

## INTERIM RESULTS

The Board of Directors (the "Board") of Asia Alliance Holdings Limited (formerly known as i100 Limited) (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the twelve months ended 31 December 2003, together with comparative figures for the corresponding period in 2002 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

		Twelve months ended 31 December	
	NOTES	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Audited)
Turnover	3	5,083	70,354
Cost of sales and services		<u>(3,032)</u>	<u>(52,216)</u>
Gross profit		2,051	18,138
Other operating income	4	594	2,398
Distribution costs		(6,829)	(19,942)
Administrative expenses		(20,850)	(55,775)
Other operating expenses		(3,910)	(12,266)
Impairment loss recognised in respect of property, plant and equipment		(9,911)	—
Impairment loss recognised in respect of long term investments		(3,900)	—
Allowance for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		(831)	(42,115)
Allowance for doubtful debts		(1,237)	—
Allowance for amount due from an associate		(300)	—
Impairment loss recognised in respect of goodwill of an associate		—	(48,807)
Allowance for loans to an associate		—	(14,216)
Loss on discontinuing operations		—	(4,615)
Loss from operations	5	<u>(45,123)</u>	(177,200)
Finance costs	6	(1,626)	(37)
Share of results of an associate		—	(13,991)
Share of results of jointly controlled entities		(72)	(65)
Loss before taxation		<u>(46,821)</u>	(191,293)
Taxation	7	—	309
Loss before minority interests		<u>(46,821)</u>	(190,984)
Minority interests		—	(440)
Net loss for the period		<u><u>(46,821)</u></u>	<u><u>(191,424)</u></u>
Basic loss per share	8	<u><u>HK\$(1.39)</u></u>	<u><u>HK\$(6.83)</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2003**

		<b>31 December 2003 HK\$'000 (Unaudited)</b>	31 December 2002 HK\$'000 (Audited)
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,193</b>	5,999
Goodwill		—	388
Interests in associates		<b>20</b>	—
Interests in jointly controlled entities		—	1,253
Long term investments		—	3,900
Loan to Acme Landis Operations Holdings Limited	11	<b>2,869</b>	3,700
		<b>4,082</b>	15,240
<b>Current assets</b>			
Inventories		<b>282</b>	137
Trade and other receivables	12	<b>1,571</b>	2,669
Bank balances and cash		<b>17,822</b>	1,822
		<b>19,675</b>	4,628
<b>Current liabilities</b>			
Amount due to a jointly controlled entity		—	1,234
Trade and other payables	13	<b>3,881</b>	6,915
Loan from a fellow subsidiary	14	<b>21,270</b>	—
Other loan, secured	15	<b>4,000</b>	—
		<b>29,151</b>	8,149
<b>Net current liabilities</b>		<b>(9,476)</b>	(3,521)
		<b>(5,394)</b>	11,719
<b>Capital and reserves</b>			
Share capital	16	<b>23,800</b>	110,187
Reserves		<b>(29,403)</b>	(98,468)
		<b>(5,603)</b>	11,719
<b>Minority interests</b>			
		<b>209</b>	—
		<b>(5,394)</b>	11,719

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

	Share capital	Share premium	Contributed surplus	Leasehold land and buildings revaluation reserve	Investment property revaluation reserve	Goodwill reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	100,187	237,549	—	2,634	7,324	(48,780)	(80)	(171,981)	126,853
Issue of shares	10,000	20,000	—	—	—	—	—	—	30,000
Share issue expenses	—	(2,519)	—	—	—	—	—	—	(2,519)
Share of exchange reserve of an associate	—	—	—	—	—	—	66	—	66
Revaluation deficit	—	—	—	(37)	—	—	—	—	(37)
Realised on disposal of subsidiaries	—	—	—	(2,597)	(7,324)	(27)	—	9,921	(27)
Net gains and losses not recognised in the condensed consolidated income statement	—	—	—	(2,634)	(7,324)	(27)	66	9,921	2
Impairment loss in respect of goodwill of an associate	—	—	—	—	—	48,807	—	—	48,807
Net loss for the year	—	—	—	—	—	—	—	(191,424)	(191,424)
At 31 December 2002	110,187	255,030	—	—	—	—	(14)	(353,484)	11,719
Reduction of share capital and share premium upon capital reorganisation (see note 16)	(99,168)	(255,030)	354,198	—	—	—	—	—	—
Elimination of accumulated losses	—	—	(353,484)	—	—	—	—	353,484	—
Rights issue of shares	5,509	8,264	—	—	—	—	—	—	13,773
Issue of new shares by private placements	7,272	8,454	—	—	—	—	—	—	15,726
Net loss for the period	—	—	—	—	—	—	—	(46,821)	(46,821)
At 31 December 2003	23,800	16,718	714	—	—	—	(14)	(46,821)	(5,603)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003**

