Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The board of directors (the "Board") of Asia Alliance Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005, together with comparative figures for the corresponding period in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	NOTES	**Six months ended 30 September**	
		2005	**2004**
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	3	26,858	21,981
Cost of sales and services		(24,874)	(18,504)
Gross profit		1,984	3,477
Other operating income		147	123
Distribution costs		(256)	(149)
Administrative expenses		(4,919)	(4,191)
Other operating expenses		(2,134)	(1,757)
Impairment loss recognised in respect of goodwill	9	(12,445)	—
Allowance for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		—	(198)
Write-back of allowance for doubtful debts		—	17
Loss from operations	4	(17,623)	(2,678)
Gain on disposal of subsidiaries		—	9,042
Finance costs	5	(1,253)	(138)
(Loss) profit for the period		(18,876)	6,226
Basic (loss) earnings per share	7	HK$(0.37)	HK$0.18

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2005

	NOTES	**30 September 2005** *HK$'000* (Unaudited)	**31 March 2005** *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		22,634	23,661
Goodwill	9	8,677	21,122
Prepaid lease payments		9,007	—
Deposits paid for acquisition of property, plant and equipment		16,081	—
		56,399	44,783
Current assets			
Inventories		5,435	4,646
Trade and other receivables	10	23,881	25,766
Consideration receivable on acquisition of subsidiaries		—	11,120
Bank balances and cash		116,466	33,352
		145,782	74,884
Current liabilities			
Trade and other payables	11	11,186	8,040
Bills payable	12	1,687	1,200
Bank loans - amount due within one year		—	30,985
		12,873	40,225
Net current assets		132,909	34,659
		189,308	79,442
Capital and reserves			
Share capital		3,927	35,701
Reserves		185,381	28,320
		189,308	64,021
Non-current liabilities			
Bank loans - amount due after one year		—	15,421
		189,308	79,442

Notes:

1. **GENERAL AND BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention.

The principal accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations", which is applicable for business combinations for which the agreement date is on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current accounting period are prepared and presented.

Business combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill arising on business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on business combinations for which the agreement date was before 1 January 2005 was capitalised and amortised over its estimated useful life. With respect to goodwill arising on business combinations for which the agreement date was before 1 January 2005 and previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on business combinations for which the agreement date is on or after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. This change in accounting policy has resulted in a decrease in loss for the current period of approximately HK$1,152,000 other than the impairment loss recognised in respect of goodwill of approximately HK$12,445,000. Comparative figures for 2004 have not been restated.

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of

HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. As all share options of the Group were granted before 7 November 2002 and the Group did not have share options granted after 7 November 2002, there is no financial effect on the loss or profit for the current or prior accounting periods.

Owner-occupied leasehold interests in land

In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into two main operating divisions - bleaching and dyeing and knitting. These divisions are the bases on which the Group reports its primary segment information. The divisions of wireless communication business and communication solutions consultancy services were discontinued by the management in view of the inactiveness of the relevant businesses during the period. The discontinued operations during the period did not have any significant impact on the results of the Group for the current and prior accounting periods.

For the six months ended 30 September 2005

	Bleaching and dyeing *HK$'000*	Knitting *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External	26,707	151	—	26,858
Inter-segment	—	2,157	(2,157)	—
Total	26,707	2,308	(2,157)	26,858
Segment result	(487)	(1,091)	—	(1,578)
Interest income				90
Impairment loss recognised in respect of goodwill	(12,445)			(12,445)
Unallocated corporate expenses				(3,690)
Loss from operations				(17,623)

For the six months ended 30 September 2004

	Continuing operations		Discontinued operations		
	Bleaching and dyeing	**Knitting**	**Wireless communication business**	**Communication solutions consultancy services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	20,892	1,089	—	—	21,981
Segment result	1,176	(2,169)	70	(11)	(934)
Interest income					3
Unallocated corporate expenses					(1,747)
Loss from operations					(2,678)

4. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2005	**2004**
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Amortisation of goodwill, included in other operating expenses	—	1,639
Depreciation	1,677	1,120
Total staff costs (including directors' emolument)	3,233	2,214

5. FINANCE COSTS

The amount represents interest on bank loans wholly repayable within five years.

6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for both periods.

7. BASIC (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September 2005 *HK$'000*	Six months ended 30 September 2004 *HK$'000*
(Loss) profit for the purposes of basic (loss) earnings per share	(18,876)	6,226

	Six months ended 30 September 2005	Six months ended 30 September 2004
Number of shares		
Weighted average number of shares for the purposes of basic (loss) earnings per share	50,529,148	34,886,708

The denominator for the purposes of calculating basic earnings per share for the six months ended 30 September 2004 has been adjusted to reflect the consolidation of shares on the basis that ten shares were consolidated into one share and the rights issue of shares in September 2005.

