



**iLink Holdings Limited**

**合縱連網控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**First Quarterly Report 2001**



**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET  
("GEM") OF THE STOCK EXCHANGE OF HONG KONG  
LIMITED (THE "STOCK EXCHANGE")**

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.**

**HIGHLIGHTS**

- iLink Holdings Limited (the “Company”) was listed on GEM since 9th March, 2001.
- Turnover for the three months ended 31st March, 2001 amounted to HK\$21,283,000.
- Loss attributable to shareholders for the three months ended 31st March, 2001 amounted to HK\$3,964,000.
- The directors do not recommend the payment of a dividend for the three months ended 31st March, 2001.

## FINANCIAL RESULTS

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

	<b>For the three months ended 31st March</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Turnover ( <i>Note 2</i> )	<b>21,283</b>	1,015
Cost of revenues	<b>(14,545)</b>	(2,132)
Gross profit	<b>6,738</b>	(1,117)
Selling and marketing expenses	<b>(2,951)</b>	(1,725)
General and administrative expenses	<b>(10,276)</b>	(4,261)
Loss from operations	<b>(6,489)</b>	(7,103)
Interest income	<b>2,525</b>	—
Loss before taxation	<b>(3,964)</b>	(7,103)
Taxation ( <i>Note 3</i> )	—	—
Net loss attributable to shareholders	<b>(3,964)</b>	(7,103)
Loss per share - Basic ( <i>Note 4</i> )	<b>0.5 cents</b>	8.9 cents

Notes:

## 1. Reorganisation and Basis of Presentation

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

The Reorganisation has been accounted for as a reorganisation of the Group as a continuing entity and accordingly, the financial statements have been prepared and presented using the merger basis of accounting as if the current group structure had been in existence since 1st January, 2000 and throughout both accounting periods.

The Company's shares have been listed on GEM since 9th March, 2001.

The financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

## 2. Turnover and Revenues

Turnover and revenues comprised:

	<b>For the three months ended 31st March</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Installation and connection services	<b>253</b>	256
Internet connectivity, server hosting and co-location services	<b>12,468</b>	403
Other value-added services	<b>8,562</b>	356
Total turnover	<b>21,283</b>	1,015
Interest income	<b>2,525</b>	—
Total revenues	<b>23,808</b>	1,015

### 3. Taxation

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

The Group has not recorded a deferred tax asset in respect of tax losses for the three months ended 31st March, 2001 of approximately HK\$4,000,000 (2000: HK\$7,000,000), 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.

### 4. Loss per Share

The calculation of basic loss per share for the three months ended 31st March, 2001 is based on the Group's unaudited consolidated net loss attributable to shareholders of HK\$3,964,000 (2000: HK\$7,103,000) and the weighted average number of 781,209,705 shares (2000: 80,100,000 shares) in issue during the periods.

Diluted loss per share is not presented because there were no potential dilutive securities in existence during the above periods.

### 5. Reserves

Movements in reserves of the Group were as follows:

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Balance as at 1st January, 2001	212,712	43,782	256,494
Capitalisation issue	(71,110)	—	(71,110)
Shares issued pursuant to a share adjustment	(1,762)	—	(1,762)
Conversion of convertible note	(8,868)	—	(8,868)
Premium on issue of new shares upon listing of shares on GEM	112,504	—	112,504
	<hr/>	<hr/>	<hr/>
Balance as at 31st March, 2001	<u>243,476</u>	<u>43,782</u>	<u>287,258</u>

There were no movements in the aforesaid reserves during the three months ended 31st March, 2000.

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

## **DIVIDEND**

The directors do not propose any dividends in respect of the three months ended 31st March, 2001 (2000: Nil).

## **BUSINESS REVIEW**

Year 2001 sets a milestone for the Group as the Company was listed on GEM since 9th March, 2001.

The Group incurred a loss attributable to shareholders of HK\$3,964,000 for the three months ended 31st March, 2001. Its turnover increased from 2000's last quarter of approximately HK\$20,110,000 to 2001's first quarter of approximately HK\$21,283,000.