	Twelve months ended 31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Net cash used in operating activities	<b>(26,480)</b>	(51,243)
Net cash used in investing activities	<b>(12,290)</b>	(11,002)
Net cash from financing activities	<b>54,770</b>	31,305
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Net increase (decrease) in cash and cash equivalents	<b>16,000</b>	(30,940)
Cash and cash equivalents at beginning of the period	<b>1,822</b>	32,762
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Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>17,822</b>	1,822
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# NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

## 1. GENERAL AND BASIS OF PREPARATION

- (a) On 24 January 2003, a sale and purchase agreement was entered into between Asia Pacific Growth Fund III, L.P., i100 Capital Corporation, i100 Holdings Corporation, Landmark Profits Limited (a wholly-owned subsidiary of Easyknit International Holdings Limited ("Easyknit")) and Easyknit, pursuant to which Landmark Profits Limited agreed to purchase 609,000,000 shares of the Company. The completion of the above agreement took place on 28 January 2003 and the Company became a subsidiary of Easyknit. Easyknit is a company incorporated in Bermuda, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Singapore Exchange Securities Trading Limited. Details of the above are set out, inter alia, in the announcement of the Company dated 6 February 2003.

As a result of two private placements of shares of the Company on 17 November 2003 and 22 December 2003, Easyknit's shareholding in the Company was reduced to approximately 35.9%.

- (b) During the period, the Company changed its financial year-end date from 31 December to 31 March to align the financial year-end date with that of Easyknit. The condensed financial statements therefore cover a twelve month period from 1 January 2003 to 31 December 2003. The annual report to be issued by the Company will include, among other matters, financial statements for a fifteen month period from 1 January 2003 to 31 March 2004.
- (c) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002 except as described below.

In the current period, the Group has adopted SSAP No. 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)"), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. The adoption of the above standard has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments. An analysis of the Group's turnover and result by business segments is as follows:

	Turnover			Loss from operations		Total
	External	Inter-segment	Consolidated	Segment result	Unallocated corporate expenses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the twelve months ended 31 December 2003</b>						
Wireless communication business	3,982	—	3,982	(28,092)		
Communication solutions consultancy services	1,101	—	1,101	(2,555)		
Internet operations	—	—	—	(283)		
Others	—	—	—	(13,963)		
	<u>5,083</u>	<u>—</u>	<u>5,083</u>	<u>(44,893)</u>	<u>(230)</u>	<u>(45,123)</u>
<b>For the twelve months ended 31 December 2002</b>						
Discontinuing operations:						
Sanitary fixtures and fittings	38,860	26	38,886	443		
Hardware, industrial and consumer products	20,258	—	20,258	(926)		
Drainage, plumbing and engineering contracting services	9,152	—	9,152	(1,907)		
Continuing operations:						
Wireless communication business	953	—	953	(29,704)		
Communication solutions consultancy services	1,131	480	1,611	(4,122)		
Internet operations	—	—	—	(598)		
Others	—	—	—	(32,077)		
	<u>70,354</u>	<u>506</u>	<u>70,860</u>	<u>(68,891)</u>		
Eliminations	<u>—</u>	<u>(506)</u>	<u>(506)</u>	<u>(180)</u>		
	<u>70,354</u>	<u>—</u>	<u>70,354</u>	<u>(69,071)</u>	<u>(108,129)</u>	<u>(177,200)</u>

Inter-segment sales are charged at prevailing market prices.

#### 4. OTHER OPERATING INCOME

	Twelve months ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Commission income	369	—
Interest income	70	1,624
Rental income	—	251
Others	155	523
	<u>594</u>	<u>2,398</u>

#### 5. LOSS FROM OPERATIONS

	Twelve months ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Allowance for inventories, included in cost of sales and services	—	444
Amortisation of goodwill, included in other operating expenses	—	97
Deficit arising from revaluation of investment properties	—	350
Deficit arising from revaluation of leasehold land and buildings	—	158
Depreciation	6,493	9,165
Impairment loss in respect of goodwill, included in other operating expenses	492	—
Impairment loss in respect of property, plant and equipment, included in other operating expenses	—	785
Loss on disposal of property, plant and equipment	308	410
	<u>308</u>	<u>410</u>

#### 6. FINANCE COSTS

The amount represents interest on bank and other borrowings wholly repayable within five years.

