



iLink Holdings Limited

合縱連網控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Second 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.

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HIGHLIGHTS

- iLink Holdings Limited (the "Company") was listed on GEM since 9th March, 2001.
- Turnover for the six months ended 30th June, 2001 amounted to HK\$43,050,000.
- Loss attributable to shareholders for the six months ended 30th June, 2001 amounted to HK\$12,274,000.
- The directors do not recommend the payment of a dividend for the six months ended 30th June, 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 and six months ended 30th June, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	For the three months ended 30th June		For the six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover (<i>Note 2</i>)	21,767	5,461	43,050	6,476
Cost of revenues	(16,730)	(5,768)	(31,275)	(7,900)
Gross profit (loss)	5,037	(307)	11,775	(1,424)
Selling and marketing expenses	(2,761)	(4,900)	(5,712)	(6,625)
General and administrative expenses	(13,295)	(4,843)	(23,571)	(9,104)
Other income	4	26	4	26
Loss from operations	(11,015)	(10,024)	(17,504)	(17,127)
Interest income	2,705	—	5,230	—
Loss before taxation	(8,310)	(10,024)	(12,274)	(17,127)
Taxation (<i>Note 3</i>)	—	—	—	—
Net loss attributable to shareholders	(8,310)	(10,024)	(12,274)	(17,127)
Loss per share - Basic (<i>Note 4</i>)	0.8 cents	12.5 cents	1.3 cents	21.4 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 financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance, and Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Turnover

Turnover represent income earned from professional consultation, hardware and software services, application solution, connectivity services, hosting services and managed services during the period.

3. Taxation

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong during the periods under review.

The Group has not recorded a deferred tax asset in respect of tax losses for the six months ended 30th June, 2001 of approximately HK\$12,000,000 (2000: HK\$17,000,000), 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 and six months ended 30th June, 2001 is based on the Group's respective unaudited consolidated net loss attributable to shareholders of HK\$8,310,000 and HK\$12,274,000 (2000: HK\$10,024,000 and HK\$17,127,000) and the respective weighted average number of 1,053,474,922 shares and 918,094,428 shares (2000: 80,100,000 shares and 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:

	Share premium	Contributed surplus	Exchange translation reserve	Total
	HK\$'000	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
Exchange translation difference	—	—	67	67
Balance as at 30th June, 2001	<u>243,476</u>	<u>43,782</u>	<u>67</u>	<u>287,325</u>

There were no movements in the aforesaid reserves during the six months ended 30th June, 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 six months ended 30th June, 2001 (2000: Nil).

SHARE SUBDIVISION

Pursuant to an announcement dated 27th July, 2001, the Company proposed a share subdivision (the "Share Subdivision") to subdivide each of the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company into five shares of HK\$0.02 each (the "Subdivided Shares"), which is conditional upon, inter alia, approval by its shareholders and the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares. The extraordinary general meeting of the Company approving the Share Subdivision will be held on 17th August, 2001.

BUSINESS REVIEW

The Group's objective is to become a leading one-stop Internet application solution provider offering comprehensive Internet application solutions, including a wide range of data centre services and ASP services, targeting enterprises in Asia with a primary focus in Greater China.

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\$12,274,000 for the six months ended 30th June, 2001. Its turnover increased from last quarter of approximately HK\$21,283,000 to this quarter of approximately HK\$21,767,000.

Strategic Development

Beijing

During this quarter, the Group's wholly-owned foreign enterprise in the People's Republic of China (the "PRC") 北京合縱連橫科技有限公司 commenced its operation following the completion of the renovation and installation of its data centre in April 2001.

Pursuant to an agreement 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 agreed to provide bandwidth to the customers of the data centre.

Shanghai

On 31st May, 2001, the contract made between the Group, 上海世紀新元信息產業有限公司 and 上海虹口工業科技投資有限公司 for establishing an equity joint venture to operate a data centre in Shanghai had been lapsed. However, the Group is still exploring different alternatives for the provision of data centre services there. Having considered the oversupply situation in Shanghai, it is expected that the delay of providing services in Shanghai will not materially affect the Group's operation.

