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ASIA ALLIANCE HOLDINGS LIMITED

亞洲聯盟集團有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 616

ONGOING CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

On 17th May, 2004, the acquisition of all the issued shares of Po Cheong by Best Ability from Easyknit International Trading Company was completed and Po Cheong has become a wholly-owned subsidiary of the Company.

Prior to the Acquisition, the Po Cheong Group had carried out the LTC Transactions and the KPF Transactions and the Group intends to continue to enter into the LTC Transactions and the KPF Transactions with the LTC Companies and the KPF Companies respectively. As Mr. Louie is the nephew of Ms. Lui Yuk Chu, a Director and has been deemed to be a connected person of the Company under the Listing Rules and Ms. Koon is the sister of Mr. Koon Wing Yee, a Director and is a connected person of the Company under the Listing Rules, the LTC Transactions and the KPF Transactions will constitute “non-exempt continuing connected transactions” of the Company under the Listing Rules. The LTC Transactions and the KPF Transactions will be subject to Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the LTC Transactions and the KPF Transactions.

A circular containing, among other things, details of the LTC Transactions and the KPF Transactions, the advice of the IFA and the recommendations of the Independent Board Committee, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

The Company is an investment company and, through its subsidiaries, is engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and bleaching and dyeing services.

On 17th May, 2004, the acquisition of all the issued shares of Po Cheong by Best Ability from Easyknit International Trading Company was completed and Po Cheong has become a wholly-owned subsidiary of the Company. Prior to the Acquisition, the Po Cheong Group had carried out the LTC Transactions and the KPF Transactions and the Group intends to continue to enter into the LTC Transactions and the KPF Transactions with the LTC Companies and the KPF Companies respectively.

LTC TRANSACTIONS

On 15th June, 2004, the Company and Mr. Louie entered into the LTC Agreement pursuant to which, amongst other things, the Group has agreed to sell fabrics and provide bleaching and dyeing services to the LTC Companies for the period from 17th May, 2004 to 31st March, 2007. The LTC Agreement specifies the maximum amount (in monetary terms) of sales of fabric and bleaching and dyeing services by the Group to the LTC Companies for such period. Each order for sale of fabrics to the LTC Companies and provision of bleaching and dyeing services to the LTC Companies will be made subject to orders placed by the LTC Companies with the Group from time to time, at prices agreed between them on a case-by-case basis by reference to the prevailing rates charged by the Group to customers which are Independent Third Parties and which will be on normal commercial terms.

In addition, under the terms of the LTC Agreement, the Company has agreed to grant trade credit to the LTC Companies in respect of the sales of fabrics and provision of bleaching and dyeing services to the LTC Companies. Such trade credit are interest free with a credit period of 60 days. The terms of the trade credit granted by the Group to the LTC Companies are normal commercial terms which are common in the garment industry in Hong Kong. The Group has also provided similar arrangements to its other independent third party customers.

As shown in the audited consolidated financial statements of the Po Cheong Group for the two financial years ended 31st March, 2003 and the records of the Po Cheong Group for the year ended 31st March, 2004, the aggregate value of the LTC Transactions was as follows:-

	2002	2003	2004
For the year ended 31st March	(audited)	(audited)	(based on management accounts)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of fabric and provision of bleaching and dyeing services to the LTC Companies	1,778	8,504	10,308

Pursuant to the terms of the LTC Agreement and based on (i) the historical amount of sale of fabrics made between the Po Cheong Group and LTC Companies for the three years ended 31st March, 2004 (ii) discussions between the Group and its customers with regard to their estimated growth in demand of garments in order to enable the Group to ascertain the estimated demand for the Group's bleaching and dyeing services in the coming years (iii) the historical production capacity of LTC Companies and the expected increase in capacity of

LTC Companies and (iv) assessment of the market trend, the overall demand and the expectation of the growth for garments by the customers of the Group, the Group expects that the maximum value of the LTC Transactions for the periods set out below is likely to be as follows but emphasis that this is an estimate only:-

	17th May, 2004-31st March, 2005	1st April, 2005-31st March, 2006	1st April, 2006-31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of fabric and provision of bleaching and dyeing services to the LTC Companies	57,900	63,690	70,059

