



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006

The board of directors (the “Board”) of Asia Alliance Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2006, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	NOTES	2006 HK\$'000	2005 HK\$'000
Turnover	3	58,039	53,662
Cost of sales and services		<u>(53,573)</u>	<u>(45,029)</u>
Gross profit		4,466	8,633
Other income	4	1,441	265
Distribution costs		(536)	(303)
Administrative expenses		(10,533)	(8,444)
Other expenses		(1,416)	(2,279)
Impairment loss recognised in respect of goodwill (Allowance) writeback of allowance for doubtful debts		(21,122) (3,882)	— 17
Impairment for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		—	(403)
Gain on disposal of subsidiaries		—	9,042
Finance costs	5	<u>(1,275)</u>	<u>(424)</u>
(Loss) profit for the year	6	<u>(32,857)</u>	<u>6,104</u>
Basic (loss) earnings per share	8	<u>HK\$(0.15)</u>	<u>HK\$0.17</u>

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2006

	<i>NOTES</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		24,596	23,661
Prepaid lease payments		8,814	—
Goodwill		—	21,122
Prepayments and deposits paid for acquisition of property, plant and equipment		15,628	—
Loan to Acme Landis Operations Holdings Limited		<u>—</u>	<u>—</u>
		<u>49,038</u>	<u>44,783</u>
Current assets			
Inventories		4,629	4,646
Trade and other receivables	9	21,673	25,766
Prepaid lease payments		183	—
Consideration receivable on acquisition of subsidiaries		—	11,120
Bank balances and cash		<u>110,018</u>	<u>33,352</u>
		<u>136,503</u>	<u>74,884</u>
Current liabilities			
Trade and other payables	10	8,847	8,040
Bills payable	11	682	1,200
Bank loans - amount due within one year		<u>984</u>	<u>30,985</u>
		<u>10,513</u>	<u>40,225</u>
Net current assets		<u>125,990</u>	<u>34,659</u>
		<u>175,028</u>	<u>79,442</u>
Capital and reserves			
Share capital		3,927	35,701
Reserves		<u>171,101</u>	<u>28,320</u>
		<u>175,028</u>	<u>64,021</u>
Non-current liabilities			
Bank loans - amount due after one year		<u>—</u>	<u>15,421</u>
		<u>175,028</u>	<u>79,442</u>

NOTES

1. GENERAL & BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new 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 year, 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 years, 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 on 1 April 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK\$1,920,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 April 2005 and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. This change in accounting policy has resulted in a decrease in loss for the current year of approximately HK\$2,304,000. Comparative figures for 2005 have not been restated.

Share-based payments

In the current year, 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 share options granted to directors and employees 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 year, 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. As a result of this change in accounting policy, prepaid lease payments of HK\$8,814,000 and HK\$183,000 have been recognised as non-current assets and current assets respectively on the consolidated balance sheet at 31 March 2006, there is no significant financial effect on the loss or profit for the current or prior accounting periods.

The Group has not early applied the following new HKFRSs and HKFRS interpretations (“HK(IFRIC) - INT”) that have been issued but are not yet effective. The directors of the Company have commenced considering the potential impact of these new HKFRSs and HKFRS interpretations and anticipate that the adoption of these new HKFRSs and HKFRS interpretations should not result in any significant changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment ³
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC) - INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC) - INT 9	Reassessment of embedded derivatives ⁶

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

⁵ Effective for annual periods beginning on or after 1 May 2006.

⁶ Effective for annual periods beginning on or after 1 June 2006.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into three main operating divisions - bleaching and dyeing, knitting and garment manufacturing. These divisions are the bases on which the Group reports its primary segment information. During the year, the Group established a new business of garment manufacturing. However, there is no turnover contribution from this business as the production plants are yet to be constructed. 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 year. The discontinued operations during the year did not have any significant impact on the results of the Group for the current and prior accounting periods.

Segment information about these businesses is presented below:

For the year ended 31 March 2006

Income statement

	Bleaching and dyeing	Knitting	Garment manufacturing	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
External	57,936	103	—	—	58,039
Inter-segment (<i>note</i>)	<u>4</u>	<u>5,465</u>	<u>—</u>	<u>(5,469)</u>	<u>—</u>
Total	<u>57,940</u>	<u>5,568</u>	<u>—</u>	<u>(5,469)</u>	<u>58,039</u>
Segment result	<u>(25,366)</u>	<u>(1,434)</u>	<u>(1,119)</u>	<u>—</u>	(27,919)
Interest income					1,291
Unallocated corporate expenses					(4,954)
Finance costs					<u>(1,275)</u>
Loss for the year					<u>(32,857)</u>

Note: Inter-segment sales are charged at prevailing market prices.