## 7. TAXATION

	Twelve months ended 31 December	
	2003 HK\$'000	2002 HK\$'000
The amount comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax	—	(189)
Overprovision in prior years	—	159
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	—	(30)
Share of taxation of an associate	—	339
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	—	309
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No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for the twelve months ended 31 December 2003.

Hong Kong Profits Tax for the twelve months ended 31 December 2002 was calculated at 16% of the estimated assessable profit for that period.

## 8. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$46,821,000 (2002: HK\$191,424,000) and on the weighted average number of 33,787,991 shares (2002: weighted average number of 28,043,958 shares) in issue during the period.

The denominator for the purposes of calculating basic loss per share of 2002 has been adjusted to reflect the consolidation of shares and the rights issue of shares in September 2003.

No diluted loss per share has been presented for both periods as the exercise of the Company's outstanding share options would reduce the loss per share for the periods.

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the twelve months ended 31 December 2003. No interim dividend was declared for the same period in last year.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$12,124,000 (2002: HK\$4,476,000) on acquisition of property, plant and equipment. An impairment loss of HK\$9,911,000 (2002: nil) was recognised.



## 11. LOAN TO ACME LANDIS OPERATIONS HOLDINGS LIMITED ("ALOH")

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
Loan to ALOH	<b>45,815</b>	45,815
Less: Allowance	<b>(42,946)</b>	(42,115)
	<u><b>2,869</b></u>	<u>3,700</u>

The loan to ALOH is secured by a pledge given by the purchaser of ALOH in respect of 1,900,000 shares of the Company of HK\$0.4 each (as adjusted since September 2003 to reflect the Share Consolidation referred to in note 16(b)). The loan is interest-free and the principal of the loan will be reduced upon receipt of repayment from ALOH, or by the amount of the net proceeds of disposal of the secured shares, or upon the disposal of the last remaining shares, any principal outstanding will be reduced to zero.

## 12. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranged from 30 to 90 days to its customers. The aged analysis of trade receivables at the reporting date is as follows:

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
0 - 30 days	—	85
31 - 90 days	—	133
Over 90 days	<b>101</b>	1
	<u><b>101</b></u>	<u>219</u>

### 13. TRADE AND OTHER PAYABLES

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
Trade payables	101	693
Other payables	3,444	6,097
Interest payables of other secured loan	336	—
Deferred income	—	115
Customer deposits	—	10
	<u>3,881</u>	<u>6,915</u>

The aged analysis of trade payables at the reporting date is as follows:

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
0 - 30 days	—	4
31 - 90 days	—	—
Over 90 days	101	689
	<u>101</u>	<u>693</u>

### 14. LOAN FROM A FELLOW SUBSIDIARY

During the period, the Group obtained an unsecured loan facility of HK\$30,270,000 from a wholly-owned subsidiary of Easyknit. Full amount of the facility was drawn with partial repayment of HK\$9,000,000 and HK\$21,270,000 remained outstanding at 31 December 2003. The loan bears interest at prevailing market rates and is repayable on demand.

### 15. OTHER LOAN, SECURED

During the period, the Group obtained a loan of HK\$4,000,000 from an outside party. The loan bears interest at market rate and is repayable on demand. The loan is secured by charges over shares of a wholly-owned subsidiary of the Company.

## 16. SHARE CAPITAL

	Notes	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 January 2003		0.10	3,000,000,000	300,000
Effect of the Reorganisation referred to below	(a)(i)		27,000,000,000	—
		0.01	30,000,000,000	300,000
Effect of the Share Consolidation referred to below	(b)		(29,250,000,000)	—
At 31 December 2003		0.40	750,000,000	300,000
Issued and fully paid:				
At 1 January 2003		0.10	1,101,873,000	110,187
Reduction of share capital	(a)(ii)		—	(99,168)
		0.01	1,101,873,000	11,019
Effect of the Share Consolidation referred to below	(b)		(1,074,326,175)	—
		0.40	27,546,825	11,019
Rights issue of shares at a price of HK\$1.00 per rights share	(c)	0.40	13,773,412	5,509
Issue of new shares by private placements	(d)	0.40	18,180,903	7,272
At 31 December 2003		0.40	59,501,140	23,800

*Notes:*

- (a) During the current period, the Company underwent a capital reorganisation (the "Reorganisation"). Details of the Reorganisation are set out in the circular dated 16 January 2003 issued by the Company.

