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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Asia Alliance Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**

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4th August, 2004

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 14th July, 2004 regarding, amongst other things, the Facility Agreement, the Share Charge and the Settlement Agreement;
“Arco”	Arco Consulting Inc., a company incorporated with limited liability under the laws of the British Virgin Islands;
“associate”	the meaning ascribed to it under the Listing Rules;
“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;
“Directors”	the directors 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 company incorporated in the Cayman Islands with limited liability;
“Latest Practicable Date”	30th July, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong);
“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;

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## DEFINITIONS

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“Share Charge”	a charge over all the shares in the share capital of i100 Wireless held by Copplestone made in favour of Arco dated 6th January, 2003 as security for Copplestone’s obligations in respect of the Facility Agreement;
“Shareholders”	holders of the Shares; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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LETTER FROM THE BOARD

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**ASIA ALLIANCE HOLDINGS LIMITED**

**亞洲聯盟集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Koon Wing Yee (*President and*

*Chief Executive Officer*)

Tsang Yiu Kai (*Vice President*)

Lui Yuk Chu

*Independent non-executive Directors*

Kan Ka Hon

Kwong Jimmy Cheung Tim

*Principal place of business in*

*Hong Kong:*

7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan,

Kowloon

Hong Kong

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

4th August, 2004

*To the Shareholders, and for information only,  
the optionholder*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
SETTLEMENT AGREEMENT**

**INTRODUCTION**

The Company announced on 14th July, 2004 that Copplestone and Arco had entered into the Settlement Agreement. This circular gives more information about, amongst other things, the Facility Agreement, the Share Charge and the Settlement Agreement.

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.

\* *For identification only*

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## LETTER FROM THE BOARD

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i100 Wireless was not a party to the Facility Agreement but under the Share Charge all 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.

In particular, 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. 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 is that of wireless communication, the parties reached agreement to settle their disputes by entering into the Settlement Agreement.

### **SETTLEMENT AGREEMENT**

To settle the disputes between Copplestone and Arco, Copplestone and Arco entered into the Settlement Agreement on 25th June, 2004 under which, inter alia, Copplestone transferred the entire issued share capital of i100 Wireless to Arco. A summary of the terms of the Settlement Agreement is set out below:

#### **Date**

25th June, 2004

#### **Parties**

The parties to the Settlement Agreement were:

Copplestone. 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. At the date of the Announcement, the Company confirmed with a former Director that Mr. Hsu Cheung Lap, Ivan, who negotiated the Facility Agreement on behalf of Arco, was the sole director of Arco and the ultimate beneficial owner of Arco. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Arco and Mr. Hsu Cheung Lap, Ivan are third parties independent of the Company and its connected persons (as that term is defined in the Listing Rules). The Directors understood that Arco is an investment holding company.

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## LETTER FROM THE BOARD

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### 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 Copplestone 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 it 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 Copplestone 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, was owed by either party to the other thereunder. The Settlement Agreement ensured that Arco 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 audited 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\$34,922,000 respectively. The Settlement Agreement in respect of the disposal of i100 Wireless, after taking into account the unaudited consolidated net liabilities of i100 Wireless as at 31st May, 2004, the consideration of the disposal and the release of the exchange reserve upon the disposal of i100 Wireless, gave rise to a gain of HK\$8,906,000 to the Group which will be reflected in the accounts of the Group for the year ending 31st March, 2005. 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 audited consolidated net asset value of the Group as at 31st March, 2004 was about HK\$57,856,000. The audited net liabilities of i100 Wireless and its subsidiaries as at 31st March, 2004 was approximately HK\$3,615,000.

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## LETTER FROM THE BOARD

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### GENERAL

The Company is an investment company. Its subsidiaries are principally engaged in the business of bleaching and dyeing.

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

Yours faithfully,

By order of the Board of Directors of

**Asia Alliance Holdings Limited**

**Koon Wing Yee**

*President & Chief Executive Officer*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**DISCLOSURE OF INTERESTS****(a) Directors' Interests and Short Position**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), required pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

**Interests in the Company**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Koon Wing Yee ( <i>Note</i> )	Interest of spouse	128,259,324	35.93%
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	128,259,324	35.93%

*Note: The Shares are registered in the name of and, beneficially owned by Landmark Profits Limited, which is a wholly-owned subsidiary of Easyknit International Holdings Limited. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit International Holdings Limited. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is 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, is deemed to be interested in the 128,259,324 Shares by virtue of the SFO.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), which were required pursuant to section 352 of the SFO to be entered into the register referred to therein or, which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

**(b) Interests of Substantial Shareholders**

As at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group and the amount of each of such person's interest in such securities, together with particular of any options in respect of such capital.

<b>Name of substantial Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Landmark Profits Limited ( <i>Note</i> )	Beneficial owner	128,259,324	35.93%
Easyknit International Holdings Limited ( <i>Note</i> )	Interest of controlled corporation	128,259,324	35.93%
Magical Profits Limited ( <i>Note</i> )	Interest of controlled corporation	128,259,324	35.93%
Accumulate More Profits Limited ( <i>Note</i> )	Interest of controlled corporation	128,259,324	35.93%
Newcourt Trustees Limited ( <i>Note</i> )	Trustee	128,259,324	35.93%
Au Yeung Man Yin	Beneficial owner	47,624,136	13.34%
Chan So Chun	Beneficial owner	37,191,000	10.42%

*Note: These Shares are registered in the name of and are beneficially owned by Landmark Profits Limited, which is a wholly-owned subsidiary of Easyknit International Holdings Limited. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit International Holdings Limited. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is 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).*

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or in any option, in respect of such capital.

**COMPETING INTERESTS**

None of the Directors and their respective associates have any interests in a business, which competes or may compete with the business of the Group.

**SERVICE CONTRACTS**

None of the Directors has entered into or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

**LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

**MISCELLANEOUS**

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business in Hong Kong of the Company is at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Tsang Yiu Kai, FHKSA, FCCA, AHKIT, CGA and CPA. The qualified accountant of the Company is Chan Chung Keung, AHKSA.
- (c) The auditors of the Company is Deloitte Touche Tohmatsu of 26th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English version of this circular shall prevail over the Chinese text.