



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 616

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2005

The board of directors (the “Board”) of Asia Alliance Holdings Limited (the “Company”) is pleased to present the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005, together with comparative figures for the fifteen months ended 31 March 2004.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	NOTES	1.4.2004 to 31.3.2005 HK\$'000	1.1.2003 to 31.3.2004 HK\$'000
Turnover		53,662	5,083
Cost of sales and services		(43,700)	(3,352)
Gross profit		9,962	1,731
Other operating income	4	265	709
Distribution costs		(303)	(6,948)
Administrative expenses		(9,773)	(26,597)
Other operating expenses		(2,279)	(5,417)
Write-back of allowance (allowance) for doubtful debts		17	(1,155)
Allowance for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		(403)	(3,297)
Impairment loss recognised in respect of property, plant and equipment		—	(9,971)
Impairment loss recognised in respect of long term investments		—	(3,900)
Allowance for amounts due from associates		—	(317)
Loss from operations	5	(2,514)	(55,162)
Gain (loss) on disposal of subsidiaries	9	9,042	(539)
Finance costs	6	(424)	(1,960)
Share of results of an associate		—	(4)
Share of results of jointly controlled entities		—	(72)
Net profit (loss) for the year/period		<u>6,104</u>	<u>(57,737)</u>
Basic earnings (loss) per share	8	<u>HK\$0.02</u>	<u>HK\$(0.97)</u>

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the current period cover the twelve month period ended 31 March 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a fifteen month period from 1 January 2003 to 31 March 2004 and therefore may not be comparable with amounts shown for the current period. The period covered by the preceding consolidated financial statements was greater than twelve months because the directors of the Company determined to bring the balance sheet date in line with that of the controlling shareholder, Easyknit International Holdings Limited (“Easyknit”). No further changes to reporting dates are anticipated.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of the other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions - bleaching and dyeing, knitting, wireless communication business and communication solutions consultancy services. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2005

(i) Income statement

	Bleaching and dyeing	Knitting	Wireless communication business	Communication solutions consultancy services	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover						
External	53,218	444	—	—	—	53,662
Inter-segment	—	2,945	—	—	(2,945)	—
Total	<u>53,218</u>	<u>3,389</u>	<u>—</u>	<u>—</u>	<u>(2,945)</u>	<u>53,662</u>
Segment result	<u>4,095</u>	<u>(2,370)</u>	<u>56</u>	<u>(11)</u>	<u>—</u>	1,770
Interest income						45
Unallocated corporate expenses						<u>(4,329)</u>
Loss from operations						(2,514)
Gain on disposal of subsidiaries						9,042
Finance costs						<u>(424)</u>
Net profit for the year						<u>6,104</u>

For the fifteen months ended 31 March 2004

(i) Income statement

	Wireless communication business	Communication solutions consultancy services	Internet operations	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>3,982</u>	<u>1,101</u>	<u>—</u>	<u>—</u>	<u>5,083</u>
Segment result	<u>(31,873)</u>	<u>(2,856)</u>	<u>(304)</u>	<u>—</u>	(35,033)
Interest income					70
Allowance for amounts due from associates	(317)				(317)
Unallocated corporate expenses					<u>(19,882)</u>
Loss from operations					(55,162)
Loss on disposal of subsidiaries					(539)
Finance costs					(1,960)
Share of results of an associate			(4)		(4)
Share of results of jointly controlled entities	(72)				<u>(72)</u>
Net loss for the period					<u>(57,737)</u>

Geographical segments

An analysis of the Group's turnover by geographical market for the year/period is as follows:

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	—	5,083
The People's Republic of China, excluding Hong Kong (the "PRC")	<u>53,662</u>	<u>—</u>
	<u>53,662</u>	<u>5,083</u>

4. OTHER OPERATING INCOME

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
An analysis of the Group's other operating income is as follows:		
Interest income	45	70
Commission income	—	471
Others	<u>220</u>	<u>168</u>
	<u>265</u>	<u>709</u>

5. LOSS FROM OPERATIONS

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' remuneration	253	868
Other staff costs, including retirement benefits costs	<u>4,868</u>	<u>11,869</u>
Total staff costs	<u>5,121</u>	<u>12,737</u>
Allowance for inventories	94	—
Amortisation of goodwill (note)	1,920	—
Auditors' remuneration	545	350
Cost of inventories recognised as an expense	32,345	378
Depreciation	2,744	6,495
Impairment loss recognised in respect of goodwill of subsidiaries (note)	—	492
Loss on disposal of property, plant and equipment	—	379
Loss on waiver of amount due from a minority shareholder of a subsidiary (note)	—	117
Loss on waiver of loan to a jointly controlled entity (note)	<u>—</u>	<u>7</u>

Note: The amounts are included in other operating expenses.