## **Strategic Development**

### *Beijing*

Pursuant to the agreement signed on 3rd August, 2000 with 中國網絡通信有限公司 (“China Netcom”), an independent licensed ISP and bandwidth provider in the PRC, China Netcom will provide bandwidth for a co-operative joint venture to be established by the Group and a PRC third party which will be mainly responsible for setting up a data centre in Beijing.

After further discussion with China Netcom and in view of the latest development in the relevant rules and regulations of the PRC, the Group has on 6th April, 2001 established 北京合縱連橫科技有限公司 (“iLink Beijing”), a wholly-owned foreign enterprise in the PRC, for operating the Group’s data centre in Beijing. China Netcom will provide bandwidth to the customers of the data centre. The renovation and installation of the Group’s data centre in Beijing has been completed in April 2001 and operation was commenced thereafter.

### *Shanghai*

The Group also signed a contract on 31st August, 2000 with 上海世紀新元信息產業有限公司 (a company which is approximately 44.72% owned by 中國電信集團上海市電信公司) and 上海虹口工業科技投資有限公司 (an affiliate of Shanghai Municipal Hongkou District Foreign Economic Relation Commission) to form an equity joint venture to establish a data centre in Shanghai. Having considered the current market condition in Shanghai, the Group has been exploring with its joint venture partners different alternatives for the provision of data centre services there.



## **Infrastructure and facilities development**

During the period, the renovation and installation of the facilities in the expansion phase of the data centre at “The Center” was completed. Following its completion, the Group’s hosting capacity in Hong Kong has been increased to approximately 1,300 racks.

## **Business development**

During the period, the Group continued to expand its existing data centre services and introduced two additional services in its data centres, namely the broadband connectivity for faster Internet access and Fail over Mailing System. The Group also introduced three additional ASP services, including Business Automation Application which is a customized, automated program for business workflow; an enhanced version of CRM; and media streaming on demand.

## **PROSPECT**

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. The directors believe that the Group is well positioned to capture these opportunities.

Despite the recent slowdown in the Internet market, the directors are still optimistic about the growth potential in Asia and the Group will pursue its business objectives cautiously taking into account of the latest developments.

## **DIRECTORS' INTERESTS**

As at 31st March, 2001, the interests of the directors in the securities of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI

Ordinance”) or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.49 of the GEM Listing Rules were as follows:

<b>Name of directors</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b> <i>(Note 1)</i>	<b>Other interests</b> <i>(Note 2)</i>	<b>Total</b>
Chung Cho Yee, Mico	—	—	—	80,100,000	80,100,000
Cheung Sum, Sam	—	—	—	80,100,000	80,100,000
Lee Brandon	—	—	—	80,100,000	80,100,000
Leung Man Leuk, Tommy	—	—	—	80,100,000	80,100,000
Hui Kwai	—	—	—	80,100,000	80,100,000
Tang King Fai	—	—	—	80,100,000	80,100,000
Chen Johnson	—	—	—	80,100,000	80,100,000
Ng Chi Shing	—	—	216,270,000	—	216,270,000

*Notes:*

- (1) Mr. Ng Chi Shing holds 36.16% interest in DBD Ventures Inc., which indirectly owns 65.52% in RadarNet Limited. Therefore, Mr. Ng Chi Shing is deemed to be interested in 216,270,000 shares of the Company held by RadarNet Limited.
- (2) These directors are deemed to be interested in 80,100,000 shares of the Company held by HSBC International Trustee Limited (“HSBC Trustee”), the trustee of The RadarNet Trust which is a discretionary trust set up by RadarNet Limited, by virtue of being the beneficiaries under such discretionary trust.

Save as disclosed above, as at 31st March, 2001, none of the directors, chief executives of the Company or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

### **Share Option Scheme**

The Company has adopted a share option scheme on 22nd February, 2001 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, full time employees, including any executive director, of the Company and its subsidiaries may be granted options to subscribe for the shares of the Company. Up to 33 $\frac{1}{3}$ %, 66 $\frac{2}{3}$ % and 100% of any option granted under the Share Option Scheme may respectively be exercised after one year, two years and three years from the date of offer of an option is made, but not later than 10 years from the date of offer.

As at 31st March, 2001, no option has been granted or agreed to be granted under the Share Option Scheme.

