

The directors of Asia Alliance Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the fifteen months ended 31 March 2004 with the comparative figures for the previous financial year.

FINANCIAL RESULTS

The Group's turnover and net loss for the fifteen months ended 31 March 2004 were approximately HK\$5,083,000 (for the year ended 31 December 2002: approximately HK\$70,354,000) and approximately HK\$57,737,000 (for the year ended 31 December 2002: approximately HK\$191,424,000), respectively, representing a decrease of approximately 92.8% and approximately 69.8% respectively when compared to the year ended 31 December 2002.

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 fifteen months ended 31 March 2004 amounted to approximately HK\$57,737,000 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\$9,971,000. The Group's operating expenses for the period under review were approximately HK\$38,962,000 compared to approximately HK\$81,116,000 for the year ended 31 December 2002 and the decrease was mainly due to the disposal of Acme Sanitary and Acme Landis.

BUSINESS REVIEW

During the fifteen months ended 31 March 2004, the Group was principally engaged in wireless communication business, provision of communication solutions consultancy services and internet operations.

During the period under review, the Company's former wholly-owned subsidiary, i100 Wireless (Hong Kong) Limited, was engaged in the provision of a branded wireless data services in Hong Kong. The key principal service was 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 accommodated 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 was based on GPRS, the most popular 2.5G data technology used in Hong Kong. It offered its customers a wide array of mobile content such as games, up-to-date news, horoscopes, sports and other entertainment topics. Noodle mainly targeted the younger market for its services.

In June 2003, Noodle transferred all the active customer accounts of its 2.5G MVNO business to SUNDAY. Hence, i100 Wireless (Hong Kong) Limited became a content provider to SUNDAY. However, the wireless communication business still suffered from huge losses.

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.

After the completion of the Po Cheong Acquisition (as defined in the section headed "Significant Corporate Events" below) on 17 May 2004, 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 then 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\$13,300,000 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\$6,900,000 of which HK\$5,000,000 has been used for partial repayment of an unsecured interest-bearing loan of HK\$30,270,000 ("Easyknit Loan") extended by Planetic International Limited (a wholly owned subsidiary of Easyknit) to the Group in February 2003 and approximately HK\$1,900,000 are used as general working capital.

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\$8,400,000, HK\$4,000,000 has been used for partial repayment of Easyknit Loan. The remaining net proceeds of approximately HK\$4,400,000 are for general working capital purposes.

As a result of the First Rights Issue, the First Placing and the Second Placing, the then issued share capital of the Company were 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 then issued share capital of the Company.

PRESIDENT'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

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.

On 4 March 2004, the then issued share capital of the Company was 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 was increased to HK\$650,000,000 comprising 6,500,000,000 shares of HK\$0.10 each.

On 24 March 2004, the Company raised approximately HK\$73,200,000 (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\$22,000,000 has been used to repay the Easyknit Loan and the remaining balance of approximately HK\$51,000,000 has been applied for partial payment in respect of the Po Cheong Acquisition (as defined below). As a result of the Second Rights Issue, the issued share capital of the Company has been increased to HK\$35,700,684 comprising 357,006,840 shares of HK\$0.10 each.

On 17 May 2004, the acquisition of the entire issued share capital of Po Cheong International Enterprises Limited ("Po Cheong") at a total consideration of HK\$65,000,000 (subject to adjustment) (the "Po Cheong Acquisition") by Best Ability Limited, a wholly-owned subsidiary of the Company, from Easyknit International Trading Company Limited, a wholly-owned subsidiary of Easyknit, was completed and Po Cheong has become a wholly-owned subsidiary of the Company. Po Cheong and its subsidiary are principally engaged in the business of bleaching and dyeing.