At the special general meeting of the Company held on 7 February 2003, a special resolution approving the Reorganisation was passed and the following capital reorganisation took effect on 10 February 2003:

- (i) unissued shares of HK\$0.10 each in the authorised share capital of the Company were subdivided into ten shares of HK\$0.01 each;
  - (ii) nominal value of issued shares in the share capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each (the "Capital Reduction");
  - (iii) the entire amount of HK\$255,030,000 standing to the credit of the share premium account of the Company was cancelled (the "Share Premium Cancellation"); and
  - (iv) the credit amounts arising from the Capital Reduction and the Share Premium Cancellation were credited to the contributed surplus account of the Company where such amounts were utilised to eliminate the accumulated losses of the Company as at 31 December 2002.
- (b) As announced by the Company on 1 August 2003, the Company proposed to effect a share consolidation pursuant to which every forty issued and unissued then existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.40 each ("Share Consolidation"). Details of the Share Consolidation are set out in the circular dated 20 August 2003 issued by the Company. The ordinary resolution approving the Share Consolidation was passed at the special general meeting of the Company held on 8 September 2003.
- (c) Rights issue of 13,773,412 shares of HK\$0.40 each of a subscription price of HK\$1.00 per rights share were allotted on 25 September 2003 to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The net proceeds of the rights issue were used for general working capital purposes.
- (d) The Company issued and allotted 8,264,047 and 9,916,856 ordinary shares of HK\$0.40 each at HK\$0.865 per share as a result of two private placements of shares to not less than six independent professional and/or institutional investors on 17 November 2003 and 22 December 2003 respectively.

All shares issued rank *pari passu* with the then existing shares in issue in all respects.

## 17. CONTINGENT LIABILITIES

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
Corporate guarantees given to banks in respect of credit facilities granted to ALOH and its subsidiaries	<u>—</u>	<u>87,100</u>

On 5 February 2003 and 22 February 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of the Company, by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the alleged arrears of rental, management fees and rates plus any subsequent arrears of rent, management fees and rates until the date of delivery of the premises known as Shop Nos. 7 and 8 on Ground Floor and the whole First Floor of Hang Lung Mansion, Nos. 578-580 Nathan Road, Nos. 44-46 Dundas Street, Kowloon, Hong Kong. An acknowledgement of service has been filed in respect of the claim. On 17 March 2003, vacant possession of the premises was delivered to the landlord. An amended defence was filed into court on 22 December 2003 to contest the legal proceedings. After seeking professional advice, the directors consider that the Group has a valid defence against the claims and therefore, no provision for the sum claimed has been made in the condensed financial statements.

## 18. CAPITAL COMMITMENTS

	<b>31 December 2003 HK\$'000</b>	31 December 2002 HK\$'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of:		
- capital injection for interests in jointly controlled entities and non wholly-owned subsidiaries	<u>20,904</u>	<u>24,238</u>

## 19. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2003:

- (a) As announced by the Company on 12 January 2004 and 10 February 2004, the Company proposed the following:
  - (i) to reduce the issued share capital of the Company from HK\$0.40 each to HK\$0.10 each by cancelling HK\$0.30 paid up on each issued share and by adjusting the nominal value from HK\$0.40 each to HK\$0.10 each, and that each of the unissued shares be subdivided into four shares of HK\$0.10 each (the "Capital Reduction and Subdivision");
  - (ii) to increase the authorised share capital of the Company from HK\$300,000,000 to HK\$650,000,000 by the creation of an additional 3,500,000,000 shares of HK\$0.10 each upon completion of the Capital Reduction and Subdivision; and
  - (iii) upon the Capital Reduction and Subdivision and the increase in authorised share capital becoming effective, to raise funds by way of rights issue of not less than 297,505,700 rights shares of HK\$0.10 each at a price of HK\$0.25 per rights share on the basis of five rights shares for every share held.

At the special general meeting of the Company held on 4 March 2004, resolutions approving the Capital Reduction and Subdivision and the increase in authorised share capital were passed.

Details of the above are set out, inter alia, in the circular and prospectus of the Company dated 10 February 2004 and 4 March 2004 respectively.

The rights issue became unconditional on 24 March 2004 and the estimated net proceeds of the rights issue are approximately HK\$73.2 million.

