
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Asia Alliance Holdings Limited (the "Company"), you should at once hand this Circular and the accompanying form of proxy 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 the transferee.

This Circular is addressed to the shareholders of the Company for information in connection with the special general meeting of the Company to be held on 4 March, 2004. **This Circular is not an offer of, nor is it calculated to invite offers for, securities of the Company.**

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim 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

(Incorporated in Bermuda with limited liability)

PROPOSED REDUCTION OF ISSUED SHARE CAPITAL AND SUBDIVISION OF UNISSUED SHARE CAPITAL

INCREASE IN AUTHORISED SHARE CAPITAL

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY SHARE HELD

GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

Joint Financial Advisers

ALTUS CAPITAL LIMITED



GET NICE CAPITAL LIMITED

Underwriters of the Rights Issue



Kingston Securities Limited GET NICE INVESTMENT LTD. Cheer Union Securities Limited

Independent Financial Adviser to the Independent Board Committee



Barits Securities (Hong Kong) Limited

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting the Underwriters the right to terminate their obligations on the occurrence of certain force majeure events. Please refer to the section headed "Termination of the Underwriting Agreement" set out in this document for details. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

It should be noted that the Existing Shares will be dealt in on an ex-rights basis from Thursday, 26 February, 2004. Dealings in the Rights Shares in nil-paid form will take place from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any person dealing in Existing Shares or nil-paid Rights Shares during the period from Thursday, 26 February, 2004 to Wednesday, 17 March, 2004 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening a Special General Meeting of the Shareholders of Asia Alliance Holdings Limited to be held at Connaught Room, 1/F, Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong at 9:00 a.m. on Thursday, 4 March, 2004 is set out on pages 46 to 50 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit 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 later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.

A letter of advice from Barits Securities (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee of Asia Alliance Holdings Limited, is set out on pages 24 to 33 of this circular.

10 February, 2004

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EXPECTED TIMETABLE

2004

Last day of dealings in Existing Shares on a cum-rights basis	Wednesday, 25 February
First day of dealings in Existing Shares on an ex-rights basis	Thursday, 26 February
Latest time for lodging transfers of Existing Shares in order to qualify for the Rights Issue	4:00 p.m. on Friday, 27 February
Register of members closed (both dates inclusive)	Monday, 1 March to Thursday, 4 March
Latest time for lodging form of proxy for the SGM	9:00 a.m. on Tuesday, 2 March
SGM	9:00 a.m. on Thursday, 4 March
Record Date	Thursday, 4 March
Prospectus Documents posted to Qualifying Shareholders	Thursday, 4 March
Effective time and date of the Capital Reduction and Subdivision	4:00 p.m. on Thursday, 4 March
Commencement of dealings in Shares	9:30 a.m. on Friday, 5 March
First day for free exchange of certificates for Existing Shares for new certificates for Shares	Friday, 5 March
Register of members re-opened	Friday, 5 March
First day of dealings in nil-paid Rights Shares	Monday, 8 March
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 12 March
Last day of dealings in nil-paid Rights Shares	Wednesday, 17 March
Latest time and date for acceptance of and payment for Rights Shares, the Acceptance Date	4:00 p.m. on Monday, 22 March
Rights Issue becomes unconditional	after 4:00 p.m. on Wednesday, 24 March
Announcement of results of acceptances of the Rights Issue and excess applications	Thursday, 25 March
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications	Friday, 26 March

EXPECTED TIMETABLE

Despatch of certificates for fully-paid Rights Shares	Friday, 26 March
First day of dealings in fully-paid Rights Shares	Monday, 30 March
Last day for free exchange of certificates for Existing Shares for new certificates for Shares	Friday, 2 April

Note: All times in this Circular refer to Hong Kong local time

DEFINITIONS

In this Circular, the following expressions have the following meanings unless the context otherwise requires:

