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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)

VERY SUBSTANTIAL ACQUISITION RESUMPTION OF TRADING

Further to the Announcement and the Circular in connection with the acquisition of the Property, the construction of the Plant and the proposed development of manufacturing operations in Huzhou City, Zhejiang Province, the PRC, the Board is pleased to announce that the Further Supplemental Agreement was entered into between the Vendor and the Subsidiary on 25 November 2005 in respect of certain material changes to the Project.

The Capital Commitment constitutes a very substantial acquisition of the Company, where the approval by the Shareholders at the SGM is required pursuant to Rule 14.49 of the Listing Rules. As, to the best knowledge of the Directors, no Shareholder has material interests in the Project, no Shareholder and its associates will be required to abstain from voting at the SGM.

A circular in compliance with Rule 14.63 of the Listing Rules and containing further information as required under Rule 14.69 of the Listing Rules, together with the notice of the SGM and the form of proxy for use at the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 28 November 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Thursday, 1 December 2005.

BACKGROUND

Capitalised terms used in this announcement shall have the same meanings as defined in the circular of the Company dated 21 February 2005 (the “**Circular**”) unless the context requires otherwise.

On 3 January 2005, the Company made an announcement in relation to the Project, which is divided into two phases. Phase 1 of the Project (the “**Transaction**”) was intended to include: (i) the acquisition of the Property; (ii) the development of the manufacturing operations on the Property which would initially comprise garment manufacturing and bleaching and dyeing capabilities; and (iii) the construction of the Plant. Phase 2 of the Project was intended to principally comprise the development of knitting capability on the Property, which will commence construction upon completion of phase 1. Details of the Project are set out in the announcement of the Company dated 3 January 2005 (the “**Announcement**”) and the Circular.

At the special general meeting of the Company held on 11 March 2005, the Transaction which involves investment of up to HK\$200 million was approved. The Board is pleased to announce that a further supplemental agreement was entered into between the Vendor and the Subsidiary on 25 November 2005 (the “**Further Supplemental Agreement**”) in respect of certain material changes to the Project.

THE FURTHER SUPPLEMENTAL AGREEMENT DATED 25 NOVEMBER 2005

On 25 November 2005, the Vendor and the Subsidiary have entered into the Further Supplemental Agreement, pursuant to which the following changes, among other things, have been made to the Project.

Size of the Property

As disclosed in the annual report of the Company for the financial year ended 31 March 2005, subsequent to the Announcement and the Circular, in April 2005, the Vendor and the Company agreed that the size of the Property be reduced from about 670 mu to about 632 mu. The Directors confirm that the reason for the reduction in the size of the Property was because the sections reduced were deemed not suitable for the manufacturing operations of the Group. The price per mu of the Property remains at RMB15,000 (equivalent to approximately HK\$14,423 per mu). Therefore, the consideration for the Acquisition is reduced from approximately RMB10.05 million (equivalent to approximately HK\$9.66 million) to approximately RMB\$9.48 million (equivalent to approximately HK\$9.12 million) accordingly. The consideration for the Acquisition has been fully paid on 7 April 2005.

Capital Commitment of the Project

It was previously stated in the Circular that the Project would be divided into two phases and the investment in phase 1 was expected to be up to HK\$200 million. Save for the capital commitment of HK\$40 million previously made by the Subsidiary in respect of the Acquisition and the Construction, the total investment of the Project (being phase 1 and phase 2) was not determined previously and no commitment has been made in respect of other parts of the Project. Under the Further Supplemental Agreement, the capital commitment of the Subsidiary in respect of the Project has increased to approximately RMB519 million (about HK\$499 million) (the “**Capital Commitment**”), which has been determined based on arm’s length negotiation with the Vendor and by reference to the approval granted to, in effect, the Vendor by the Huzhou Municipal Economic Commission, Zhejiang Province, PRC on 8 November 2005 in respect of the Project. The approval is

granted for the estimated total investment amount of approximately RMB519 million and if such amount is to be exceeded in future, the Vendor and the Subsidiary are required to obtain further approval from the relevant authority. In such event, the Company will obtain further approval from Shareholders as required under the Listing Rules. The final capital to be invested in the Project is subject to adjustments within the Capital Commitment, depending on the development of the Project and market conditions. The Group's investment in phase 1 is expected to be approximately RMB300 million (about HK\$288.5 million).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties.

