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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

**DISCLOSEABLE TRANSACTION  
SETTLEMENT AGREEMENT**

On 25th June, 2004, Copplestone and Arco entered into the Settlement Agreement under which, inter alia, the Facility Agreement and Share Charge were terminated and Copplestone transferred the entire issued share capital of i100 Wireless to Arco.

The disposal of i100 Wireless constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Settlement Agreement and the disposal of i100 Wireless will be despatched to the Shareholders as soon as practicable.

**INTRODUCTION**

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

On 6th January, 2003, Copplestone as borrower and Arco as lender entered into the Facility Agreement relating to a term loan facility of up to HK\$4,000,000, which was repayable on demand. i100 Wireless was not a party to the Facility Agreement but all its shares were pledged in favour of Arco as security for Copplestone's obligations under the Facility Agreement. Disputes arose between the parties in January 2004 as to the validity or otherwise of the Facility Agreement, its enforceability, that of the Share Charge and what, if anything, was owed by either party to the other thereunder.

It was alleged in November 2003, by Arco and it then came to the current Directors' attention that Copplestone, a wholly owned subsidiary of the Company had apparently entered into the Facility Agreement and the Share Charge with Arco on 6th January, 2003. This was not within the knowledge of the current management at that time. In January, 2004, Arco indicated that it required repayment of the sum of HK\$4,000,000 (together with interest in the amount of HK\$336,329) by the Company for and on behalf of Copplestone. At that time, the Company refused to make payment of any sums allegedly due under the Facility Agreement and the Share Charge pending clarification of the nature of the Facility Agreement and the Share Charge and if indeed, whether they were signed by Copplestone.

On 25th June, 2004, to settle the prolonged disputes between the parties regarding repayment under the Facility Agreement and the obligations of the parties under the Share Charge and taking into account that i100 Wireless was loss making, there was only insignificant business left in i100 Wireless and that the Directors were not optimistic about the future business of i100 Wireless which was that of wireless communication, the parties reached agreement to settle their disputes by entering into the Settlement Agreement.

## **SETTLEMENT AGREEMENT**

As a result of such disputes, and to settle them, Coplestone and Arco entered into the Settlement Agreement on 25th June, 2004 under which, inter alia, Coplestone transferred the entire issued share capital of i100 Wireless to Arco in settlement. A summary of the terms of the Settlement Agreement is set out below:

### ***Date***

25th June, 2004

### ***Parties***

The parties to the Settlement Agreement are:

Coplestone            a wholly-owned subsidiary of the Company  
and

Arco                    The current management of the Company was not in place at the time the Facility Agreement was negotiated. As at the date hereof, the Company has confirmed with a former Director that Mr. Hsu Cheung Lap, Ivan, who negotiated on behalf of Arco, is the sole director of Arco and the ultimate beneficial owner of Arco. Arco and Mr. Hsu Cheung Lap, Ivan are all third parties independent of the Company and its connected persons (as that term is defined in the Listing Rules). The Directors understand that Arco is an investment holding company.

### ***Terms***

Pursuant to the Settlement Agreement, amongst other things:-

- (A) the Facility Agreement, Share Charge and any agreement ancillary thereto between the parties were terminated;
- (B) each of Coplestone and Arco waived any and all claims and potential claims and rights it may have against the other under or pursuant to the Facility Agreement, as well as any other claims which either may have against the other under the Facility Agreement or the Share Charge and any agreement ancillary thereto between the parties;
- (C) the ownership of i100 Wireless was transferred by Coplestone to Arco.

## **REASONS FOR AND EFFECT OF THE SETTLEMENT AGREEMENT**

The Settlement Agreement was entered into by Copplestone and Arco to settle the disputes which arose regarding the validity or otherwise of the Facility Agreement, its enforceability, that of the Share Charge and what, if anything, is owed by either party to the other thereunder. The Settlement Agreement ensures that Arco has waived any claims and potential claims it may have had against Copplestone under the Facility Agreement and Share Charge thus eliminating the risk of future litigation. The shares of i100 Wireless were transferred in accordance with the terms of the Settlement Agreement on 25th June, 2004. i100 Wireless and its subsidiaries are engaged in the wireless communication business. The consolidated net loss of i100 Wireless for the year ended 31st December, 2002 and for the 15 months ended 31st March, 2004 were HK\$35,770,000 and HK\$34,992,000 respectively. The Settlement Agreement in respect of the disposal of i100 Wireless, after taking into account the consolidated net liabilities of i100 Wireless as at 31st May, 2004 of HK\$4,411,000, the consideration of the disposal of HK\$4,511,000 and the release of the exchange reserve upon the disposal of i100 Wireless of HK\$16,000, gives rise to a gain of HK\$8,906,000 to the Group. On this basis, the Directors believe that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

As a result of the disposal, the Group no longer has any interest in the loss-making businesses of i100 Wireless and its subsidiaries. The Group has made a provision with respect to the loan of HK\$4,000,000 under the Facility Agreement together with the accrued interest of HK\$511,000 as at 25th June, 2004 and will write off the total sum of HK\$4,511,000.

## **GENERAL**

The disposal of i100 Wireless constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Settlement Agreement and disposal of i100 Wireless 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**

In this announcement the following terms have the meanings assigned to them below:-

“Arco”	Arco Consulting Inc., a company incorporated with limited liability under the laws of the British Virgin Islands
“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

“Cobblestone”	Cobblestone Limited, a limited liability company incorporated under the laws of the Cayman Islands and a wholly owned subsidiary of the Company
“Director(s)”	Director(s) of the Company
“Facility Agreement”	the facility agreement entered into on 6th January 2003 by Cobblestone as borrower and Arco as lender relating to a term loan facility of up to HK\$4,000,000 secured by all the shares in the share capital of i100 Wireless
“Group”	the Company and its subsidiaries
“i100 Wireless”	i100 Wireless Corporation, a limited liability company incorporated in the Cayman Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Settlement Agreement”	the settlement agreement dated 25th June, 2004 between Arco and Cobblestone
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Charge”	the charge over all the shares in the share capital of i100 Wireless held by Cobblestone made in favour of Arco dated 6th January, 2003 as security for Cobblestone’s obligations in respect of the Facility Agreement
“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, 14th July, 2004

\* *for identification only*

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