On 15 June 2004, the Company entered into an agreement (the "Agreement") with each of Mr. Louie Tsz Chung and Ms. Koon Po Fun, pursuant to which, amongst other things, the Group has agreed to sell fabrics and provide bleaching and dyeing services to the companies controlled by Mr. Louie Tsz Chung/companies controlled by Ms. Koon Po Fun respectively for the period from 17 May 2004 to 31 March 2007 subject to respective caps. The respective transactions (the "Ongoing Connected Transactions") contemplated under the Agreement with each of Mr. Louie Tsz Chung and Ms. Koon Po Fun constitute non-exempt continuing connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are subject to reporting and independent shareholders' approval at the special general meeting of the Company to be held on 25 August 2004. Details of the Ongoing Connected Transactions are set out in the circular of the Company dated 26 July 2004.

On 25 June 2004, Copplestone Limited ("Copplestone"), a wholly owned subsidiary of the Company, and Arco Consulting Inc. ("Arco"), a third party independent of the Company, entered into a settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, inter alia, the facility agreement entered into on 6 January 2003 between Copplestone as borrower and Arco as lender relating to a term loan facility of up to HK\$4,000,000 (the "Facility Loan") secured by all the shares in the share capital of i100 Wireless Corporation held by Copplestone was terminated and Copplestone transferred the entire issued share capital of i100 Wireless Corporation to Arco. The disposal of i100 Wireless Corporation constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Settlement Agreement and the disposal of i100 Wireless Corporation are set out in the announcement of the Company dated 14 July 2004.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group obtained the Easyknit Loan of HK\$30,270,000 which has been fully repaid in March 2004 and the Facility Loan of HK\$4,000,000. Both loans bore interest at market rate and were repayable on demand. The Group's total borrowings at 31 March 2004 were HK\$4,000,000. During the period under review, the Group raised aggregate net proceeds of approximately HK\$101,800,000 from the First Rights Issue, the First Placing, the Second Placing and the Second Rights Issue. As at 31 March 2004, the remaining balance of the net proceeds was approximately HK\$65,856,000. During the fifteen months ended 31 March 2004, the Group's operation was mainly financed by the Easyknit Loan, the Facility Loan and the net proceeds of the aforesaid fund raising exercises.

As at 31 March 2004, the Group had net current assets of approximately HK\$56,997,000 (net current liabilities as at 31 December 2002: approximately HK\$3,521,000) and cash and cash equivalents of approximately HK\$66,131,000 (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 at 31 March 2004, the Group had a gearing ratio of 6.9%. The gearing ratio is calculated on the basis of the Group's total borrowings of HK\$4,000,000 over the shareholders' fund of HK\$57,856,000. As the Group had no borrowings as at 31 December 2002, no gearing ratio of the Group is presented at 31 December 2002.

The directors believe that the Group has sufficient working capital for its operations.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 March 2004, 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 March 2004 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the Po Cheong Acquisition as set out in "Significant Corporate Events" above, the Group had no material acquisitions and disposals of subsidiaries or associates during the fifteen months ended 31 March 2004.

CHARGES ON GROUP ASSETS

As at 31 March, 2004, the Facility Loan of HK\$4,000,000 from an independent third party was secured by all the issued shares of i100 Wireless Corporation, a former wholly-owned subsidiary of the Company.

CAPITAL EXPENDITURE

During the fifteen months ended 31 March 2004, the Group spent approximately HK\$12,125,000 on acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 March 2004, the Group did not have any contingent liabilities.

SIGNIFICANT INVESTMENT

As at 31 March 2004, the Group did not have any significant investment held or any significant investment plans.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2004, the Group employed approximately 29 full time management, technical and administrative staff in Hong Kong and elsewhere in the People's Republic of China. Employees' cost (including directors' emoluments) amounted to approximately HK\$12,737,000 for the period under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has share option schemes to motivate valued employees.

APPRECIATION

On behalf of the board, I would like to extend my sincere gratitude to our staff and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

By Order of the Board



Koon Wing Yee

President and Chief Executive Officer

Hong Kong, 26 July 2004