“Acceptance Date”	4:00 p.m. on 22 March, 2004 (or such other date as the Underwriters may agree in writing with the Company as the last time and date for acceptance of, and payment for, Rights Shares)
“Altus”	Altus Capital Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management) and one of the joint financial advisers to the Company
“Announcement”	the announcement of the Company dated 12 January, 2004 relating to the proposed Capital Reduction, the Subdivision, the increase in authorised share capital, the Rights Issue, the Share Issue Mandate and the Share Repurchase Mandate
“associates”	the meaning ascribed to it in the Listing Rules
“Barits”	Barits Securities (Hong Kong) Limited, a corporation deemed licensed under the SFO to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance), which is not a connected person (as defined in the Listing Rules) of the Company and which is the independent financial adviser to the Independent Board Committee
“Board”	the Board of Directors
“Business Day”	a day on which banks are generally open for business for more than five hours in Hong Kong
“Capital Reduction”	the reduction in the issued share capital of the Company from HK\$0.40 each per Existing Share to HK\$0.10 per Share by cancelling HK\$0.30 paid up on each issued Existing Share and by adjusting the nominal value from HK\$0.40 each to HK\$0.10 each
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Cheer Union”	Cheer Union Securities Limited, a corporation deemed licensed under the SFO to carry out type 1 regulated activity (dealing in securities), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters

DEFINITIONS

“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Company”	Asia Alliance Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Existing Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange and on the Singapore Exchange Securities Trading Limited and the controlling shareholder of the Company, currently holding approximately 35.9% of the Company’s issued share capital
“Easyknit Loan”	an interest-bearing loan of about HK\$30.3 million extended by Easyknit to the Group in February 2003 which has been partially repaid and in respect of which the outstanding balance is approximately HK\$21.3 million as at the date of this Circular
“Existing Share(s)”	share(s) of HK\$0.40 each in the share capital of the Company before the Capital Reduction and the Subdivision become effective
“Get Nice”	Get Nice Investment Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters
“Get Nice Capital”	Get Nice Capital Limited, a corporation deemed licensed under the SFO to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) and one of the joint financial advisers to the Company
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company, comprising the independent non-executive Directors, namely, Kan Ka Hon and Kwong Cheung Tim, Jimmy
“Independent Shareholders”	Shareholders other than Landmark Profits and its associates
“Kingston”	Kingston Securities Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6, 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit
“Last Trading Day”	2 January, 2004, being the last trading day before the suspension of trading in Existing Shares, pending the release of the Announcement
“Latest Practicable Date”	6 February, 2004, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“Prospectus”	the prospectus containing details of the Rights Issue to be issued in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than Overseas Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 4 March, 2004, being the date by reference to which entitlements to the Rights Issue are expected to be determined

DEFINITIONS

“Rights Issue”	the proposed issue by way of rights of five Rights Shares for every one Share in issue on the Record Date at a price of HK\$0.25 per Rights Share
“Rights Share(s)”	new Share(s) to be issued and allotted under the Rights Issue, being not less than 297,505,700 Shares and not more than 302,475,950 Shares
“Settlement Date”	the second Business Day following the Acceptance Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Thursday, 4 March, 2004 at which resolutions will be proposed, among other things, to consider and, if thought fit, approve the Capital Reduction, the Subdivision, the increase in authorised share capital, the Rights Issue, the Share Issue Mandate and the Share Repurchase Mandate
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company after the Capital Reduction and the Subdivision becoming effective
“Shareholder(s)”	holder(s) of Existing Share(s) or, where the context requires, Share(s)
“Share Issue Mandate”	the general mandate to be proposed for the Directors to exercise the powers of the Company to issue Shares representing up to 20 per cent. of the issued share capital of the Company upon completion of the Capital Reduction, the Subdivision, the increase in authorised share capital and the Rights Issue
“Share Option(s)”	the outstanding share option(s) granted by the Company pursuant to the share option schemes of the Company adopted on 21 August, 1991 and 22 May, 2001 respectively
“Share Repurchase Mandate”	the general mandate to be proposed for the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company upon completion of the Capital Reduction, the Subdivision, the increase in authorised share capital and the Rights Issue
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with their primary listing on the Stock Exchange of their own securities on the Stock Exchange