- (b) As announced by the Company on 5 March 2004, the Group conditionally agreed to purchase all the issued shares of Po Cheong International Enterprises Limited ("Po Cheong") from a wholly-owned subsidiary of Easyknit at a consideration of HK\$65 million. Po Cheong and its subsidiary is principally engaged in the business of bleaching and dyeing. The consideration will be satisfied in cash, of which HK\$50 million will be payable at the completion of the sales and purchase agreement on or before 31 May 2004 and the remaining balance of HK\$15 million will be payable after finalisation of the Adjustment (as defined in the announcement of the Company dated 5 March 2004) in the mid of 2005. Details of the above are set out in the announcement dated 5 March 2004 issued by the Company.

## **INTERIM DIVIDEND**

The directors resolved not to declare an interim dividend for the twelve months ended 31 December 2003 (2002: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

The Group's turnover and net loss for the twelve months ended 31 December 2003 were approximately HK\$5,083,000 (2002: approximately HK\$70,354,000) and approximately HK\$46,821,000 (2002: approximately HK\$191,424,000), respectively, representing a decrease of approximately 92.8% and approximately 75.5% respectively when compared to the previous period.

The decrease in turnover was mainly due to the disposal of the Group's entire shareholding in (i) Acme Sanitary Engineering Company Limited ("Acme Sanitary"), formerly a wholly-owned subsidiary of the Company which was engaged in the business of the provision of drainage, plumbing and engineering contracting services, on 4 May 2002 and (ii) Acme Landis Operations Holdings Limited ("Acme Landis"), formerly a wholly-owned subsidiary of the Company which was engaged in the business of trading of sanitary fixtures and fittings and a range of hardware, industrial and consumer products, on 29 May 2002.

The Group's net loss for the twelve months ended 31 December 2003 amounted to approximately HK\$46,821,000 which includes impairment loss recognised in respect of long term investments of approximately HK\$3,900,000 and impairment loss recognised in respect of property, plant and equipment of approximately HK\$9,911,000. The Group's operating expenses for the period under review were approximately HK\$31,589,000 compared to approximately HK\$87,983,000 for the previous period and the decrease was mainly due to the disposal of Acme Sanitary and Acme Landis.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### Business Review

During the twelve months ended 31 December 2003, the Group was principally engaged in wireless communication business, provision of communication solutions consultancy services, internet operations and trading of garments.

#### *Investments in wireless data service*

The Group's wholly-owned subsidiary, i100 Wireless (Hong Kong) Limited, is engaged in the provision of a branded wireless data services in Hong Kong. The key principal service is a GPRS (general packet radio service)-driven and entertainment focused wireless data service supported by international content providers, leading wireless games companies and major telecommunication carriers that accommodates the lifestyle of the Group's target users.

The Group launched its 2.5G MVNO (mobile virtual network operator) business in October 2002, under the trade name Noodle. Noodle's technical platform is based on GPRS, the most popular 2.5G data technology used in Hong Kong. It offers its customers a wide array of mobile content such as games, up-to-date news, horoscopes, sports and other entertainment topics. Noodle mainly targets the younger market for its services.

In late June 2003, Noodle transferred all the active MVNO customer accounts to SUNDAY and SUNDAY continues to provide telecommunication services to the Noodle MVNO customers. As part of the business arrangements, i100 Wireless (Hong Kong) Limited became a content provider with other major telecommunication carriers in Hong Kong and China.

#### *Business of garment trading*

In view of the general economic downturn and the market sentiment in the wireless communication business remaining gloomy, the directors introduced the business of garment trading to the Group in early October 2003 with the aim to turn around the business of the Group. The Group's management, the same as that of Easyknit International Holdings Limited ("Easyknit") (the controlling shareholder of the Company), has ample and extensive experiences in the garment trading business. The new business of garment trading comprised garment sourcing and then selling the products to customers. The new business is trading under a subsidiary of the Company and is managed by the Group's own separate sourcing team. The directors believe that introduction of new business of garment trading is in the best interest of the shareholders of the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### Prospects

The general economic climate affected the mobile communication business of the Group in Hong Kong. The Group will continue to streamline its operation in this business segment.

Subject to the completion of the Po Cheong Acquisition (as defined in the section headed "Significant Corporate Events" below), the bleaching and dyeing business of Po Cheong and its subsidiary is expected to contribute positively to the Group's profitability.

The Group will continue to explore potential investment projects or businesses with a view to diversify and expand its source of income.

### Significant Corporate Events

On 28 January 2003, Easyknit, through its wholly-owned subsidiary, Landmark Profits Limited, acquired approximately 55.27% equity interest of the Company and subsequently made a mandatory general offer for the shares that it did not own. The general offer resulted in Easyknit holding approximately 55.30% equity interest of the Company as at 14 April 2003. A series of disposal of the Company's shares in June 2003 brought Easyknit's interest in the Company down to approximately 51.73% as at 30 June 2003.