No diluted loss per share has been presented for the six months ended 30 September 2005 as the exercise of the Company's outstanding share options would reduce the loss per share for the period.

No diluted earnings per share was presented for the six months ended 30 September 2004 as the exercise prices of the Company's outstanding share options were higher than the average market price for that period.

8. DIVIDENDS

No dividend was paid by the Company during the period. The directors do not recommend the payment of an interim dividend for both periods.

9. GOODWILL

Impairment loss was recognised based on the recoverable amounts of the subsidiaries acquired which were determined by the estimated discounted net future cash flows from these subsidiaries using market borrowing rates.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 100 days to its customers. The aged analysis of trade receivables at the reporting date, based on invoice date, is as follows:

	30 September 2005 *HK$'000*	**31 March 2005** *HK$'000*
0 - 60 days	8,029	7,150
61 - 90 days	2,415	3,398
Over 90 days	12,520	13,883
Trade receivables	22,964	24,431
Other receivables	917	1,335
	23,881	25,766

11. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the reporting date is as follows:

	30 September 2005 *HK$'000*	**31 March 2005** *HK$'000*
0 - 60 days	6,244	4,615
61 - 90 days	1,281	961
Over 90 days	256	277
Trade payables	7,781	5,853
Other payables	3,405	2,187
	11,186	8,040

12. BILLS PAYABLE

At the reporting date, the bills payable is aged within 60 days.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2005, the Group recorded a turnover of approximately HK$26,858,000, an increase of approximately 22.2% over approximately HK$21,981,000 for the same period last year. Gross profit dropped approximately 42.9% to approximately HK$1,984,000 (six months ended 30 September 2004: approximately HK$3,477,000). Net loss attributable to shareholders amounted to approximately HK$18,876,000 as compared to the net profit of approximately HK$6,226,000 for the same period in 2004. Loss per share was approximately HK$0.37 (six months ended 30 September 2004: earnings per share of approximately HK$0.18).

The net loss for the period under review was mainly attributable to the impairment loss recognised in respect of goodwill of approximately HK$12,445,000 as well as increase in cost of sales and services, operating expenses and finance costs. The cost of sales and services rose by approximately 34.4% to approximately HK$24,874,000 (six months ended 30 September 2004: approximately HK$18,504,000), primarily due to the growth in sales, increase in depreciation costs on fixed assets and upsurge in production costs such as staff wages and prices of dyeing materials, coal, oil, electricity and water.

The Group's total operating expenses also went up by approximately 19.9% to approximately HK$7,309,000 (six months ended 30 September 2004: approximately HK$6,097,000), predominately due to the increase in administrative expenses of approximately HK$728,000 and corporate finance expenses of approximately HK$2,003,000 in respect of the rights issue of the Company in September 2005.

Finance costs leaped 8 times to approximately HK$1,253,000 as compared to approximately HK$138,000 for the corresponding period in 2004, principally by reason of the increase in bank loans and rise in interest rate during the period under review.

Business Review

During the six months ended 30 September 2005, the Group was principally engaged in the businesses of bleaching, dyeing and knitting.

The bleaching and dyeing business continued to be the principal business of the Group and contributed to approximately 99.4% of the Group's total turnover for the period under review, an approximately 4.4% increase over the same period last year of approximately 95.0%. Turnover of this segment increased by approximately 27.8% to approximately HK$26,707,000 (six months ended 30 September 2004: approximately HK$20,892,000). However, this segment suffered a loss of approximately HK$487,000 (six months ended 30 September 2004: profit of approximately HK$1,176,000), largely due to rising fuel prices, higher material costs as well as increased salaries and wages during the period under review. The Group's bleaching and dyeing factory located in Dongguan, the People's Republic of China (the "PRC") currently has a daily production capacity of about 30,000 pounds.

Turnover in the knitting business only accounted for approximately 0.6% (six months ended 30 September 2004: approximately 5.0%) of the Group's total turnover for the six months ended 30 September 2005. Taking into account the portion of inter-segment, the turnover derived from this segment rose drastically by approximately 111.9% to approximately HK$2,308,000 from approximately HK$1,089,000 for the same period in 2004, mainly due to the steady growth after the commencement of production in May 2004 as anticipated. The segment loss decreased from approximately HK$2,169,000 to approximately HK$1,091,000. The knitting mill in Heyuan, the PRC has a daily production capacity of about 20,000 pounds.

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

Prospects

The Group with its bleaching and dyeing factory as well as knitting mill located in the Pearl River Delta Region continues to be affected by the adverse impact of shortage of skilled labour, which will not only result in increased salaries and wages, but also high labour turnover and reduced production efficiency. The rising energy costs are likely to reduce our profit margins to a further extent.