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each unissued Existing Share into four Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	Get Nice, Cheer Union and Kingston, all of whom are independent of, and not connected with the Directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective “associates” (which term has the meaning ascribed thereto under the Listing Rules)
“Underwriting Agreement”	the underwriting agreement dated 2 January, 2004 entered into between the Company and the Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum



Asia Alliance Holdings Limited

(Incorporated in Bermuda with limited liability)

Executive Directors:

Koon Wing Yee

(President and Chief Executive Officer)

Tsang Yiu Kai

(Vice President)

Lui Yuk Chu

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

Independent Non-Executive Directors:

Kan Ka Hon

Kwong Cheung Tim, Jimmy

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

10 February, 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSED REDUCTION OF ISSUED SHARE CAPITAL AND
SUBDIVISION OF UNISSUED SHARE CAPITAL**

INCREASE IN AUTHORISED SHARE CAPITAL

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY SHARE HELD**

GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

INTRODUCTION

On 12 January, 2004, the Company announced the proposed Capital Reduction and Subdivision and the proposed increase in authorised share capital.

Subject to the Capital Reduction and the Subdivision becoming effective and the fulfillment of the relevant conditions, the Company intends to raise approximately HK\$74.4 million before expenses (assuming no exercise of Share Options on or before the Record Date) or approximately HK\$75.6 million before expenses (assuming all the Share Options are exercised on or before the Record Date)

LETTER FROM THE BOARD

by way of the Rights Issue of not less than 297,505,700 Rights Shares and not more than 302,475,950 Rights Shares at a price of HK\$0.25 per Rights Share. The Company will provisionally allot five Rights Shares in nil-paid form for every Share held by the Qualifying Shareholders on the Record Date.

The Company has outstanding Share Options in issue as at the Latest Practicable Date. Upon full conversion of the rights attaching to the outstanding Share Options, 994,050 Existing Shares or Shares, as the case may be, are to be issued.

It is proposed that the Share Issue Mandate and the Share Repurchase Mandate be granted to the Directors upon completion of the Capital Reduction, the Subdivision, the increase in authorised share capital and the Rights Issue.

Altus and Get Nice Capital have been appointed as the joint financial advisers to the Company. Barits has been appointed as the independent financial adviser to the Independent Board Committee in relation to the Rights Issue.

The proposed Capital Reduction, the Subdivision, the increase in authorised share capital, the Share Issue Mandate and the Share Repurchase Mandate will be subject to the approval of the Shareholders at the SGM. The Rights Issue will be subject to the approval of the Independent Shareholders at the SGM. The purpose of this Circular is to provide you with further details of the Capital Reduction, the Subdivision, the increase in authorised share capital, the Rights Issue, the Share Issue Mandate and the Share Repurchase Mandate and to give you notice of the SGM to consider and, if thought fit, approve these matters.

CAPITAL REDUCTION AND SUBDIVISION

a) **Background**

The Company proposes:

- (i) that there be a reduction of the issued share capital of the Company from HK\$0.40 each per Existing Share to HK\$0.10 per Share by cancelling HK\$0.30 paid up on each issued Existing Share and by adjusting the nominal value from HK\$0.40 each to HK\$0.10 each; and
- (ii) that each of the unissued shares of HK\$0.40 each in the authorised share capital of the Company be subdivided into four Shares of HK\$0.10 each.

Accordingly, based on the number of Existing Shares in issue as at the Latest Practicable Date, the issued share capital of the Company of HK\$23,800,456 consisting of 59,501,140 Existing Shares will be reduced by HK\$17,850,342 to HK\$5,950,114 consisting of 59,501,140 Shares. The Shares will rank pari passu in all respects with each other.