6. FINANCE COSTS

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
- loan of HK\$30,270,000 from Planetic International Limited, a wholly-owned subsidiary of Easyknit	—	1,515
- bank borrowings	339	—
- other borrowings	85	<u>445</u>
	<u>424</u>	<u>1,960</u>

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for the year ended 31 March 2005 and for the fifteen months ended 31 March 2004.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	1.4.2004 to 31.3.2005	1.1.2003 to 31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the purposes of basic earnings (loss) per share	<u>6,104</u>	<u>(57,737)</u>
Number of shares		
Number/weighted average number of shares for the purposes of basic earnings (loss) per share	<u>357,006,840</u>	<u>59,376,993</u>

The denominator for the purposes of calculating basic loss per share for the fifteen months ended 31 March 2004 has been adjusted to reflect the consolidation of shares in September 2003 on the basis that forty shares were consolidated into one share and the rights issue of shares in September 2003 and March 2004.

No diluted earnings per share has been presented for the year ended 31 March 2005 as the exercise prices of the Company's outstanding share options were higher than the average market price for the year.

No diluted loss per share was presented for the fifteen months ended 31 March 2004 as the exercise of the Company's outstanding share options would reduce the loss per share for that period.

9. DISPOSAL OF SUBSIDIARIES

In April 2004, the Group disposed of the entire issued shares in Photo2U Company Limited, a then wholly-owned subsidiary of the Company, for a cash consideration of HK\$2. In addition, the Group disposed of i100 Wireless Corporation to a loan lender in settlement of the loan of HK\$4,000,000 and accrued interest of HK\$511,000 on 25 June 2004.

During the fifteen months ended 31 March 2004, the Group disposed of the entire issued shares in i100Onair Limited, a then wholly-owned subsidiary of the Company, for a cash consideration of US\$1. In February 2004, the Group also disposed of the entire issued shares of Golden Throne Holdings Limited and Rainer Capital Limited which were then wholly-owned subsidiaries of the Company for a cash consideration of HK\$10.

DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2005 (for the fifteen months ended 31 March 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year under review, the Group attained notable growth in both turnover and profit. Turnover soared more than ninefold from approximately HK\$5,083,000 for the fifteen months ended 31 March 2004 (the “Last Period”) to approximately HK\$53,662,000 for the year ended 31 March 2005. This drastic increase was predominately due to the acquisition of the bleaching and dyeing business in May 2004.

Gross profit for the year ended 31 March 2005 shot up nearly five times to approximately HK\$9,962,000 from approximately HK\$1,731,000 in the Last Period. Net profit attributable to shareholders amounted to approximately HK\$6,104,000, reversing the net loss of approximately HK\$57,737,000 in the Last Period. This remarkable change resulted largely from a gain of approximately HK\$9,042,000 on the disposal of the persistent loss-making wireless communication business in June 2004 and a profit of approximately HK\$4,095,000 derived from the bleaching and dyeing business during the year. This was partly offset by the loss of approximately HK\$2,370,000 recorded in the knitting business. Earnings per share were approximately HK\$0.02 (Last Period: loss per share of approximately HK\$0.97).

Cost of sales and services leaped twelve times to approximately HK\$43,700,000 for the year compared to approximately HK\$3,352,000 in the Last Period, reflecting the robust growth in sales. The Group’s total operating expenses were down approximately 68.3% to approximately HK\$12,355,000 for the year from approximately HK\$38,962,000 in the Last Period. This was mainly on account of the savings in salaries, rentals and other operating expenses following the disposal of the wireless communication business in June 2004, which was partly offset by the costs of running the garment related businesses.