### **Trust Scheme**

The RadarNet Trust is a discretionary trust which was set up by RadarNet Limited, one of the substantial shareholders of the Company, on 9th August, 2000. HSBC Trustee was appointed as the trustee. Under The RadarNet Trust, HSBC Trustee may at its discretion sell the shares of the Company to certain beneficiaries who are directors, employees or consultants of the Group and its holding companies, shareholders or associated companies. The objective of establishing The RadarNet Trust is to incentivise the beneficiaries who have contributed to the business development of the Group before its listing and to the preparation for the listing of the Company's shares.

Since The RadarNet Trust is a discretionary trust, HSBC Trustee has the absolute discretion in deciding the manner and terms of the sale of the shares comprised therein to any beneficiary. However, the Group has recommended to HSBC Trustee the manner and terms by which any shares to be sold to the beneficiaries. The Group recommended to HSBC Trustee to sell 40,050,000 shares of the Company representing 50% of the shares comprised in the trust property to 56 full-time employees including five executive directors of the Company, namely Mr. Cheung Sum, Sam, Mr. Lee Brandon, Mr. Leung Man Leuk, Tommy, Mr. Hui Kwai and Mr. Tang King Fai, and the remaining 50% of such shares to 14 full-time employees of Pacific Century CyberWork Limited ("PCCW"), one of the substantial shareholders of the Company, including Mr. Chung Cho Yee, Mico, who is an executive director of both PCCW and the Company, and Mr. Chen Johnson, who is a non-executive director of the Company, for their contribution to the business development of the Group before its listing and to the preparation for the listing. In addition, the Group also recommended to HSBC Trustee that any shares to be sold by HSBC Trustee to the beneficiaries should be at a cost of HK\$0.167 per share. All dividends derived from the shares received by HSBC Trustee will be retained by HSBC Trustee and form part of the trust fund under The RadarNet Trust.

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

Save as disclosed above, at no time during the period was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 31st March, 2001, the interests of substantial shareholders, other than directors of the Company, in the shares as recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance were as follows:

<b>Name</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Li Tzar Kai, Richard <sup>(1)</sup>	504,630,000	47.90%
Pacific Century Group Holdings Limited <sup>(1)</sup>	504,630,000	47.90%
Pacific Century International Limited <sup>(1)</sup>	504,630,000	47.90%
Pacific Century Group (Cayman Islands) Limited <sup>(1)</sup>	504,630,000	47.90%
Anglang Investments Limited <sup>(1)</sup>	504,630,000	47.90%
Pacific Century Regional Developments Limited <sup>(1)</sup>	504,630,000	47.90%
Pacific Century CyberWorks Limited <sup>(1)</sup>	504,630,000	47.90%
Century Power Group Limited <sup>(1)</sup>	504,630,000	47.90%
CyberVentures (Bermuda) Limited ("CyberVentures") <sup>(1)</sup>	504,630,000	47.90%
CyberWorks Internet Ventures Limited <sup>(1)</sup>	504,630,000	47.90%
Media Touch Group Limited ("Media Touch") <sup>(1) (2)</sup>	504,630,000	47.90%
Ng Chi Shing <sup>(3)</sup>	216,270,000	20.53%
DBD Ventures Inc. <sup>(3)</sup>	216,270,000	20.53%
Chan Kin Hang, Johnny <sup>(3)</sup>	216,270,000	20.53%
Logistic View Ltd. <sup>(3)</sup>	216,270,000	20.53%
DotCom Pacific Ventures Limited ("DotCom Pacific") <sup>(3)</sup>	216,270,000	20.53%
RadarNet Limited ("RadarNet") <sup>(2) (3)</sup>	216,270,000	20.53%

*Notes:*

1. Media Touch is wholly-owned by CyberWorks Internet Ventures Limited which is, in turn, wholly-owned by CyberVentures. The entire issued share capital of CyberVentures is held by Century Power Group Limited and the entire issued share capital of Century Power Group Limited is held by PCCW. Therefore, CyberWorks Internet Ventures Limited, CyberVentures, Century Power Group Limited and PCCW are deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