LETTER FROM THE BOARD

On the basis of 59,501,140 Existing Shares in issue as at the Latest Practicable Date, a credit amount of HK\$17,850,342 will arise from the above capital reduction and will be credited to a capital reserve account of the Company.

b) Financial effects of the Capital Reduction and the Subdivision

Other than the relevant expenses incurred, the implementation of the Capital Reduction and the Subdivision will have no effect on the consolidated net asset value of the Group, nor will they alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Directors believe that the Capital Reduction and the Subdivision will not have any material adverse effect on the financial position of the Group.

c) Reason for the Capital Reduction and the Subdivision

The Board believes that the Capital Reduction and the Subdivision are beneficial to the Company and the Shareholders as a whole. The credit in the capital reserve account arising as a result of the Capital Reduction may be applied in the future for distribution to the Shareholders. The Board currently has no intention for the Company to make any distributions to the Shareholders.

d) Conditions of the Capital Reduction and the Subdivision

The Capital Reduction and the Subdivision are conditional upon the following:

- (i) the passing by the Shareholders of the resolutions necessary to approve the Capital Reduction and the Subdivision at the SGM;
- (ii) the publication of a notice in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the date as from which the Capital Reduction is to take effect, in accordance to section 46 of the Companies Act; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares.

e) Expected effective date of the Capital Reduction and the Subdivision

Subject to the granting of the listing of, and the permission to deal in, the Shares on the Stock Exchange, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Subject to the above conditions being fulfilled, the Capital Reduction and the Subdivision are expected to become effective on 4 March, 2004 and dealings in the Shares are expected to commence on 5 March, 2004. The existing certificates will continue to be good evidence of legal title to the

LETTER FROM THE BOARD

Shares; however, Shareholders may submit their existing certificates for the Existing Shares in exchange for new certificates for the Shares free of charge at Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during business hours from 5 March, 2004 to 2 April, 2004 (both dates inclusive). Thereafter, the existing certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be charged) for each new certificate to be issued.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$300,000,000 divided into 750,000,000 Existing Shares. Upon the Capital Reduction and the Subdivision becoming effective, the authorised share capital of the Company will remain at HK\$300,000,000 and will comprise 3,000,000,000 Shares.

To allow for future equity expansion of the Company, the Company proposes to increase its authorised share capital from HK\$300,000,000 to HK\$650,000,000 by the creation of an additional 3,500,000,000 Shares upon completion of the Capital Reduction and the Subdivision.

Save for the proposed Rights Issue, the Directors do not have any present intention to issue new Existing Shares or Shares, as the case may be.

THE RIGHTS ISSUE

a) The proposed Rights Issue

The Rights Issue is proposed to take place after the Capital Reduction and the Subdivision have become effective.

Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every Share held on the Record Date
Number of Existing Shares in issue	:	59,501,140 Existing Shares as at the Latest Practicable Date or up to 60,495,190 Existing Shares upon full conversion of the outstanding Share Options (which are convertible into 994,050 Existing Shares)
Number of Rights Shares	:	not less than 297,505,700 Rights Shares and not more than 302,475,950 Rights Shares, assuming full conversion of the outstanding Share Options
Subscription price per Rights Share	:	HK\$0.25 per Rights Share with nominal value of HK\$0.10 each

The nil-paid Rights Shares (being not less than 297,505,700 nil-paid Rights Shares) proposed to be provisionally allotted represent (a) 500.0 per cent. of the Company's issued share capital upon

LETTER FROM THE BOARD

completion of the Capital Reduction and the Subdivision; and (b) 83.3 per cent. of the Company's issued share capital upon completion of the Capital Reduction and the Subdivision and as enlarged by the issue of the Rights Shares, assuming that no Share Options are exercised on or before the Record Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) have an address in Hong Kong on the register of members of the Company on the Record Date.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Existing Shares (together with the relevant share certificates) with the Company's branch registrar in Hong Kong, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 27 February, 2004.

Holders of outstanding Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with their respective terms before 4:00 p.m. on Friday, 27 February, 2004 so as to enable them to be registered as Shareholders on or before the Record Date.

Closure of register of members

The register of members of the Company will be closed from Monday, 1 March, 2004, to Thursday, 4 March, 2004, both dates inclusive. No transfers of Existing Shares will be registered during this period.