Taiwan and Singapore

Potential partners have been identified and negotiation on different alternatives in the provision of data centre services in Taiwan and Singapore are underway. The Group will take a cautious approach and closely monitor the market conditions before establishing data centres there to minimise the potential risks to the Group.

Infrastructure and facilities development

During the period, the renovation and installation of the respective facilities in the expansion phase of the data centre at “The Center” and the Group’s data centre in Beijing were completed. Following the completion of the aforesaid facilities, the Group’s hosting capacity reaches approximately 1,300 racks in Hong Kong and approximately 650 racks in Beijing.

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 launched the following additional managed / ASP services during the period:

- Business automation application which is a customized, automated program for business workflow
- Enhanced version of CRM
- Media streaming on demand
- Fiber channel data storage
- Automatic type back up

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 in the long-run. The directors believe that the Group is well positioned to capture these opportunities. The directors are particularly confident that following the consolidation of the industry with several players ceasing their operations and the commencement of operation of its data centre in Beijing, the Group will be able to maintain growth in its business.

In response to the short-term slowdown in the Internet market, the Group has slowed down its establishment in Shanghai, Taiwan and Singapore and the directors are comfortable with the Groups' present pace of business development. The Group will pursue its business objectives cautiously taking into account of the latest developments.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS

The following is the comparison of the Group's business objectives as set out in the Company's Prospectus dated 28th February, 2001 to the actual business progress up to 30th June, 2001.

BUSINESS OBJECTIVES

Business Development

- Recruit and train staff for operating data centres in Beijing, Shanghai, Taiwan and Singapore.
- Evaluate the feasibility of providing ASP services in the People's Republic of China.
- Launch an e-commerce application platform.
- Launch an enhanced version of CRM application and introduce other ASP applications.
- Launch a central monitoring management system as a value added data centre service to provide in-depth monitoring on servers and applications hosted at the Group's data centres.

ACTUAL BUSINESS PROGRESS

- Staff members for Beijing data centre have been recruited and training is being provided.
- ASP services will be provided by Beijing data centre.
- The Group has introduced the payment gateway to facilitate e-commerce transactions.
- The enhanced version of CRM application has been launched during the period. The Group has also launched new ASP services, including business automation application and media streaming on demand.
- Due to the slowdown in the Internet market, the introduction of central monitoring management system is postponed. However, it is believed that such delay will not cause any significant changes to the Group's overall business plan.

- Launch computerized closed racks as a value added data centre service which record any access to the racks.
- Due to the slowdown in the Internet market, the introduction of computerized closed racks service is postponed. However, it is believed that such delay will not cause any significant changes to the Group's overall business plan.
- Renovate and install facilities in the additional space leased in "The Center" at approximately HK\$10 million to increase the hosting capacity by additional 200 racks.
- Renovation and installation was completed in March 2001. The Group's hosting capacity in Hong Kong has then been increased from 1,100 to 1,300 racks.

Geographical expansion

- Identify joint venture partner in Beijing and sign a joint venture agreement for establishment of the Beijing joint venture.
- In view of the latest development in the relevant rules and regulations in the PRC, the Group has on 6th April, 2001 established北京合縱連橫科技有限公司 ("Beijing Subsidiary"), a wholly-owned foreign enterprise in the PRC, for operating the Group's data centre in Beijing.

- Reach agreement with local partners in Taiwan and Singapore to establish data centers in Taiwan and Singapore.
- Launch four data centres, one in Beijing, one in Shanghai, one in Taiwan and one in Singapore with estimated capital investment by the Group of approximately HK\$56 million, HK\$26 million, HK\$25 million and HK\$25 million respectively.
- Potential partners have been identified and negotiation on different alternatives is underway. It is believed that such delay will not have any significant impact on the Group's business development.
- Renovation and installation of the data centre in Beijing was completed in April 2001. Operation has then been commenced while the co-operation agreement with the strategic partners to establish data centre in Shanghai lapsed during the period and the Group is exploring different alternatives for the provision of data centre services there. Potential partners for the provision of data centre services in Taiwan and Singapore have been identified and negotiation on different alternatives in the provision of data centre services are underway.

