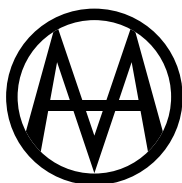

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 together with the accompanying proxy form 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Directors:

Mr. Koon Wing Yee

(Chairman & Chief Executive Officer)

Mr. Tsang Yiu Kai

(Vice Chairman)

Ms. Lui Yuk Chu

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head office and 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

7 July 2005

Independent Non-executive Directors:

Mr. Kan Ka Hon

Mr. Kwong Jimmy Cheung Tim

Mr. Lau Sin Ming

*To the shareholders and, for information purposes only,
the optionholder*

Dear Sir or Madam,

**PROPOSALS RELATING TO RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE NEW SHARES
AND REPURCHASE SHARES
AND
AMENDMENTS TO BYE-LAWS**

* For identification only

INTRODUCTION

The purpose of this circular is to give you information on matters to be dealt with at the annual general meeting of Asia Alliance Holdings Limited (“Company”) to be held on 18 August 2005 (“2005 AGM”). These matters relate to: (i) re-election of directors of the Company (“Directors”) who are due to retire at the 2005 AGM; (ii) grant of a general mandate to issue shares of HK\$0.10 each in the capital of the Company (“Shares”); (iii) grant of a general mandate to repurchase Shares; and (iv) amendments to the bye-laws of the Company (“Bye-laws”).

PROPOSED RE-ELECTION OF DIRECTORS

In accordance with Bye-law 102(B), Mr. Lau Sin Ming, who was appointed by the board of Directors (“Board”) as independent non-executive director of the Company after the last annual general meeting of the Company held on 25 August 2004 (“2004 AGM”), will hold office until the 2005 AGM and being eligible, has offered himself for re-election.

In accordance with Bye-law 99, Mr. Tsang Yiu Kai will retire by rotation at the 2005 AGM and being eligible, has offered himself for re-election.

Any shareholder of the Company (“Shareholder”) who wishes to nominate a person to stand for election as a Director at the 2005 AGM must lodge with the Company at its head office at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong or at its Hong Kong branch share registrar and transfer office, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong within the period from 8 July 2005 to 10 August 2005 (both days inclusive), (i) his notice of intention to propose such person for election (“nominated candidate”), (ii) a notice executed by the nominated candidate of his willingness to be appointed as Director and (iii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) for publication by the Company.

Brief biographies of the Directors to be re-elected at the 2005 AGM are set out below.

Mr. Lau Sin Ming

Mr. Lau Sin Ming, aged 43, is an independent non-executive director of the Company and a member of the Audit Committee and Remuneration Committee of the Board. He was appointed to the Board in September 2004. Mr. Lau has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has submitted to the Stock Exchange a written confirmation concerning his independence to the Company. He has also given an annual confirmation of his independence to the Company which considers him to be independent. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in accounting and auditing. He is now working as an associate in Dominic K. F. Li & Co. Mr. Lau does not hold any other positions with the Company or any members of the Company and its subsidiaries (“Group”). He did not hold any other directorships in listed public companies in the last three years.

As at 4 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein (“Latest Practicable Date”), Mr. Lau did not have any interests in the Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”). He has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. The Director’s fee for Mr. Lau is HK\$100,000 per annum. He is not entitled to any discretionary bonus. The emoluments of Directors are determined by reference to the Company’s performance and the prevailing market conditions.

There is no service contract between the Company and Mr. Lau. Mr. Lau is not appointed for a specified term but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

Mr. Tsang Yiu Kai

Mr. Tsang Yiu Kai, aged 53, is an executive director, the Vice Chairman and Company Secretary of the Company, a member and secretary of the Remuneration Committee and Executive Committee of the Board and the secretary of the Audit Committee of the Board. He was appointed to the Board in March 2003. Mr. Tsang is responsible for the corporate affairs, finance and general management of the Group. He is also an executive director, the Vice President and Company Secretary of Easyknit International Holdings Limited (“Easyknit”). Mr. Tsang holds a Diploma in Accountancy from Hong Kong Baptist University (formerly known as The Hong Kong Baptist College) and is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He has over 29 years of working experience. He serves as director and secretary of various members of the Group and companies controlled by Easyknit. Mr. Tsang did not hold any other directorships in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Tsang did not have any interests in the Shares of the Company within the meaning of Part XV of the SFO. He is a director and secretary of Landmark Profits Limited and a shareholder, director and secretary of Easyknit, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Tsang has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Tsang did not receive any emoluments for the year ended 31 March 2005. He will not receive any emolument for the coming year and is not entitled to any discretionary bonus. The emoluments of Directors are determined by reference to the Company’s performance and the prevailing market conditions.

There is no service contract between the Company and Mr. Tsang. Mr. Tsang is not appointed for a specified term but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

Save as disclosed above, the Board is not aware of any other matters that need to be brought to the attention of Shareholders in respect of the Directors who are standing for re-election at the 2005 AGM.

PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES

At the 2004 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to issue Shares. This general mandate will lapse at the conclusion of the 2005 AGM. At the 2005 AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to allot, issue and deal with additional Shares up to a maximum of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution (“Issue Mandate”). In addition, if the resolution to authorise the repurchase of Shares is passed, an ordinary resolution will be proposed at the 2005 AGM to authorise the Directors to allot and issue further Shares up to an amount equal to the aggregate nominal amount of the Shares purchased under the authority to repurchase.

The Directors have no present intention to issue or allot any new Shares.

PROPOSED GENERAL MANDATE TO REPURCHASE SHARES

At the 2004 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to repurchase Shares. This general mandate will lapse at the conclusion of the 2005 AGM. At the 2005

AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution (“Repurchase Mandate”). The Company’s authority is restricted to purchases made on the Stock Exchange and otherwise in accordance with the Listing Rules.

The Directors have no present intention to repurchase any Shares.

The Repurchase Mandate and the Issue Mandate, if passed, would continue in force until the conclusion of the next annual general meeting of the Company or until the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held or until revoked, renewed or varied by an ordinary resolution of the Shareholders in general meeting prior to the next annual general meeting, whichever occurs first.

An explanatory statement, as required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate, is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the ordinary resolution to approve the Repurchase Mandate at the 2005 AGM.

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 (“Code”). The 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 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.

ANNUAL GENERAL MEETING

Notice of the 2005 AGM is set out in the Company’s 2005 Annual Report to be sent to the Shareholders together with this circular. A proxy form for use at the 2005 AGM is enclosed. Whether or not Shareholders are able to attend the 2005 AGM, they are requested to complete the proxy form

in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the 2005 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the 2005 AGM or any adjournment thereof if they so wish. In the event that a Shareholder having lodged a proxy form attends the 2005 AGM, his proxy form will be deemed to have been revoked.

RIGHT TO DEMAND A POLL

Pursuant to Bye-law 70, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or
- (b) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

RECOMMENDATION

The Directors consider that the re-election of Directors, the granting of the Issue Mandate and the Repurchase Mandate and the amendments to the Bye-laws are in the best interests of the Company and the Shareholders and accordingly recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the 2005 AGM.

Yours faithfully,
By order of the Board of
Asia Alliance Holdings Limited
Koon Wing Yee
Chairman and Chief Executive Officer

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for the Shareholders' consideration.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 357,006,840 Shares.

On the basis that no further Shares are issued or repurchased by the Company prior to the 2005 AGM and resolution numbered 4(B) as set out in the notice of the 2005 AGM is duly passed, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 35,700,684 Shares during the period in which the Repurchase Mandate remains in force.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek the Repurchase Mandate which enables the Directors to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply internal funds legally available for such purpose in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including capital paid up on the Shares to be repurchased, profits otherwise available for dividend and in the case of premiums payable on repurchase, sums standing to either the share premium account or contributed surplus account of the Company.

There might be a material adverse impact on the working capital requirements or gearing levels of the Company, as compared with the position disclosed in the latest published audited accounts as at 31 March 2005, in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed purchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels that in the opinion of the Directors are from time to time appropriate for the Company.

4. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate and in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda.

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor their associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. HONG KONG CODE ON TAKEOVERS AND MERGERS

As at the Latest Practicable Date, Landmark Profits Limited ("Landmark") held 128,259,324 Shares, representing approximately 35.93% of the issued share capital of the Company. Landmark is a wholly-owned subsidiary of Easyknit. Magical Profits Limited ("Magical") is interested in approximately 36.74% of the issued share capital of Easyknit. Magical is wholly owned by Accumulate More Profits Limited ("Accumulate") which in turn is wholly owned by Trustcorp Limited ("Trustcorp") as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu. Easyknit, Magical, Accumulate, Trustcorp, Ms. Lui Yuk Chu and Mr. Koon Wing Yee are taken to have an interest under the SFO in the same block of 128,259,324 Shares held by Landmark.

In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Mandate, then (if the present shareholdings otherwise remained the same) the attributable shareholdings of each of Landmark, Easyknit, Magical, Accumulate, Trustcorp, Ms. Lui Yuk Chu and Mr. Koon Wing Yee in the Company would be increased by more than 2% from approximately 35.93% to approximately 39.92% of the issued share capital of the Company immediately after the full exercise of the Repurchase Mandate. In the opinion of the Directors, such increase will trigger the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in takeover obligations.

7. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
June	0.140	0.110
July	0.132	0.100
August	0.118	0.102
September	0.113	0.085
October	0.100	0.086
November	0.184	0.089
December	0.132	0.102
2005		
January	0.135	0.103
February	0.120	0.101
March	0.122	0.091
April	0.110	0.087
May	0.116	0.095
June	0.115	0.095
July (up to the Latest Practicable Date)	0.102	0.102

8. SHARE REPURCHASES MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, no Shares have been repurchased by the Company (whether on the Stock Exchange or otherwise).