Finance costs declined significantly by approximately 78.4% to approximately HK\$424,000 from approximately HK\$1,960,000 in the Last Period, principally by reason of repayment of a loan of HK\$30,270,000 from Easyknit International Holdings Limited (“Easyknit”) in March 2004 and settlement of the Facility Loan (as defined in “Business Review” below) of HK\$4,000,000 in June 2004, which was partly offset by the bank loans drawn by the Group during the year.

Business Review

During the year ended 31 March 2005, the Group experienced major changes in operations following the acquisition of Po Cheong International Enterprises Limited (“Po Cheong”) in May 2004 which has introduced bleaching and dyeing business to the Group, the streamlining of the wireless communication business, communication solutions consultancy services and internet operations of the Group, which continued to suffer substantial losses in the past few years, and the commencement of production of a knitting mill in the People’s Republic of China (the “PRC”) in May 2004. As a result of the above events, the Group became principally engaged in the business of bleaching, dyeing and knitting during the year under review.

On 5 March 2004, Best Ability Limited, a wholly-owned subsidiary of the Company, as purchaser entered into an agreement with Easyknit International Trading Company Limited, a wholly-owned subsidiary of Easyknit, a controlling shareholder of the Company, as vendor whereby Best Ability Limited conditionally agreed to purchase from Easyknit International Trading Company Limited all the issued shares of Po Cheong at a consideration of HK\$65,000,000 (the “Acquisition”). The consideration of the Acquisition has been subsequently adjusted down to HK\$38,879,778 (the “Adjustment”). The Acquisition constituted a major and connected transaction of the Company under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Details of the Acquisition and the Adjustment are set out in the circular of the Company dated 23 April 2004 and the joint announcement of Easyknit and the Company dated 16 June 2005 respectively.

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”) for the full settlement of a loan of HK\$4,000,000 (the “Facility Loan”) provided by Arco to Copplestone pursuant to a facility agreement dated 6 January 2003 between both parties together with the accrued interest of HK\$511,000 (up to the date of the Settlement Agreement) by way of transferring all the issued shares of i100 Wireless Corporation, a then wholly-owned subsidiary of Copplestone, to Arco. i100 Wireless Corporation and its subsidiaries were principally engaged in the wireless communication business. The disposal of i100 Wireless Corporation (the “Disposal”) constituted a discloseable transaction of the Company under the Listing Rules. Details of the Settlement Agreement and the Disposal are set out in the circular of the Company dated 4 August 2004.

To strengthen its manufacturing operations and the capability of its existing main business, the Group has decided to develop a multi-functional base in Huzhou City, Zhejiang Province, the PRC. On 24 December 2004 and 28 December 2004, Easyknit (Mauritius) Limited, a wholly-owned subsidiary of the Company, and the People’s Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC (the “Vendor”) entered into an agreement and a supplemental agreement respectively in relation to the acquisition by Easyknit (Mauritius) Limited of land of about 670 mu situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC and the South of Hengtang Harbour, the PRC (the “Property”) at a consideration of RMB10,050,000 (the “Land Acquisition”), the construction of a waste water treatment plant on the Property at a

cost of not more than HK\$30,000,000 (the “Construction”) and the proposed development of manufacturing operations on the Property, including garment manufacturing, bleaching and dyeing and knitting (the “Development”) (the Land Acquisition, the Construction and the Development are together, the “Huzhou Project”). Phase 1 of the Huzhou Project which involves the Land Acquisition, the Construction and the setting up of garment manufacturing and bleaching and dyeing capabilities constituted a very substantial acquisition of the Company under the Listing Rules. Details of phase 1 of the Huzhou Project are set out in the circular of the Company dated 21 February 2005. On 18 April 2005, a second supplemental agreement was entered into between Easyknit (Mauritius) Limited and the Vendor in relation to the reduction of the size of the Property to 632.289 mu and the consideration of the Land Acquisition to RMB9,484,335, the way in which the Construction be held, and the appointment of the Vendor as an agent to deal with matters in relation to the Construction subject to the terms contained therein. The consideration of the Land Acquisition of RMB9,484,335 and a deposit for the Construction of HK\$15,000,000 were paid in April 2005. According to an indicative timetable, the Group will strive to complete the garment manufacturing and bleaching and dyeing capabilities by early 2006 and the knitting capability by the end of 2006.