For the year ended 31 March 2005

Income statement

	Continuing operations		Discontinued operations			Consolidated HK\$'000
	Bleaching and dyeing HK\$'000	Knitting HK\$'000	Wireless communication business HK\$'000	Communication solutions consultancy services HK\$'000	Eliminations HK\$'000	
Turnover						
External	53,218	444	—	—	—	53,662
Inter-segment (note)	—	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						(4,329)
Gain on disposal of subsidiaries						9,042
Finance costs						<u>(424)</u>
Profit for the year						<u>6,104</u>

Note: Inter-segment sales are charged at prevailing market prices.

Geographical segments

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

	2006 HK\$'000	2005 HK\$'000
United States of America	366	—
The People's Republic of China	<u>57,673</u>	<u>53,662</u>
	<u>58,039</u>	<u>53,662</u>

4. OTHER INCOME

An analysis of the Group's other income is as follows:

	2006 HK\$'000	2005 HK\$'000
Interest income	1,291	45
Others	<u>150</u>	<u>220</u>
	<u>1,441</u>	<u>265</u>

5. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
— bank borrowings	1,275	339
— other borrowings	<u>—</u>	<u>85</u>
	<u>1,275</u>	<u>424</u>

6. (LOSS) PROFIT FOR THE YEAR

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	700	253
Other staff costs, including retirement benefits costs	<u>6,486</u>	<u>4,868</u>
Total staff costs	<u>7,186</u>	<u>5,121</u>
Allowance for inventories	214	94
Amortisation of goodwill (<i>note</i>)	—	1,920
Amortisation of prepaid lease payments	168	—
Auditors' remuneration	538	545
Cost of inventories recognised as an expense	36,648	29,470
Depreciation	3,372	2,744
Net foreign exchange loss	552	48
Loss on disposal of property, plant and equipment	<u>96</u>	<u>—</u>

Note: The amount is included in other expenses.

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 2006 and 2005.

8. BASIC (LOSS) EARNINGS PER SHARE

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
(Loss) profit for the purposes of basic (loss) earnings per share	<u>(32,857)</u>	<u>6,104</u>
	2006	2005
Number of shares		
Weighted average number of shares for the purposes of basic (loss) earnings per share	<u>221,149,599</u>	<u>34,886,708</u>

The number of shares for the purposes of calculating basic earnings per share for the year ended 31 March 2005 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 year ended 31 March 2006 as the exercise of the Company's outstanding share options would reduce the loss per share for the year.

No diluted earnings per share was 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 that period.

The following table summarises the impact on basic (loss) earnings per share as a result of:

	Impact on basic	
	(loss) earnings per share	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Reported figures before adjustment	(0.16)	0.17
Adjustment arising from changes in accounting policies (<i>see note 2</i>)	<u>0.01</u>	<u>—</u>
Restated	<u><u>(0.15)</u></u>	<u><u>0.17</u></u>

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 90 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	7,504	7,150
61 - 90 days	2,340	3,398
Over 90 days	<u>9,934</u>	<u>13,883</u>
Trade receivables	19,778	24,431
Other receivables	<u>1,895</u>	<u>1,335</u>
	<u><u>21,673</u></u>	<u><u>25,766</u></u>

The fair value of the Group's trade and other receivables approximates the corresponding carrying amount.

10. TRADE AND OTHER PAYABLES

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 - 60 days	4,963	4,615
61 - 90 days	1,286	961
Over 90 days	<u>233</u>	<u>277</u>
Trade payables	6,482	5,853
Other payables	<u>2,365</u>	<u>2,187</u>
	<u>8,847</u>	<u>8,040</u>

The fair value of the Group's trade and other payables approximates the corresponding carrying amount.

11. BILLS PAYABLE

At the balance sheet date, the bills payable is aged within 30 days. The fair value of the Group's bills payable approximates the corresponding carrying amount.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 March 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$58,039,000, an increase of approximately 8.2% over last year of approximately HK\$53,662,000. Gross profit dropped approximately 48.3% to approximately HK\$4,466,000 (2005: approximately HK\$8,633,000). Loss attributable to shareholders amounted to approximately HK\$32,857,000 as compared to the profit of approximately HK\$6,104,000 for last year. Loss per share was approximately HK\$0.15 (2005: earnings per share of approximately HK\$0.17).