The Group will endeavour to improve its cost and inventory control measures in order to mitigate the impact of any price increases in raw materials. Measures are being devised to attract and retain workers and to combat rising production costs.

The delay in the transfer of land of approximately 632 mu in Huzhou City, Zhejiang Province, the PRC (the "Property") to the Group has led to the postponement in completion of setting up of the garment manufacturing, bleaching and dyeing and knitting capabilities (the "Development") and the construction of a waste water treatment plant on the Property (the "Construction") (the acquisition of the Property, the Development and the Construction are together, the "Huzhou Project"). The certificate of land use right in respect of land of approximately 184 mu comprised in the Property was issued to a subsidiary of the Company on 17 October 2005. It is expected that land of approximately 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. Construction work for phase 1 of the Huzhou Project commenced in November 2005. It is expected that completion of phase 1 of the Huzhou Project, which involves, inter alia, the Construction, building of factories for garment manufacturing, bleaching and dyeing and knitting manufacturing processes, employee quarters and storages, will take place around mid-2007.

The directors believe that the Huzhou Project will not only consolidate and significantly increase the Group's manufacturing capabilities by developing vertically integrated operations ranging from knitting, bleaching and dyeing, and garment manufacturing, which in turn provides further economy of scale, but will also help minimise cost, maximise efficiency and increase the Group's competitivity so as to pave the way for future business growth in the challenging but expanding textile industry.

Liquidity and Financial Resources

During the six months ended 30 September 2005, the Group financed its operations mainly by bank borrowings and internally generated resources. In September 2005, the Company raised net proceeds of approximately HK$140,300,000 from the Rights Issue (as defined in "Capital Structure" below), of which approximately HK$69,900,000 has been used for the repayment of all outstanding bank borrowings and the balance of approximately HK$70,400,000 will be used as general working capital. Shareholders' fund of the Group as at 30 September 2005 was approximately HK$189,308,000 (31 March 2005: approximately HK$64,021,000). As the Group had no bank borrowings as at 30 September 2005 (31 March 2005: approximately HK$46,406,000), no gearing ratio of the Group is presented at 30 September 2005. As at 31 March 2005, the Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, was approximately 0.725.

The Group continued to sustain a liquidity position. As at 30 September 2005, the Group had net current assets of approximately HK$132,909,000 (31 March 2005: approximately HK$34,659,000) and cash and cash equivalents of approximately HK$116,466,000 (31 March 2005: approximately HK$33,352,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 30 September 2005, the Group's current ratio was approximately 11.3 (31 March 2005: approximately 1.9), which was calculated on the basis of current assets of approximately HK$145,782,000 (31 March 2005: approximately HK$74,884,000) to current liabilities of approximately HK$12,873,000 (31 March 2005: approximately HK$40,225,000). The current ratio improved significantly during the period under review, primarily as a result of the Rights Issue (as defined in "Capital Structure" below) in September 2005 and the refund of the consideration of HK$11,120,222 received by the Group in June 2005 in connection with the acquisition of Po Cheong International Enterprises Limited, which not only increased the bank balances and cash but also reduced the Group's liabilities.

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 period 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

A special resolution approving the reduction of the par value of the authorised, issued and unissued share capital of the Company from HK$0.10 per share to HK$0.001 per share (the "Reduced Share") (the "Capital Reduction"), the credit of the amount of the cancelled paid-up capital in the sum of HK$35,343,677.16 arising from the Capital Reduction to a capital reserve account of the Company and the consolidation of every 10 issued and unissued Reduced Shares into 1 share of HK$0.01 each (the "Share Consolidation") was passed at the special general meeting of the Company held on 6 September 2005, resulting in an authorised share capital of HK$6,500,000 divided into 650,000,000 shares of HK$0.01 each and an issued share capital of HK$357,006.84 consisting of 35,700,684 shares of HK$0.01 each with effect from 9 September 2005. Details of the said capital reorganisation are set out in the Company's circular dated 15 August 2005.

On 27 September 2005, the Company allotted 357,006,840 rights shares of HK$0.01 each at a subscription price of HK$0.40 per rights share to the shareholders of the Company on the basis of 10 rights shares for every share held (the "Rights Issue"). Details of the Rights Issue are set out in the Company's prospectus dated 9 September 2005.

The Group had no debt securities or other capital instruments as at 30 September 2005 and up to the date of this announcement.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2005.

Charges on Group Assets

The Group did not have any charges on assets as at 30 September 2005.

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2005, the Group spent approximately HK$381,000 on acquisition of property, plant and equipment (six months ended 30 September 2004: approximately HK$26,022,000, of which approximately HK$14,529,000 was related to acquisition of subsidiaries).