As a result of the capital reorganisation which came into effect on 10 February 2003, the issued share capital of the Company was reduced from HK\$110,187,300 to HK\$11,018,730 comprising 1,101,873,000 shares of HK\$0.01 each.

On 8 September 2003, every 40 issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.40 each. Immediately following the share consolidation, the share capital of the Company comprised 27,546,825 issued shares of HK\$0.40 each and 722,453,175 unissued shares of HK\$0.40 each.

On 25 September 2003, the Company issued 13,773,412 rights shares at a price of HK\$1.00 per rights share (the "First Rights Issue") and raised net proceeds of approximately HK\$13.3 million for general working capital purposes.

On 17 November 2003, 8,264,047 shares of HK\$0.40 each were issued and allotted by the Company at a price of HK\$0.865 per placing share by way of placing (the "First Placing"). The net proceeds of the First Placing were approximately HK\$6.9 million of which HK\$5.0 million has been used for partial repayment of an unsecured interest-bearing loan of HK\$30.27 million ("Easyknit Loan") extended by Planetec International Limited (a wholly owned subsidiary of Easyknit) to the Group in February 2003 and approximately HK\$1.9 million are used as general working capital.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### Significant Corporate Events (Cont'd)

On 22 December 2003, the Company issued and allotted 9,916,856 shares of HK\$0.40 each at a price of HK\$0.865 per placing share by way of placing (the "Second Placing"). Out of the net proceeds of the Second Placing of approximately HK\$8.4 million, HK\$4.0 million has been used for partial repayment of Easyknit Loan. The remaining net proceeds of approximately HK\$4.4 million are for general working capital purposes.

As at 31 December 2003, the remaining net proceeds from the First Rights Issue, the First Placing and the Second Placing were approximately HK\$15.6 million. As a result of these fund raising exercises, the issued share capital of the Company has been increased to HK\$23,800,456 comprising 59,501,140 shares of HK\$0.40 each. Subsequent to the completion of the First Placing and the Second Placing, Easyknit's interest in the Company has been diluted to approximately 35.93% of the issued share capital of the Company.

With effect from 19 November 2003, the name of the Company has been changed from "i100 Limited" to "Asia Alliance Holdings Limited" and the Chinese name "亞洲聯盟集團有限公司" has been adopted by the Company for identification purposes.

With effect from 4 March 2004, the issued share capital of the Company has been reduced to HK\$5,950,114 consisting of 59,501,140 shares of HK\$0.10 each and the authorised share capital of the Company has been increased to HK\$650,000,000 comprising 6,500,000,000 shares of HK\$0.10 each.

On 5 March 2004, a sale and purchase agreement was entered into between Best Ability Limited (a wholly-owned subsidiary of the Company) and Easyknit International Trading Company Limited (a wholly-owned subsidiary of Easyknit) whereby Best Ability Limited has conditionally agreed to acquire the entire issued share capital of Po Cheong International Enterprises Limited ("Po Cheong") at a total consideration of HK\$65 million (subject to adjustment) (the "Po Cheong Acquisition"). Po Cheong and its subsidiary are principally engaged in the business of bleaching and dyeing. Details of the Po Cheong Acquisition are set out in the announcement of the Company dated 5 March 2004.

On 24 March 2004, the Company raised approximately HK\$73.2 million (net of expenses) by way of the rights issue of 297,505,700 rights shares at a price of HK\$0.25 per rights share on the basis of five rights shares for every share held (the "Second Rights Issue"). Out of such proceeds, approximately HK\$22 million has been used to repay the Easyknit Loan and the remaining balance of approximately HK\$51.0 million will be applied for partial payment in respect of the Po Cheong Acquisition. Details of the Second Rights Issue are set out in the Company's prospectus dated 4 March 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)

### **Liquidity and Financial Resources**

During the period under review, the Group obtained the Easyknit Loan of HK\$30.27 million of which HK\$9 million has been repaid. The Group also obtained a secured loan of HK\$4 million from an outside party. All the loans bear interest at market rate and are repayable on demand. The Group's total borrowings at 31 December 2003 were HK\$25.27 million. In 2003, the Group raised aggregate net proceeds of approximately HK\$28.6 million from the First Rights Issue, the First Placing and the Second Placing. As at 31 December 2003, the remaining balance of the net proceeds was approximately HK\$15.6 million. During the twelve months ended 31 December 2003, the Group's operation was mainly financed by the Easyknit Loan, the loan from the outside party and the net proceeds of the aforesaid fund raising exercises.

