



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2003

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. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		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>(46,821)</u>	<u>(191,424)</u>
Basic loss per share	8	<u>HK\$(1.39)</u>	<u>HK\$(6.83)</u>

Notes:

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 HK\$'000
	External HK\$'000	Inter- segment HK\$'000	Consolidated HK\$'000	Segment result HK\$'000	Unallocated corporate expenses HK\$'000	
For the twelve months ended 31 December 2003						
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>
For the twelve months ended 31 December 2002						
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 HK\$'000	2002 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	<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	2002
	HK\$'000	HK\$'000
The amount comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax	—	(189)
Overprovision in prior years	<u>—</u>	<u>159</u>
		(30)
Share of taxation of an associate	<u>—</u>	<u>339</u>
	<u>—</u>	<u>309</u>

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.

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.

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.

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.

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.

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 announcement.

Material Acquisitions and Disposals

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

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.

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.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE

A detailed announcement of interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Stock Exchange’s website in due course.

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

Hong Kong, 25 March 2004

* *For identification only*

Please also refer to the published version of this announcement in The Standard.