As at 30 September 2005, the Group had capital commitments in respect of capital expenditure contracted but not provided for and capital expenditure authorised but not contracted for of approximately HK$25,561,000 (31 March 2005: approximately HK$49,522,000) and of approximately HK$169,693,000 (31 March 2005: approximately HK$171,382,000) respectively.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2005 (31 March 2005: HK$47,606,000).

Significant Investment

Apart from the Huzhou Project (as defined in "Prospects" above), the Group did not have any significant investment plans or any significant investment held as at 30 September 2005.

Post Balance Sheet Events

On 3 November 2005, the Company terminated the ongoing connected transaction agreement dated 15 June 2004 with Mr. Louie Tsz Chung (the "Agreement"). Under the Agreement, the Group agreed to sell fabrics and provide bleaching and dyeing services to companies controlled by Mr. Louie (the "Customer"). Mr. Louie is the nephew of Ms. Lui Yuk Chu, a director of the Company and has been deemed to be a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As at the date of this announcement, the Customer does not owe the Group any outstanding sum. Details of the termination of the Agreement are set out in the announcement of the Company dated 3 November 2005.

On 25 November 2005, Easyknit (Mauritius) Limited (the "Subsidiary"), a wholly-owned subsidiary of the Company, and the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC entered into a supplemental agreement (the "Supplemental Agreement") in respect of certain material changes to the Huzhou Project. Under the Supplemental Agreement, the capital commitment of the Subsidiary in respect of the Huzhou Project has been increased to approximately RMB519,000,000 (the "Capital Commitment"). The Capital Commitment constitutes a very substantial acquisition of the Company, where the approval by the shareholders of the Company at a special general meeting of the Company is required pursuant to the Listing Rules. A total of approximately HK$25,660,000 has been invested in the Huzhou Project to date, including the consideration for the acquisition of the Property, the deposit for the Construction and other expenses. In respect of the remaining Capital Commitment, the Group intends to finance through internal resources, bank borrowing or other forms of financing available to the Group. Details of the Supplemental Agreement are set out in the announcement of the Company dated 30 November 2005.

Employment and Remuneration Policy

As at 30 September 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$3,233,000 for the period under review (six months ended 30 September 2004: approximately HK$2,214,000). 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.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2005.

AUDIT COMMITTEE

The Company established an Audit Committee in May 1999 with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming. The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2005.

CORPORATE GOVERNANCE

During the six months ended 30 September 2005, the Company complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules except for the code provision C.2 on internal controls (which will be implemented for accounting periods commencing on or after 1 July 2005) and the following deviations:

Code provision A.2.1

Mr. Koon Wing Yee was appointed as the President and Chief Executive Officer of the Company on 25 April 2003. He has been re-designated from President to Chairman with effect from 5 May 2005. The Board considers that the combination of the roles of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

Code provision A.4.1

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected pursuant to the Bye-Laws of the Company.

Code provision A.4.2

At the annual general meeting of the Company held on 18 August 2005, shareholders approved the amendments to the Company' Bye-Laws to the effect that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director (save and except for the Managing Director and Chairman) shall be subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected. According to the Special Act of the Company (the "Act"), no director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-Laws of the Company. As the Company is bound by the provisions of the Act, the Bye-Laws of the Company cannot be amended to fully reflect the requirements of the Code.

Code provision A.5.4

Written guidelines in respect of dealings in the securities of the Company by relevant employees were established by the Company on 5 May 2005. Such written guidelines will be issued to the relevant employees of the Group when occasion warrants.

Code provisions B.1.1 and B.1.3

On 5 May 2005, the Remuneration Committee comprising a majority of independent non-executive directors was established with written terms of reference on no less exacting terms than those set out in Code provision B.1.3.

Code provision C.3.3

The terms of reference of the Audit Committee were revised on 5 May 2005 to comply with the Code provision C.3.3.

Code provisions B.1.4 and C.3.4

The Company does not maintain a website for the time being. Actions are being taken to establish a website for the Company, whereat the written terms of reference of the Audit Committee and the Remuneration Committee will be made available. These terms of reference are also available upon request.

Code provision D.1.2

The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board on 1 December 2005. Such arrangements will be reviewed periodically.

Code provision E.1.2

Mr. Kan Ka Hon, the chairman of the Audit Committee, was unable to attend the annual general meeting of the Company held on 18 August 2005 due to business reasons. The other members of the Audit Committee including Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming were present to answer questions at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 to the Listing Rules as the code of conduct for securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2005.

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

Hong Kong, 1 December 2005

As at the date of this announcement, the Board comprises Mr. Koon Wing Yee, Mr. Tsang Yiu Kai, Mr. Tse Wing Chiu Ricky 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.