As at 31 December 2003, the Group had net current liabilities of approximately HK\$9,476,000 (31 December 2002: approximately HK\$3,521,000) and cash and cash equivalents of approximately HK\$17,822,000 (31 December 2002: approximately HK\$1,822,000). The Group's cash is primarily in Hong Kong and US dollars and placed in leading commercial banks as time deposits with various maturities.

As the Group had no borrowings as at 31 December 2002 and had a net liability position as at 31 December 2003, no gearing ratio of the Group, which is calculated on the basis of the Group's total borrowings over the shareholders' fund, is presented at 31 December 2002 and 31 December 2003.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

As at 31 December 2003, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

### **Capital Structure**

The Group had no debt securities or other capital instruments as at 31 December 2003 and up to the date of this report.

### **Material Acquisitions and Disposals**

The Group had no material acquisitions and disposals of subsidiaries or associates during the twelve months ended 31 December 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)

### **Charges on Group Assets**

The loan of HK\$4 million from an outside party is secured by all the issued shares of a wholly-owned subsidiary of the Company.

### **Capital Expenditure**

During the year ended 31 December 2003, the Group spent approximately HK\$12,124,000 on acquisition of property, plant and equipment.

### **Contingent Liabilities**

On 5 February 2003 and 22 February 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited (a wholly-owned subsidiary of the Company) by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the alleged arrears of rent, management fees and rates plus any subsequent arrears of rent, management fees and rates until the date of delivery of the premises known as Shop Nos. 7 and 8 on Ground Floor and the whole First Floor of Hang Lung Mansion, Nos. 578-580 Nathan Road, Nos 44-46 Dundas Street, Kowloon, Hong Kong. An acknowledgment of service has been filed in respect of the claim. On 17 March 2003, the vacant possession of the premises was delivered to the landlord. An amended defence was filed into court on 22 December 2003 to contest the legal proceedings. After seeking professional advice, the directors consider that the Group has a valid defence against the claims and therefore, no provision for the sum claimed has been made in the condensed financial statements.

### **Significant Investment**

As at 31 December 2003, the Group did not have any significant investment held or any significant investment plans.

### **Employees and Remuneration Policies**

As at 31 December 2003, the Group employed approximately 22 full time management, technical and administrative staff in Hong Kong and elsewhere in the People's Republic of China. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has share option schemes to motivate valued employees.

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2003, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### A. Interests in the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Mr. Koon Wing Yee ( <i>Note</i> )	Interest of spouse	21,376,554	35.93%
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	21,376,554	35.93%

*Note:* These shares were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 21,376,554 shares by virtue of the SFO.

### B. Interests in associated corporations

#### (1) *Easyknit*

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of Easyknit
Mr. Koon Wing Yee ( <i>Note</i> )	Interest of spouse	324,216,452	36.74%
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	324,216,452	36.74%
Mr. Tsang Yiu Kai	Beneficial owner	98,175	0.01%

*Note:* These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 324,216,452 shares by virtue of the SFO.

## DIRECTORS' INTERESTS IN SHARES (Cont'd)

### (2) Wellmake Investments Limited ("Wellmake") (Note)

Name of director	Capacity	Number of non-voting deferred share held	Percentage to issued non-voting deferred shares of Wellmake
Mr. Koon Wing Yee	Beneficial owner	1	50%
Ms. Lui Yuk Chu	Beneficial owner	1	50%

Note: All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by Easyknit.

Save as disclosed above, as at 31 December 2003, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the twelve months ended 31 December 2003 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

## SHARE OPTION SCHEMES

### A. The Company

On 21 August 1991, the Company approved a share option scheme (the "1991 Share Option Scheme") which was terminated by an ordinary resolution of the shareholders at the annual general meeting held on 22 May 2001. The subsisting options granted under the 1991 Share Option Scheme prior to its termination remain valid and exercisable in accordance with the terms of the 1991 Share Option Scheme.

On 22 May 2001, the Company approved a share option scheme (the "2001 Share Option Scheme") which was terminated by an ordinary resolution of the shareholders at the annual general meeting held on 6 June 2002 but the subsisting options granted thereunder prior to its termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme.

## SHARE OPTION SCHEMES (Cont'd)

On 6 June 2002, a new share option scheme (the "2002 Share Option Scheme") was approved by the shareholders of the Company pursuant to the new requirements of Chapter 17 of the Listing Rules. No share options have been granted under the 2002 Share Option Scheme since its adoption.