Subscription price

The subscription price for the Rights Shares will be HK\$0.25 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The subscription price represents:

- (i) a discount of about 86.1 per cent. to the closing price of HK\$1.80 per Existing Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of about 50.8 per cent. to the theoretical ex-rights price of HK\$0.508 per Existing Share calculated based on the closing price per Existing Share on the Last Trading Day;

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- (iii) a discount of about 83.1 per cent. to the average closing price of approximately HK\$1.483 per Existing Share for the last 10 trading days up to and including the Last Trading Day; and
- (iv) a discount of about 83.3 per cent. to the closing price of HK\$1.50 per Existing Share quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriters. The Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the interests of the Company and the Shareholders.

Basis of provisional allotment

The basis of the provisional allotment will be five Rights Shares for every Share, being not less than 297,505,700 Rights Shares and not more than 302,475,950 Rights Shares at a price of HK\$0.25 per Rights Share.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. Accordingly, no provisional allotment of Rights Shares will be made to Overseas Shareholders. The Company will send the Prospectus to Overseas Shareholders for their information only and will not send PALs or EAFs to Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Overseas Shareholders. The Company will retain individual amounts of HK\$100 or less. Any unsold entitlements of Overseas Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for application on EAFs by Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders will have the right to apply, by way of excess application, for any unsold entitlements of the Overseas Shareholders and for any Rights Shares provisionally allotted but not accepted.

LETTER FROM THE BOARD

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to the topping-up of odd lots to whole board lots.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in (a) the Shares in issue after the Capital Reduction and the Subdivision becoming effective; and (b) the Rights Shares, in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered on the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

b) **Conditions of the Rights Issue**

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

1. the approval of the Capital Reduction and the Subdivision by Shareholders at the SGM and the Capital Reduction and the Subdivision becoming effective thereafter;
2. the approval of the Rights Issue by Independent Shareholders at the SGM (Landmark Profits and its associates will abstain from voting on the resolution to be proposed at the SGM to approve the Rights Issue);
3. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of posting of the Prospectus Documents and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the second Business Day after the Acceptance Date;
4. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda respectively; or
5. the obtaining of the permission of the Bermuda Monetary Authority for the allotment and issue of the Rights Shares, if necessary.

It is also subject to compliance by the Company with all its obligations under the Underwriting Agreement and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated.

LETTER FROM THE BOARD

The obligation of the Underwriters to take up the Shares they have agreed to underwrite is subject to performance in full by Landmark Profits of its undertaking to take up and accept the number of Rights Shares prior to 4:00 p.m. on the Acceptance Date.

In the event that the conditions of the Rights Issue are not fulfilled on or before the respective dates determined in the Underwriting Agreement (or such later date as the Company and the Underwriters may agree), none of the Underwriters or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement, and the irrevocable undertaking by Landmark Profits to accept its entitlement under the Rights Issue will lapse. The Rights Issue will not proceed accordingly.

c) **Underwriting arrangements**

Underwriting agreement dated 2 January, 2004

The Underwriters have agreed to fully underwrite up to 195,593,180 Rights Shares, other than Rights Shares which Landmark Profits has undertaken to subscribe (being 302,475,950 Rights Shares, assuming full conversion of outstanding Share Options up to and including the Record Date, less the 106,882,770 Rights Shares to be issued to and accepted by Landmark Profits). The Underwriters do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Commission

The Company will pay each Underwriter an underwriting commission of 1.0 per cent. of the aggregate subscription price of the Rights Shares underwritten by them, out of which the Underwriters may pay sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Undertaking from Landmark Profits

As at the Latest Practicable Date, Easyknit, through Landmark Profits, was interested in 21,376,554 Existing Shares, representing approximately 35.9% of the total issued share capital of the Company. Landmark Profits has irrevocably undertaken to the Company and the Underwriters that the Existing Shares beneficially owned by it will not be disposed of or transferred and will remain registered in its name (or names of its nominees) from the date of the undertaking, being 2 January, 2004, to the close of business on the Record Date and that it will take up its entitlement in full, representing 106,882,770 Rights Shares. Landmark Profits will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

