account as a result of the reduction of its issued share capital referred to in paragraph (a) above to a reserve account in the books of account of iLink.

PART II

Consideration for cancellation of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, Media Touch shall pay or cause to be paid to the holders of the Scheme Shares (as appearing in the register of members of iLink at 4:00 p.m. on the Record Date) the sum of HK\$0.035 in cash for each Scheme Share held.

PART III

General

3. (a) Not later than ten days after the Effective Date, Media Touch shall send or procure to be sent to the holders of the Scheme Shares (as appearing in the register of members of iLink at 4:00 p.m. on the Record Date) cheques in respect of the sums payable to such holders pursuant to clause 2 of this Scheme.
- (b) Unless indicated otherwise in writing to Computershare Hong Kong Investor Services Limited, the branch share registrar of iLink in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, all such cheques shall be sent through the post in pre-paid envelopes addressed to the persons entitled thereto:—
- (i) in the case of sole holders, to the respective registered addresses of such holders as appearing in the register of members of iLink at 4:00 p.m. on the Record Date; and
- (ii) in the case of joint holders, to the registered address of the joint holder whose name then stands first in such register of members of iLink in respect of the joint holding.
- (c) Cheques shall be posted at the risk of the addressees. iLink, Media Touch and PCCW or any of them shall not be responsible for any loss or delay in the transmission of such cheques.
- (d) Each such cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to Media Touch for the monies represented thereby.
- (e) On the day being six calendar months after the posting of the said cheques pursuant to paragraph (b) of this clause 3 or on any day thereafter, Media Touch shall have the right to cancel or cause the cancellation of any such cheque which has not then been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in iLink's name with a licensed bank in Hong Kong selected by iLink. iLink shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to clause 2 of this Scheme to persons who satisfy iLink that they are respectively entitled thereto and provided that the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by iLink hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to clause 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank with which the monies are deposited, from the date which falls six months after the posting of the said cheques pursuant to paragraph (b) of this clause 3 down to the date of payment of such sum, subject, if applicable, to deduction of interest, tax or any other deduction or withholding tax required by law. iLink shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of iLink to the effect that any particular person is so entitled or is not so entitled shall be conclusive and binding upon all

SCHEME OF ARRANGEMENT

persons claiming an interest in the relevant monies. Upon the expiry of six years from the Effective Date, Media Touch shall be released from any further obligation to make any payment under this Scheme and iLink shall thereafter transfer to Media Touch the balance (if any) of the sums standing to the credit of the deposit account referred to in this paragraph (e) of this clause 3 including accrued interest subject, if applicable, to the deduction of interest, tax or any withholding or any other tax or any other deduction required by law and subject to the deduction of any expenses.

4. As from and including the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title to the Shares comprised therein and every holder thereof shall be bound, on the request of iLink, to deliver to iLink or to any person appointed by it to receive the same such certificate(s) for cancellation.
5. All mandates or relevant instructions to iLink in force at 4:00 p.m. on the Record Date relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.
6. This Scheme shall become effective upon (a) an office copy of the Order of the Court sanctioning this Scheme under section 86 of the Companies Law and confirming under section 16 of the Companies Law the reduction of share capital provided for by this Scheme having been delivered to the Registrar of Companies in the Cayman Islands for registration and (b) such Order confirming such reduction of share capital, together with a minute relating to the share capital of iLink and containing the particulars required by section 16 of the Companies Law, being duly registered by the Registrar of Companies in the Cayman Islands.
7. Unless this Scheme shall have become effective on or before February 29, 2004 or such later date, if any, as the Court on the application of iLink may allow, this Scheme shall lapse.
8. iLink and Media Touch may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Court may see fit to approve or impose.

Dated the 6th day of October, 2003.

NOTICE OF COURT MEETING

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO. 585 OF 2003

IN THE MATTER OF iLINK HOLDINGS LIMITED

AND

IN THE MATTER OF
THE COMPANIES LAW (2003 REVISION) OF THE CAYMAN ISLANDS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an order dated September 30, 2003 (the “Order”) made in the above matters, the Grand Court of the Cayman Islands (the “Court”) has directed a meeting (the “Meeting”) to be convened of the holders of ordinary shares of HK\$0.02 each in the issued share capital of iLink Holdings Limited (“iLink”) other than those of such shares beneficially owned by Media Touch Group Limited for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement proposed to be made between iLink and the holders of the Scheme Shares (as defined in the scheme of arrangement hereinafter mentioned (the “Scheme”)) and that the Meeting will be held at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Wednesday, October 29, 2003, at 10:30 a.m. at which place and time all such holders of ordinary shares of HK\$0.02 each in the issued share capital of iLink are requested to attend.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme are incorporated in the document of which this Notice forms part.

The above-mentioned holders of ordinary shares of HK\$0.02 each in the issued share capital of iLink may vote in person at the Meeting or they may appoint one or more proxies (who must be an individual), whether a member of iLink or not, to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

In the case of joint holders, the vote of the most senior holder who tenders a vote, whether personally or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of iLink in respect of the relevant joint holding.

It is requested that forms appointing proxies be lodged with the principal place of business of iLink in Hong Kong, by hand or by post, at 56th Floor, The Center, 99 Queen’s Road Central, Hong Kong or by facsimile at number 2218 2288 (marked for the attention of “The Company Secretary”) not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the chairman of the Meeting at the Meeting.

NOTICE OF COURT MEETING

By the Order, the Court has appointed Professor Cheng Kai Ming, a director of iLink, or failing him, any other person who is a director of iLink as at the date of the Order to act as the chairman of the Meeting and has directed the chairman of the Meeting to report the results thereof to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

Dated October 6, 2003.

Maples and Calder
P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
Attorneys for iLink



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 (“iLink”) will be held at Hoi Yat Heen, 3rd Floor, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Wednesday, October 29, 2003 at 11:00 a.m. (or as soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement (the “Scheme”) between iLink and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purposes of identification initialled by the chairman of this meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the authorised and issued share capital of iLink shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) iLink shall apply the credit arising in its books of account as a result of the reduction of capital referred to in sub-paragraph (i) to a reserve account in the books of account of iLink; and
- (C) the directors of iLink be and are hereby authorised to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”

By Order of the Board
Lam Yuk Lau
Company Secretary

Hong Kong, October 6, 2003

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal place of business in Hong Kong:

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

Notes:

1. A white form of proxy for use at this meeting is enclosed herewith.
2. A member of iLink entitled to attend and vote at this meeting is entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him/her. A proxy need not be a member of iLink.
3. In order to be valid, the white form of proxy together with any power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the principal place of business of iLink in Hong Kong, at 56th Floor, The Center, 99 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding this meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude a member from attending and voting in person at this meeting and, in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any shares in iLink, any one of such joint holders may vote at this meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at this meeting personally or by proxy, the most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of iLink in respect of the relevant joint holding.