Particulars of the outstanding share options of the Company granted to the continuous contract employees of the Group under the 1991 Share Option Scheme and the 2001 Share Option Scheme and their movements during the period under review were as follows:

Share Option Scheme	Date of grant of share options	Number of share options (adjusted as appropriate)				Exercise price per share option <sup>(d)</sup> HK\$	Share price immediately preceding the grant date of share options <sup>(d)</sup> HK\$	Exercise period of share options
		As at 01/01/2003	Adjustments*	Lapsed during the period	As at 31/12/2003			
1991	02/08/2000 <sup>(b)</sup>	2,075,000	(245,000)	(1,830,000)	—	0.75	0.80	02/08/2001 to 01/08/2010
		—	9,187	(1,687)	7,500	20.00*	—	
1991	06/10/2000 <sup>(b)</sup>	290,000	—	(290,000)	—	0.47	0.56	06/10/2001 to 05/10/2010
1991	26/03/2001 <sup>(b)</sup>	3,775,000	(275,000)	(3,500,000)	—	0.385	0.39	26/03/2002 to 25/03/2011
		—	10,312	(937)	9,375	10.267*	—	
2001	31/08/2001 <sup>(b)</sup>	7,068,000	(1,128,000)	(5,940,000)	—	0.4032	0.50	31/08/2002 to 30/08/2011
		—	42,300	(2,625)	39,675	10.752*	—	
2001	31/08/2001 <sup>(c)</sup>	25,000,000	(25,000,000)	—	—	0.4032	0.50	31/08/2001 to 30/08/2011
		—	937,500	—	937,500	10.752*	—	
		<u>38,208,000</u>	<u>(25,648,701)</u>	<u>(11,565,249)</u>	<u>994,050</u>			

### Notes:

- All dates are shown day/month/year.
- The vesting period is the period of three years after the date of grant. One-third of the share options become exercisable after 12 months from the date of grant, and after the subsequent 18 months, 24 months, 30 months and 36 months from the date of grant, further one-sixth of the options become exercisable.
- The vesting period is the period of six months after the date of grant. Half of the share options are exercisable from the date of grant and the remaining half becomes exercisable after 6 months from the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

## SHARE OPTION SCHEMES (Cont'd)

Notes: (Cont'd)

- (e) The price of the shares of the Company disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (f) No share options were granted, exercised or cancelled during the period.
- \* The number of share options and the corresponding exercise price have been adjusted as a result of the share consolidation and the rights issue of shares of the Company in September 2003.

### B. Subsidiaries

#### (1) solution100 Corporation

On 22 May 2001, solution100 Corporation, a wholly-owned subsidiary of the Company, adopted a share option scheme under which options to subscribe for shares in the share capital of solution100 Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the share option scheme of solution100 Corporation since its adoption.

#### (2) i100 Wireless Corporation

On 6 June 2002, i100 Wireless Corporation, a wholly-owned subsidiary of the Company, adopted a share option scheme pursuant to the new requirements of Chapter 17 of the Listing Rules and under which options to subscribe for shares in the share capital of i100 Wireless Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the share option scheme of i100 Wireless Corporation since its adoption.



## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the persons (other than the directors or the chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Landmark Profits Limited ( <i>Note</i> )	Beneficial owner	21,376,554	35.93%
Easyknit ( <i>Note</i> )	Interest of controlled corporation	21,376,554	35.93%
Magical Profits Limited ( <i>Note</i> )	Interest of controlled corporation	21,376,554	35.93%
Accumulate More Profits Limited ( <i>Note</i> )	Interest of controlled corporation	21,376,554	35.93%
Newcourt Trustees Limited ( <i>Note</i> )	Trustee	21,376,554	35.93%
Au Yeung Man Yin	Beneficial owner	7,937,356	13.34%
Chan So Chun	Beneficial owner	6,198,500	10.42%

*Note:* These shares were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director and her family members).

Save as disclosed above, as at 31 December 2003, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 31 December 2003.

## AUDIT COMMITTEE

The current audit committee comprises two members, Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim, both of whom are independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including review of the unaudited interim condensed consolidated financial statements for the twelve months ended 31 December 2003.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange during the twelve months ended 31 December 2003, except that the independent non-executive directors of the Company have not been appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

By Order of the Board of  
**Asia Alliance Holdings Limited**  
**KOON, Wing Yee**  
*President and Chief Executive Officer*

Hong Kong, 25 March 2004