Mr. Louie is the nephew of Ms. Lui Yuk Chu, a Director and has been deemed to be a connected person of the Company under the Listing Rules. As the LTC Transactions will constitute “non-exempt continuing connected transactions” of the Company under the Listing Rules, they will be subject to Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the LTC Transactions which will be subject to the following conditions:-

- (1) the LTC Transactions will be:-
 - (i) entered into in the ordinary and usual course of business of the Company;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than the terms available to Independent Third Parties ; and
 - (iii) entered into in accordance with the relevant terms and conditions governing them which are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company as a whole.
- (2) the aggregate value of the LTC Transactions shall not exceed HK\$57,900,000, HK\$63,690,000 and HK\$70,059,000 for the period from 17th May, 2004 to 31st March, 2005 and each of the two financial years ending 31st March, 2006 and 31st March, 2007 respectively; and
- (3) compliance by the Company with all other relevant requirements under the Listing Rules regarding the LTC Transactions.

KPF TRANSACTIONS

On 15th June, 2004, the Company and Ms. Koon entered into the KPF Agreement pursuant to which, amongst other things, the Group has agreed to sell fabrics and provide bleaching and dyeing services to the KPF Companies for the period from 17th May, 2004 to 31st March, 2007. The KPF Agreement specifies the maximum amount (in monetary terms) of sales of fabric and bleaching and dyeing services by the Group to the KPF Companies for such period. Each order for sale of fabrics to the KPF Companies and provision of bleaching and

dyeing services to the KPF Companies will be made subject to orders placed by the KPF Companies with the Group from time to time, at prices agreed between them on a case-by-case basis by reference to the prevailing rates charged by the Group to customers which are Independent Third Parties and which will be on normal commercial terms.

In addition, under the terms of the KPF Agreement, the Company has agreed to grant trade credit to the KPF Companies in respect of the sales of fabrics and provision of bleaching and dyeing services to the KPF Companies. Such trade credit are interest free with a credit period of 60 days . The terms of the trade credit granted by the Group to the KPF Companies are normal commercial terms which are common in the garment industry in Hong Kong. The Group has also provided similar arrangements to its other independent third party customers.

As shown in the audited consolidated financial statements of the Po Cheong Group for the two financial years ended 31st March, 2003 and the records of the Po Cheong Group for the year ended 31st March, 2004, the aggregate value of the KPF Transactions was as follows:-

For the year ended 31st March	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (based on management accounts) <i>HK\$'000</i>
Sales of fabric and provision of bleaching and dyeing services to the KPF Companies	3,282	8,465	17,532

Pursuant to the terms of the KPF Agreement and based on (i) the historical amount of sale of fabrics made between the Po Cheong Group and KPF Companies for the three years ended 31st March, 2004 (ii) discussions between the Group and its customers with regard to their estimated growth in demand of garments in order to enable the Group to ascertain the estimated demand for the Group's bleaching and dyeing services in the coming years (iii) the historical production capacity of KPF Companies and the expected increase in capacity of KPF Companies and (iv) assessment of the market trend, the overall demand and the expectation of the growth for garments by the customers of the Group, the Group expects that the maximum value of the KPF Transactions for the periods set out below is likely to be as follows but emphasis that this is an estimate only:-

	17th May, 2004-31st March, 2005 <i>HK\$'000</i>	1st April, 2005-31st March, 2006 <i>HK\$'000</i>	1st April, 2006-31st March, 2007 <i>HK\$'000</i>
Sales of fabric and provision of bleaching and dyeing services to the KPF Companies	18,900	18,900	18,900

Ms. Koon is the sister of Mr. Koon Wing Yee, a Director and is a connected person of the Company under the Listing Rules. As the KPF Transactions will constitute "non-exempt continuing connected transactions" of the Company under the Listing Rules, they will be subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the KPF Transactions which will be subject to the following conditions:-

- (1) the KPF Transactions will be:-
 - (i) entered into in the ordinary and usual course of business of the Company;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than the terms available to Independent Third Parties; and
 - (iii) entered into in accordance with the relevant terms and conditions governing them which are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company as a whole.
- (2) the aggregate value of the KPF Transactions shall not exceed HK\$18,900,000 for the period from 17th May, 2004 to 31st March, 2005 and each of the two financial years ending 31st March, 2006 and 31st March, 2007 respectively; and
- (3) compliance by the Company with all other relevant requirements under the Listing Rules regarding the KPF Transactions.