During the year ended 31 March 2005, the bleaching and dyeing business contributed to approximately 99.2% of the Group’s total turnover, amounting to approximately HK\$53,218,000. The Group’s bleaching and dyeing factory located in Dongguan, the PRC currently has a daily production capacity of about 30,000 pounds.

The knitting mill in Heyuan, the PRC commenced production in May 2004 with a daily production capacity of about 20,000 pounds. Turnover in the knitting services only accounted for approximately 0.8% of the Group’s total turnover for the year ended 31 March 2005 and its share is expected to grow going forward.

Geographically, almost all the Group’s customers were located in the PRC.

Prospects

To stem a rising tide of the Chinese textile imports following the lifting of the global trade quotas on textiles on 1 January 2005, the United States of America (the “US”), in May 2005, imposed safeguard quotas limiting the increase in 7 categories of Chinese textile imports to 7.5 % this year by relying upon the terms of the PRC’s accession to World Trade Organisation (the “WTO”). The PRC abolished its self-imposed export tariffs on 81 categories of textile products in June 2005, escalating trade tensions with the US. In June 2005, the European Union (the “EU”) and the PRC also agreed to limit the growth of 10 categories of Chinese textile products to the EU to between 8% and 12.5% a year until the end of 2007. Our customers whose garment products are mainly sold to the US and the EU member countries are likely to be affected and may in turn impact the business of the Group. We will constantly monitor the market conditions and adjust accordingly.

The directors are of the view that the long-term prospect of the textile and apparel industry is promising as the WTO China textile safeguard mechanism will be in effect only until 31 December 2008 and progressive liberalisation of textile trade is inevitable. More importantly, the PRC is experiencing strong economic growth which has elevated the living standard for part of its population and will in turn spur the domestic demand for high quality textile products. We believe that the setting up of a multi-functional base in Huzhou City, Zhejiang Province, the PRC for developing vertical integrated operations ranging from knitting, bleaching and dyeing and garment manufacturing will not only consolidate and significantly increase the Group's manufacturing capabilities, but will also help to minimise cost, maximise efficiency and increase the Group's competitiveness so as to pave the way for future business growth in the challenging but expanding textile industry.

The management remains cautiously optimistic about the results for the first half year ended 30 September 2005 based on the orders on hand. It is believed that the bleaching and dyeing business will continue to make positive contribution to the Group. We also anticipate the production of the knitting mill in Heyuan, the PRC will grow steadily. Coupled with our stable clientele, improved efficiency, advanced production facilities and experienced management team, we are confident that the Group will eventually benefit from the booming economy.

The Group will endeavour to provide high quality fabric products to its customers, further expand its sourcing network and customer base and implement an effective control in production cost and pricing strategy in order to generate higher returns to its shareholders.

Liquidity and Financial Resources

During the year ended 31 March 2005, the Group financed its operations mainly by net proceeds from the fund raising exercises conducted in 2003 and 2004, the Facility Loan of HK\$4,000,000, bank borrowings and internally generated resources. In June 2004, the Facility Loan together with its accrued interests was settled. As at 31 March 2005, the Group's total bank borrowings amounted to approximately HK\$46,406,000 (31 March 2004: Nil), of which approximately 66.8% being short-term borrowings and approximately 33.2% being long-term borrowings. All the loans are unsecured, denominated in Hong Kong dollars and charged at prevailing market interest rates. Approximately HK\$21,406,000 of the bank borrowings are repayable in instalments over a period of four years and approximately HK\$25,000,000 are repayable within one year and guaranteed by a personal guarantee from Mr. Koon Wing Yee, who is a director of the Company. They are mostly event driven, with little seasonality. Shareholders' fund of the Group as at 31 March 2005 was approximately HK\$64,021,000 (31 March 2004: approximately HK\$57,856,000). The Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, rose from approximately 0.069 as at 31 March 2004 to approximately 0.725 as at 31 March 2005.