- Investigate the potential benefits of setting up a research and development team in the PRC.
- Explore the potential for data centre business in other Asian cities.
- The management of Beijing Subsidiary is actively investigating the costs and benefits of setting up a research and development team there.
- Development pace was slowed down while any investment opportunities in other Asian cities were not oversighted.

Strategic development

- Seek to form alliances with local companies in Taiwan and Singapore where the Group plans to establish data centres in the first half of 2001.
- Seek to form alliances with local companies in Shenzhen and Guangzhou where the Group plans to establish data centres in the second half of 2001, and 2002, respectively.
- Explore opportunities to acquire or form alliances with other ASPs to strengthen the Group's ASP business.
- Potential partners have been identified and negotiation on different alternatives is underway.
- Potential partners are being identified.
- Potential partners have been identified and terms of co-operation are being negotiated.

- Continue to seek to form alliances with software vendors to broaden the range of ASP services.
- Explore merger and acquisition opportunities which will create synergy with the Group's business operations.
- Strategic alliance and channel partnerships have been formed with Microsoft Corporation and Oracle Corporation for provision of Microsoft and Oracle Solutions.
- Potential targets are being reviewed.

Marketing strategies

- Launch marketing program in Beijing, Shanghai, Taiwan and Singapore to promote the four new data centres of the Group.
- The Group had launched the following marketing programs in the first half of 2001:
 - booth exhibition at "Hong Kong Information Infrastructure Expo" in February 2001
 - booth exhibition at "Compaq eInfrastructure Symposium 2001" in May 2001
 - speech delivered at "Enterprise China 2001" in Beijing in June 2001

- other marketing campaigns such as joint promotions with Hewlett-Packard Hong Kong Limited, Cisco Systems, Inc. and Compaq Computer Limited; various advertisements and new corporate brochures and flyers, etc.
- Introduce customer referral program to provide incentives to existing customers by providing credits, discounts or commissions, for referring new customers to the Group.
- The Group has soft launched a customer referral program to provide incentives to the existing customers for referring new customers to the Group.

USE OF PROCEEDS

To cope with changes in the Group's development pace, the HK\$25,000,000 from the net proceeds from the placing set out in the Company's prospectus dated 28th February, 2001 allocated for the establishment of its data centre in Taiwan was withheld and placed in bank to earn interest. The Group also plans to restrict its expenditures in marketing and promotional activities for the year ending 31st December, 2001 from HK\$12,000,000 to HK\$4,000,000 with the balance kept as additional working capital.

DIRECTORS' INTERESTS

As at 30th June, 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.49 of the GEM Listing Rules were as follows:

Name of directors	Personal interests	Family interests	Corporate interests <i>(Note 1)</i>	Other interests <i>(Note 2)</i>	Total
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.

The above mentioned number of shares had not taken into account the Share Subdivision.

Save as disclosed above, as at 30th June, 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 30th June, 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 has 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 CyberWorks Limited ("PCCW"), one of the substantial shareholders of the Company, including Mr. Chung Cho Yee, Mico, who is an executive director of both PCCW and the Company, and Mr. Chen Johnson, who is a non-executive director of the Company, for their contribution to the business development of the Group before its listing and to the preparation for the listing. In addition, the Group also recommended to HSBC Trustee that any shares to be sold by HSBC Trustee to the beneficiaries should be at a cost of HK\$0.167 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.

During the period, following the resignation of several employees from the Group, the recommendation of 360,450 shares to be sold to them has been withdrawn.

The above mentioned number of shares had not taken into account the Share Subdivision.

As at 30th June, 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 30th June, 2001, the interests of substantial shareholders in the Company's shares as recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance were as follows:

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

The above mentioned number of shares had not taken into account the Share Subdivision.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th June, 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 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 six months ended 30th June, 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 Capital 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 30th June, 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 30th June, 2001.

By Order of the Board

TAM Wai Keung, Billy

Director and Chief Executive Officer

Hong Kong, 6th August, 2001