REASONS AND BENEFITS FOR THE LTC TRANSACTIONS AND THE KPF TRANSACTIONS

The LTC Transactions and the KPF Transactions will be conducted in the ordinary and usual course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. In view of the good long term relationships between the Po Cheong Group and the LTC Companies and the KPF Companies, the Directors are of a view that the Group's business with the LTC Companies and the KPF Companies will enhance the growth prospects of the Group's business. The Directors believe that the LTC Agreement and the KPF Agreement will ensure a stable source of business for the Group. The Directors consider that the LTC Transactions and the KPF Transactions are in the interest of the Company and the Shareholders and that their bases are fair and reasonable so far as the Company and the Shareholders are concerned.

GENERAL

An Independent Board Committee has been constituted to make a recommendation to the Independent Shareholders in respect of the resolutions to approve the LTC Transactions and the KPF Transactions to be subject to the LTC Cap and the KPF Cap respectively. The IFA has been appointed by the Company to advise the Independent Board Committee as to whether the terms of the LTC Transactions and the KPF Transactions and the LTC Cap and the KPF Cap are fair and reasonable so far as the Shareholders are concerned. Save and except for the shareholding of Landmark Profits in the Company, none of Mr. Louie, Ms. Lui Yuk Chu, Ms. Koon and Mr. Koon Wing Yee and their respective associates has any direct or indirect shareholding in the Company. Landmark Profits will abstain from voting at the SGM to approve the LTC Transactions and the KPF Transactions.

A circular containing, among other things, details of the LTC Transactions and the KPF Transactions, the advice of the IFA and the recommendations of the Independent Board Committee, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

As of the date of this announcement, the executive Directors of the Company are Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu and the independent non-executive Directors are Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim.

DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:-

“Acquisition”	the acquisition by Best Ability and the sale by Easyknit International Trading Company of the entire issued share capital of Po Cheong
“associate”	the meaning ascribed thereto in the Listing Rules
“Best Ability”	Best Ability Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Asia Alliance Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and the SGX-ST and, through its wholly-owned subsidiary Landmark Profits, holds approximately 35.93% of the issued share capital of the Company
“Easyknit International Trading Company”	Easyknit International Trading Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Easyknit
“Group”	the Company and its subsidiaries
“IFA”	Access Capital Limited, the independent financial adviser to the Independent Board Committee and a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and engaged in types 1, 4, 6 and 9 regulated activities
“Independent Board Committee”	a board committee comprising of the independent non-executive Directors of the Company constituted to make recommendations to the Independent Shareholders in respect of the LTC Transactions and the KPF Transactions
“Independent Shareholders”	the meaning ascribed to it under Chapter 14A of the Listing Rules

“Independent Third Parties”	parties which are not a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“KPF Agreement”	the agreement entered into between the Company and Ms. Koon on 15th June, 2004
“KPF Cap”	the maximum value of the KPF Transactions for the periods as set out under “KPF Transactions”
“KPF Companies”	companies controlled by Ms. Koon
“KPF Transactions”	the sale of fabrics and provision of bleaching and dyeing services by the Group to the KPF Companies pursuant to the KPF Agreement
“Landmark Profits”	Landmark Profits Limited, the beneficial owner of approximately 35.93% interest in the Company and a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTC Agreement”	the agreement entered into between the Company and Mr. Louie on 15th June, 2004
“LTC Cap”	the maximum value of the LTC Transactions for the periods as set out under “LTC Transactions”
“LTC Companies”	companies controlled by Mr. Louie
“LTC Transactions”	the sale of fabrics and provision of bleaching and dyeing services by the Group to the LTC Companies pursuant to the LTC Agreement
“Magical Profits”	Magical Profits Limited, a company incorporated in the British Virgin Islands with limited liability and which is beneficially owned by The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and members of her family)
“Mr. Louie”	Mr. Louie Tsz Chung, the nephew of Ms. Lui Yuk Chu, a Director
“Ms. Koon”	Ms. Koon Po Fun, the sister of Mr. Koon Wing Yee, a Director
“Po Cheong”	Po Cheong International Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Po Cheong Group”	Po Cheong and its subsidiary

“SGM”	the special general meeting of the Company to approve, amongst others, the LTC Transactions and the KPF Transactions
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Asia Alliance Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 2nd July, 2004

** for identification only*

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