The Group continued to sustain a liquidity position. As at 31 March 2005, the Group had net current assets of approximately HK\$34,659,000 (31 March 2004: approximately HK\$56,997,000) and cash and cash equivalents of approximately HK\$33,352,000 (31 March 2004: approximately HK\$66,131,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2005, the Group's current ratio was approximately 1.9 (31 March 2004: approximately 6.1), which was calculated on

the basis of current assets of approximately HK\$74,884,000 (31 March 2004: approximately HK\$68,066,000) to current liabilities of approximately HK\$40,225,000 (31 March 2004: approximately HK\$11,069,000). The current ratio deteriorated during the year, primarily as a result of the acquisition of the bleaching and dyeing business, setting up of the knitting mill and investment in the Huzhou Project which not only reduced the bank and cash balance but also increased the Group's liabilities. During the year under review, the Group serviced its debts primarily through cash earned from its operations.

The directors believe that the Group has sufficient financial resources for its operations.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's revenues and payments are in Hong Kong dollars and Renminbi. During the year under review, the Group had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed.

Capital Structure

The Group had no debt securities or other capital instruments as at 31 March 2005 and up to the date of this announcement.

Material Acquisitions and Disposals

Apart from the acquisition of Po Cheong and the disposal of i100 Wireless Corporation as disclosed in "Business Review" above, the Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2005.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2005.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2005, the Group spent approximately HK\$26,308,000 (Last Period: approximately HK\$12,125,000) on acquisition of property, plant and equipment, of which approximately HK\$14,529,000 (Last Period: Nil) was related to the acquisition of subsidiaries.

As at 31 March 2005, the Group had capital commitments of approximately 49,522,000 (31 March 2004: approximately HK\$95,827,000).

Contingent Liabilities

As at 31 March 2005, the Group's banking facilities of approximately HK\$47,606,000 (31 March 2004: Nil) were supported by the Company's unlimited guarantee and unlimited cross guarantee provided by two of its subsidiaries in favour of the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2005.

Significant Investment

Apart from the Huzhou Project as disclosed in “Business Review” above, the Group did not have any significant investment plans or any significant investment held as at 31 March 2005. The Group will make use of its existing bank facilities for the Construction if further funding is required. The costs for the Development in the sum of HK\$160,000,000 will be financed through bank borrowing or other forms of financing available. As at the date hereof, no member of Group is a party to any financing arrangement in respect thereof.

Employment and Remuneration Policy

As at 31 March 2005, the Group employed approximately 300 full time management, technical, administrative staff and workers in Hong Kong and elsewhere in the PRC. Employees’ cost (including directors’ emoluments) amounted to approximately HK\$5,121,000 for the year under review (Last Period: approximately HK\$12,737,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

AUDIT COMMITTEE

The current audit committee comprises three members, Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming, who are independent non-executive directors of the Company. The audit committee has reviewed with the management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including review of the annual results of the Group for the year ended 31 March 2005.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the year ended 31 March 2005.

PROPOSED AMENDMENTS TO BYE-LAWS

On 1 January 2005, the Listing Rules, amongst other changes, were amended by replacing the Code of Best Practice in Appendix 14 with a new Code on Corporate Governance Practices (the “CG Code”). The CG Code sets out principles of good corporate governance, and two levels of recommendations being code provisions and recommended best practices. Issuers, such as the Company, are expected to comply with, but may choose to deviate from the code provisions whereas the recommended best practices are for guidance only. The Company is intent on implementing the code provisions of the CG Code to the extent that it is reasonably practicable and in the interest of the Company to do so. In this connection, it is proposed that certain provisions of the existing Bye-laws of the Company be changed to the effect that:

- (a) to the extent permissible under Bermuda law, all directors should be subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected; and
- (b) all directors, whether they be appointed by the Board or the shareholders in general meeting, to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Further, the Bye-laws shall be amended to reflect the Listing Rules provision to the effect that the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

Finally, the Bye-laws shall be amended to satisfactorily reflect and clarify, where applicable, references to the office of Chairman of the Company.

The proposed amendments to the Company's Bye-laws are subject to approval of the shareholders of the Company at the annual general meeting to be held on 18 August 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules in force immediately prior to 1 January 2005, 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 meetings of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2005.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 March 2005 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force immediately prior to 31 March 2004 will be published on website of the Stock Exchange in due course.

By Order of the Board of
Asia Alliance Holdings Limited
Koon Wing Yee
Chairman and Chief Executive Officer

Hong Kong, 23 June 2005

As of the date of this announcement, the Board comprises Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu as executive directors and Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming as independent non-executive directors.

* *For identification only*

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