Get Nice, on behalf of the Underwriters, may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date if:

1. (a) there occurs an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

LETTER FROM THE BOARD

- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or
2. at or prior to 4:00 p.m. on the Settlement Day following the Acceptance Date:
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
 - (b) an Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and each Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
 - (c) the Prospectus Documents when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of this Circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as each Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

LETTER FROM THE BOARD

Upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters such fees as may then be agreed by the relevant parties. If the Underwriters exercise such right, the Rights Issue will not proceed.

d) **Warning of the Risks of Dealing in Shares and Rights Shares**

The Existing Shares will be dealt in on an ex-rights basis from Thursday, 26 February, 2004. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Existing Shares or Shares and Rights Shares in their nil-paid form during the period from Thursday, 26 February, 2004 to Wednesday, 17 March, 2004 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Existing Shares or Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriters' right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

e) **Application for excess Rights Shares**

Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments by way of excess applications. Excess Rights Shares, if any, will be allotted to the applicants by the Company in a fair and equitable manner after consulting with the Underwriters. However, preference will be given to applicants applying to top-up odd lots to whole board lots.

f) **Listing and dealing**

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Existing Shares will be dealt with on an ex-rights basis with effect from Thursday, 26 February, 2004 and that the Rights Shares will be dealt with in their nil-paid form from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive). Such dealings will take place whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any persons dealing in the Shares from Thursday, 26 February, 2004 to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 24 March, 2004) and any person dealings in nil-paid Rights Shares from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (being the first and last dates of dealings in the nil-paid Rights Shares, respectively), will accordingly bear the risk that the Rights Issue may not become unconditional.

Since the Rights Issue may or may not proceed, Shareholders should exercise caution when dealing in the Shares and the nil-paid Rights Shares. Any investor who is in any doubt about his position is advised to consult his own professional adviser. Dealing in the Rights Shares (in both nil-paid and fully-paid forms) on the branch registrar in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

g) **Permission of the Bermuda Monetary Authority**

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority (“BMA”) in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus Documents for filing, neither the BMA nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

h) **Shareholding in the Company**

Assuming there is no exercise of Share Options on or before the Record Date, the shareholdings in the Company before and immediately after completion of the Rights Issue are and will be as follows:

	Immediately before completion of the Rights Issue		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Landmark Profits)	
			Shares	%	Shares	%
	<i>Existing Shares</i>	%	<i>Shares</i>	%	<i>Shares</i>	%
Landmark Profits	21,376,554	35.9	128,259,324	35.9	128,259,324	35.9
Underwriters	—	—	—	—	190,622,930	53.4
Public	38,124,586	64.1	228,747,516	64.1	38,124,586	10.7
Total	59,501,140	100.0	357,006,840	100.0	357,006,840	100.0

LETTER FROM THE BOARD

Assuming all the Share Options are exercised on or before the Record Date, the shareholdings in the Company before and immediately after completion of the Rights Issue are and will be as follows:

	Immediately before completion of the Rights Issue		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Landmark Profits)	
	<i>Existing</i>					
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Landmark Profits	21,376,554	35.3	128,259,324	35.3	128,259,324	35.3
Underwriters	—	—	—	—	195,593,180	53.9
Public	39,118,636	64.7	234,711,816	64.7	39,118,636	10.8
Total	60,495,190	100.0	362,971,140	100.0	362,971,140	100.0

The Underwriters have confirmed that they will sub-underwrite substantially all their underwriting obligations under the Rights Issue to sub-underwriters such that the Underwriters will not own more than 2% in aggregate of the issued share capital of the Company after completion of the Rights Issue.

In the event that the Underwriters are required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

LETTER FROM THE BOARD

i) **Reasons for the Rights Issue and use of proceeds**

The Group is engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and trading of garments.