RECENT PROGRESS OF THE PROJECT

Land of about 184 mu comprised in the Property was transferred to the Group by the Vendor on 12 August 2005. The certificate of land use right was issued on 17 October 2005. It is expected that land of about 193 mu and the remaining land comprised in the Property will be transferred to the Group by 31 December 2005 and 30 June 2006 respectively. The Directors confirm that the reason for the transfer of land by stages is to be in line with the recent PRC government policy on land supply.

Construction work for phase 1 of the Project has commenced in November 2005 and the Vendor has been appointed as an agent to handle the various matters in relation to the construction of the Plant. It is expected that completion of phase 1 of the Project will take place in approximately 18 months from its commencement, which is expected to be around mid-2007. Capital injection for phase 2 of the Project will commence upon completion of phase 1. As at the date hereof, the Property has not generated any revenue nor profit.

It was previously stated in the Circular that phase 1 of the Project involves the Acquisition, the Construction and the development of manufacturing operations which will initially comprise garment manufacturing and bleaching and dyeing capabilities. The development of knitting capability will form phase 2 of the Project which will commence construction upon completion of phase 1. Following the Further Supplemental Agreement, the scope of phase 1 of the Project has been amended to also include the development of knitting capability, comprising, among others, equipment and machinery, factories, employee quarters and storages.

From 1 December 2005 to 31 March 2006, being the financial year-end of the Company, the Company will inject approximately HK\$15.5 million to phase 1 of the Project whereas from 1 April 2006 to 31 March 2007, the Company is expected to inject further capital of approximately HK\$173.0 million to phase 1 of the Project. The arrangement of the remaining capital injection under the Capital Commitment will be subject to the progress and development of the Project.

The Company believes that the Project will: (i) consolidate and significantly increase its manufacturing capabilities by developing vertically integrated operations ranging from knitting, bleaching and dyeing and garment manufacturing, which in turn provides further economy of scale; (ii) help minimise cost and maximise efficiency by taking advantage of the inexpensive land price and low cost base, including low labour costs, in Huzhou; and (iii) enhance its working relationship and cooperation with the Vendor which will assist in the smooth running of its operation, including the provision of infrastructure support.

The Directors believe that the terms of the Further Supplemental Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Shareholders had approved the Transaction which involves investment of up to HK\$200 million at the special general meeting of the Company held on 11 March 2005. As a result of the Further Supplemental Agreement, there have been material changes in the terms of the Project including the increase in the Group's aggregate investment amount of the Project. The Further Supplemental Agreement is therefore subject to approval by the Shareholders.

The Capital Commitment constitutes a very substantial acquisition of the Company, where the approval by the Shareholders at a special general meeting is required pursuant to Rule 14.49 of the Listing Rules. As, to the best knowledge of the Directors, no Shareholder has material interests in the Project, no Shareholder and its associates will be required to abstain from voting at the special general meeting to be held by the Company in respect of the Capital Commitment (the "SGM").

FUNDING

For its commitment to phase 1 of the Project of approximately HK\$300 million, the Company has to-date made aggregate payments of approximately HK\$25.66 million, which include (a) the consideration for the Acquisition of approximately HK\$9.12 million; (b) the deposit for the Construction of HK\$15.00 million; and (c) the remaining of approximately HK\$1.54 million as other expenses.

In respect of its remaining Capital Commitment, the Company intends to finance through internal resources, bank borrowings or other forms of financing available to the Group. As at the date of this announcement, the Group had cash and bank balances of approximately HK\$113.13 million. The Company is currently in negotiation with banks for additional facilities and may also explore other forms of capital market financing available to the Group such as placing of securities and issue of convertible securities. As at the date hereof, the Company has not entered into any financing arrangement in respect thereof.

RESUMPTION IN TRADING

At the request of the Company, trading in the shares of the Company (the “Shares”) on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 28 November 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Thursday, 1 December 2005.

GENERAL

The Group is principally engaged in the businesses of bleaching, dyeing and knitting.

A circular in compliance with Rule 14.63 of the Listing Rules and containing further information as required under Rule 14.69 of the Listing Rules, together with the notice of the SGM and the form of proxy for use at the SGM will be despatched to Shareholders as soon as practicable.

The Directors note that if the Company cannot obtain sufficient financing for the Project in the future, the Project may or may not proceed. Shareholders and investors are advised to exercise caution in dealing with the Shares.

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

In this announcement, the exchange rate of HK\$1.00 to RMB1.04 is adopted (for illustration only).

By order of the Board
Koon Wing Yee
Chairman and Chief Executive Officer

Hong Kong, 30 November 2005

** for identification only*

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