The loss for the year under review was mainly attributable to the impairment loss recognised in respect of goodwill of approximately HK\$21,122,000, allowance for doubtful debts of approximately HK\$3,882,000 as well as increase in cost of sales and services, operating expenses and finance costs. The cost of sales and services rose by approximately 19.0% to approximately HK\$53,573,000 (2005: approximately HK\$45,029,000), primarily due to the growth in sales, increase in depreciation costs on property, plant and equipment and upsurge in production costs such as wages, materials, coal, oil, electricity and water.

The Group's total operating expenses also went up by approximately 13.2% to approximately HK\$12,485,000 (2005: approximately HK\$11,026,000), predominately due to the increase in administrative expenses of approximately HK\$2,089,000.

Finance costs leaped 2 times to approximately HK\$1,275,000 as compared to approximately HK\$424,000 for last year, mainly due to the increase in bank loans and rise in interest rate during the year under review.

Business Review

During the year ended 31 March 2006, the Group was principally engaged in the businesses of bleaching, dyeing and knitting.

The bleaching and dyeing business continued to be the core business of the Group and contributed to approximately 99.8% of the Group's total turnover for the year under review, an approximately 0.6% increase over last year of approximately 99.2%. Turnover of this segment increased by approximately 8.9% to approximately HK\$57,936,000 (2005: approximately HK\$53,218,000). However, this segment suffered a loss of approximately HK\$25,366,000 (2005: profit of approximately HK\$4,095,000), largely due to the impairment loss recognised in respect of goodwill of approximately HK\$21,122,000 and allowance for doubtful debts of approximately HK\$3,882,000. The segment results also adversely affected by rising fuel prices, higher material costs as well as increased salaries and wages during the year 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 0.2% (2005: approximately 0.8%) of the Group's total turnover for the year ended 31 March 2006. Taking into account the portion of inter-segment, the turnover derived from this segment rose drastically by approximately 64.3% to approximately HK\$5,568,000 from approximately HK\$3,389,000 for last year, mainly due to the steady growth after the commencement of production in May 2004 as anticipated. The segment loss decreased from approximately HK\$2,370,000 to approximately HK\$1,434,000. The knitting mill in Heyuan, the PRC has a daily production capacity of about 20,000 pounds.

The Group with its bleaching and dyeing factory as well as knitting mill located in the Pearl River Delta continues to be affected by the shortage of skilled labour and the rise in production costs.

There is a considerable delay in the construction of a factory complex for the Group's knitting, bleaching and dyeing, garment as well as a waste water treatment plant (the "Huzhou Project") located in the Zhili Town of Huzhou City, Zhejiang Province, the PRC. It was partly attributable to the implementation of the macroeconomic adjustment and control by the Central Government of the PRC in order to suppress the over-heated economy. The Group received the first piece of land of approximately 184 mu from the People's Government of Zhili Town (the "Local Government") in August 2005. However, due to the aforesaid reason, the Local Government has postponed the transfer of the remaining two pieces of land with a total area of approximately 448 mu to the end of 2006 and mid-2007 respectively. As a result, the construction work for the Huzhou Project has been slowed down accordingly.

Prospects

The outlook for the business is positive and the Group remains confident in its ability to perform well in the years to come. In order to maintain its competitiveness in the market, the Group will focus on where it sees increasing potential and will continue to invest in new production methods, staff training and product variety so as to meet the ever-increasing demand of its customers. Measures are being devised to attract and retain experienced workers and to help combat rising production costs. The Group's strategy is to focus on the organic growth opportunities but does not exclude any other opportunities present themselves.

The Group will follow up closely with the Local Government on the transfer of the remaining two pieces of land for the Huzhou Project. Once the title of land has been transferred to the Group, the construction work will proceed at full speed. The directors believe that the Huzhou Project will not only strengthen the Group's manufacturing capabilities by vertically integrated all the knitting, bleaching and dyeing and the garment manufacturing businesses, but also help minimise cost, maximise effectiveness and efficiency of the Group's production through economies of scale.