PCCW is a subsidiary of Pacific Century Regional Developments Limited. Approximately 37.6% and 37.9% of Pacific Century Regional Developments Limited's issued share capital were held by Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited respectively. Anglang Investments Limited was wholly-owned by Pacific Century Group (Cayman Islands) Limited whilst the latter was wholly-owned by Pacific Century International Limited. In turn, Pacific Century International Limited was wholly-owned by Pacific Century Group Holdings Limited, the entire issued share capital of which was held by Mr. Li Tzar Kai, Richard. Therefore, Pacific Century Regional Developments Limited, Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited, Pacific Century Group Holdings Limited and Mr. Li Tzar Kai, Richard are all deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

2. Pursuant to an option agreement dated 31st August, 2000, Media Touch granted an option to 上海世紀新元信息產業有限公司("Shanghai New Epoch") and its designated agent, Guotai Junan Securities (Hong Kong) Limited, to purchase shares of the Company of value US\$3,500,000 and RadarNet also granted an option to these two entities to purchase shares of the Company of value US\$1,500,000 both at HK\$0.832. Each such option is exercisable once only in whole or in part by Shanghai New Epoch or if Shanghai New Epoch does not so exercise, by Guotai Junan Securities (Hong Kong) Limited on behalf of Shanghai New Epoch, within one year from the later of the date immediately after the expiry of six months after the listing date or the date immediately after the expiry of any lock-up period imposed on Media Touch and/or RadarNet by the Stock Exchange or the sponsor/underwriters of the Company. Based on the purchase price of HK\$0.832, the maximum number of shares that can be purchased by Shanghai

New Epoch or Guotai Junan Securities (Hong Kong) Limited from Media Touch and RadarNet upon exercise of the options would be 32,812,500 shares and 14,062,500 shares respectively, representing approximately 3.11% and 1.33% of the issued share capital of the Company. The shareholdings of Media Touch and RadarNet in the Company would thereby be reduced to approximately 44.79% and 19.20% respectively.

3. RadarNet is wholly-owned by DotCom Pacific which is, in turn, 62.52% owned by DBD Ventures Inc. and 35.37% owned by Logistic View Ltd. DBD Ventures Inc. is 36.16% owned by Mr. Ng Chi Shing and Logistic View Ltd. is wholly-owned by Mr. Chan Kin Hang, Johnny. Therefore, DotCom Pacific, DBD Ventures Inc., Logistic View Ltd., Mr. Ng Chi Shing and Mr. Chan Kin Hang, Johnny are deemed to be interested in the shares held by RadarNet for the purposes of the SDI Ordinance.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company at 31st March, 2001.

## **COMPETING INTERESTS**

PCCW is one of the substantial shareholders of the Company and in which Mr. Chung Cho Yee, Mico, an executive director of the Company, is an executive director. PCCW has interests in the following entities which are engaged in the data centre or related business:

- a 42.5% interest in 北京中關村數據科技有限公司.
- a 50% interest in IDC Limited, an Internet data centre joint venture company.
- a 100% interest in an indirect wholly-owned subsidiary of PCCW, which provides data centre services under the brand name of Powerb@se.

The directors believe that there is a risk that such businesses may compete with those of the Group's. Details of the above competing interests have been disclosed in the section "Relationship with PCCW" on pages 114 to 119 of the Company's prospectus dated 28th February, 2001. Up to the date of this report, all information regarding the aforesaid competing interests and the arrangements in this connection as mentioned in the Company's prospectus remains unchanged.

Save as disclosed above, none of the directors, the management shareholders or the substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

#### **AUDIT COMMITTEE**

The Company has established an audit committee on 22nd February, 2001 which comprises Mr. Wong Wing Shing and Mr. Cheng Kai Ming, both of whom are independent non-executive directors of the Company. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 31st March, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



## **INTEREST OF SPONSOR**

Neither BNP Paribas Peregrine Limited (the “Sponsor”) nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31st March, 2001.

Pursuant to the agreement dated 13th February, 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company’s retained sponsor for the period from 9th March, 2001, the date on which the shares of the Company are listed, until 31st December, 2003.

Save for the above, the Sponsor has no other interest in the Company as at 31st March, 2001.

By Order of the Board

**TAM Wai Keung, Billy**

*Director and Chief Executive Officer*

Hong Kong, 9th May, 2001