Liquidity and Financial Resources

During the year ended 31 March 2006, the Group financed its operations mainly by internally generated resources, bank borrowings and net proceeds of approximately HK\$141,000,000 raised from the Rights Issue (as defined in "Capital Structure" below), of which approximately HK\$69,000,000 has been used for the repayment of all outstanding bank borrowings and the balance of approximately HK\$72,000,000 will be used as general working capital. Shareholders' fund of the Group as at 31 March 2006 was approximately HK\$175,028,000 (31 March 2005: approximately HK\$64,021,000). The Group had bank borrowings of approximately HK\$984,000 as at 31 March 2006 (31 March 2005: approximately HK\$46,406,000). As at 31 March 2006, the Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, was approximately 0.006 (31 March 2005: approximately 0.725).

The Group continued to sustain a liquidity position. As at 31 March 2006, the Group had net current assets of approximately HK\$125,990,000 (31 March 2005: approximately HK\$34,659,000) and cash and cash equivalents of approximately HK\$110,018,000 (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 31 March 2006, the Group's current ratio was approximately 13.0 (31 March 2005: approximately 1.9), which was calculated on the basis of current assets of approximately HK\$136,503,000 (31 March 2005: approximately HK\$74,884,000) to current liabilities of approximately HK\$10,513,000 (31 March 2005: approximately HK\$40,225,000). The current ratio improved significantly during the year 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 consolidated share then 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 31 March 2006 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 year ended 31 March 2006.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2006.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2006, the Group spent approximately HK\$4,094,000 on acquisition of property, plant and equipment (2005: approximately HK\$26,308,000, of which approximately HK\$14,529,000 was related to acquisition of subsidiaries).

As at 31 March 2006, 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\$26,807,000 (31 March 2005: approximately HK\$49,522,000) and of approximately HK\$466,733,000 (31 March 2005: approximately HK\$171,382,000) respectively.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2006 (31 March 2005: Nil).

Significant Investment

Apart from the Huzhou Project (as defined in “Business Review” above), the Group did not have any significant investment plans or any significant investment held as at 31 March 2006.

Post Balance Sheet Events

The Board proposed the increase in authorised share capital, which involves the increase in existing authorised share capital of the Company from HK\$6,500,000 comprising 650,000,000 shares of HK\$0.01 each to HK\$200,000,000 comprising 20,000,000,000 shares of HK\$0.01 each by the creation of an additional 19,350,000,000 shares of HK\$0.01 each.

After the increase in authorised share capital becomes effective, the Board further proposed that the bonus issue to be made, by way of capitalisation from the Company’s share premium account, to the shareholders whose names appeared on the register on 19 June 2006, the record date by reference to which entitlements to the bonus issues are to be determined, on the basis of nine (9) bonus shares, credited as fully paid, for every existing share held.

The Board proposed to change the English name of the Company from “Asia Alliance Holdings Limited” to “Easyknit Enterprises Holdings Limited”, and the adoption of the Chinese name “永義實業集團有限公司” in lieu of “亞洲聯盟集團有限公司” for identification purpose.

Employment and Remuneration Policy

As at 31 March 2006, the Group employed approximately 280 full time management, technical, administrative staff and workers in Hong Kong and elsewhere in the PRC. Staff cost (including directors’ emoluments) amounted to approximately HK\$7,186,000 for the year under review (2005: approximately HK\$5,121,000). 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 year ended 31 March 2006.

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 audited consolidated financial statements for the year ended 31 March 2006.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in effect as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 March 2006 except for the deviations as mentioned in the section "Corporate Governance" contained in the 2005 Interim Report. Since the 2005 Interim Report, the terms of reference of the Remuneration Committee have been revised with certain deviations from the code provision B.1.3. The major deviations are that the Remuneration Committee of the Company should, pursuant to its revised terms of reference, review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only but not senior management.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the Code on Corporate Governance Practices during the year under review will be set out in the corporate governance report to be contained in the Company's 2006 Annual Report which will be despatched to the Shareholders in July 2006.

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 year ended 31 March 2006.

**PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK
EXCHANGE OF HONG KONG LIMITED**

The 2006 Annual Report containing all the information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange on or before 7 July 2006 (www.hkex.com.hk).

By Order of the Board of
Asia Alliance Holdings Limited
Tse Wing Chiu, Ricky
Chairman and Chief Executive Officer

Hong Kong, 23 June 2006

As at the date of this announcement, the Board comprises 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.