The existing wireless communication business of the Group continues to suffer substantial losses and the outlook remains uncertain. The Directors intend to continue the wireless communication business on a prudent basis while conducting reviews and assessments on streamlining the operations of this business. In view of such uncertainty, the Directors believe that it is in the interest of the Group to explore new investments and business opportunities to diversify and expand its source of income. Although the Company has not identified any specific investment project or business save for garment trading businesses as announced in the announcement of the Company dated 21 October, 2003, the Directors consider that it is in the interests of the Company and the Shareholders for the Company to raise additional finance through the issue of additional equity, to enlarge the Company's capital base in view of the above strategy. The Directors believe the timing of the Rights Issue is appropriate as it allows the Group to capitalise on the strength of the stock market in general and in particular, the prices of the Existing Shares recently, to raise capital. The Directors are of the view that such opportunity may not frequently arise.

The estimated expenses of the Rights Issue are approximately HK\$1.2 million, which will be borne by the Company. The estimated net proceeds of the Rights Issue will be between HK\$73.2 million and HK\$74.4 million. The Company plans to use (a) approximately HK\$22 million for the full repayment of the Easyknit Loan; and (b) the balance of approximately HK\$51 million for general working capital. If there arise opportunities for possible new businesses or investments, including the expansion of the aforesaid garment trading businesses, the balance proceeds may be used for such purposes. The Company shall make announcements on any change in use of proceeds of the Rights Issue as and when appropriate.

As at 30 June, 2003, the Group had a net deficit position of approximately HK\$15.3 million. The liabilities of the Group were approximately HK\$45.6 million comprising, inter alia, (a) the Easyknit Loan of approximately HK\$30.3 million, of which HK\$9 million has since been repaid; (b) trade and other payables of approximately HK\$9.5 million; (c) a loan of HK\$4 million from an outside party which is not a connected person (as defined in the Listing Rules); and (d) an amount due to other associates of approximately HK\$1.8 million. Save for the full repayment of the Easyknit Loan, the net proceeds of the Rights Issue will not be used for the repayment of any other loans of the Group. The Directors note that the full repayment of the Easyknit Loan will enable the Group to save more than HK\$1.1 million of interest expenses per year.

As the Rights Issue will allow Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is the most appropriate method to raise funds.

LETTER FROM THE BOARD

j) Previous fund raising exercises of the Company

The following summarises the fund raising exercises of the Company in the 12 months before the Latest Practicable Date:

Date of announcement	Fund raising exercise	Net proceeds (HK\$ million)	Balance (Note) (HK\$ million)	Usage
August 2003	1-for-2 Rights issue	13.3	10.3	- General working capital
October 2003	Placing of new Existing Shares	6.9	1.8	- HK\$5.0 million for partial repayment of the Easyknit Loan - HK\$1.9 million for general working capital
November 2003	Placing of new Existing Shares	8.4	3.9	- HK\$4.0 million for partial repayment of the Easyknit Loan - HK\$4.4 million for general working capital

Note: The balance represents net proceeds yet to be deployed as at the Latest Practicable Date.

The Directors are of the view that the Group will have sufficient funds to meet its current working capital requirements after the Rights Issue and has no immediate intention for the Company to issue further new Shares to raise funds. The Group may however raise further funds in future if there is such a requirement, especially if opportunities for new businesses or investments arise.

LETTER FROM THE BOARD

k) Statement of pro forma adjusted consolidated net tangible assets

The following is a statement of pro forma adjusted consolidated net tangible assets of the Group based on the audited consolidated net asset value of the Group as at 31 December, 2002, after making the following adjustments:

	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Audited consolidated net asset value of the Group as at 31 December, 2002</i>		11,719
Less: Intangible assets of the Group, representing the net book value of the goodwill in respect of acquisitions of subsidiaries as at 31 December, 2002		<u>(388)</u>
Audited consolidated net tangible asset value of the Group as at 31 December, 2002		11,331
Unaudited consolidated loss for the period from 1 January, 2003 to 30 June, 2003	(27,017)	
Add: Impairment loss recognised in respect of goodwill	<u>388</u>	<u>(28,629)</u>
		(15,298)
Add: Net proceeds from rights issue of Existing Shares in August 2003		13,300
Net proceeds from placing of new Existing Shares in October 2003		6,900
Net proceeds from placing of new Existing Shares in November 2003		<u>8,400</u>
Pro forma adjusted consolidated net tangible asset value of the Group before the Rights Issue		13,302
Add: Estimated net proceeds of the Rights Issue (assuming no exercise of Share Options on or before the Record Date)		<u>73,200</u>
Pro forma adjusted consolidated net tangible asset value of the Group after the Rights Issue		<u><u>86,502</u></u>
		<i>HK\$</i>
Pro forma adjusted consolidated net tangible assets value per Existing Share/Share:		
— based on 59,501,140 Existing Shares in issue at the Latest Practicable Date before the Rights Issue assuming no exercise of Share Options on or before the Record Date		<u><u>0.224</u></u>
— based on 357,006,840 Shares in issue immediately following completion of the Rights Issue assuming no exercise of Share Options on or before the Record Date and all Rights Shares are taken up by Qualifying Shareholders		<u><u>0.242</u></u>

LETTER FROM THE BOARD

SHARE ISSUE MANDATE AND SHARE REPURCHASE MANDATE

At the special general meeting of the Company held on 18 November, 2003, a general mandate (the “Existing General Mandate”) was granted to the Directors to issue Existing Shares up to a maximum of 20 per cent. of the issued share capital of the Company as at 18 November, 2003. Under the Existing General Mandate, a total of 9,916,856 Existing Shares were allotted and issued on 22 December, 2003 pursuant to a placing of Shares as announced by the Company on 27 November, 2003 and consequently, the Existing General Mandate has been fully utilised.

In order to maintain flexibility for the Company and in view of the reduction in the nominal amount of each Existing Share from HK\$0.40 to HK\$0.10 upon the Capital Reduction becoming effective and taking into consideration the Rights Issue, ordinary resolutions will be proposed that the Directors be given:

- (i) the Share Issue Mandate for the issue in aggregate of up to 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the time of passing of the resolution in connection with the Share Issue Mandate upon completion of the Rights Issue and to extend the Share Issue Mandate by adding to it the number of Shares, if any, repurchased under the Share Repurchase Mandate as described below; and
- (ii) the Share Repurchase Mandate for repurchase in aggregate of up to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company in issue after the Rights Issue.

An explanatory statement as required by the Listing Rules to be sent to Shareholders in connection with the Share Repurchase Mandate is set out in Appendix II to this Circular.

SGM

Set out on pages 46 to 50 of this Circular is a notice of the SGM, to be held at 9:00 a.m. on 4 March, 2004 at Connaught Room, 1/F, Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong at which resolutions will be proposed, inter alia, for:

- (a) the Capital Reduction and the Subdivision;
- (b) the increase in authorised share capital;
- (c) the Rights Issue;
- (d) the Share Issue Mandate;
- (e) the Share Repurchase Mandate; and
- (f) the extension of the Share Issue Mandate.

LETTER FROM THE BOARD

Enclosed with this Circular is a form of proxy for use at the SGM. You are requested to complete the form of proxy and return it to the Company's office at 7th Floor Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of SGM, whether or not you intend to be present in person at the SGM. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 23 and the letter from the Independent Financial Adviser set out on pages 24 to 33 of this Circular. The Directors believe that the proposed resolutions in relation to the Capital Reduction and the Subdivision, the increase in authorised share capital, the Rights Issue, the Share Issue Mandate and Share Repurchase Mandate are in the interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend Shareholders to vote in favour of the aforesaid resolutions to be proposed at the SGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I and Appendix II to this Circular.

Yours faithfully,
For and on behalf of
Asia Alliance Holdings Limited
Koon Wing Yee
President and Chief Executive Officer



Asia Alliance Holdings Limited

(Incorporated in Bermuda with limited liability)

10 February, 2004

To the Independent Shareholders

Dear Sirs or Madam,

**PROPOSED RIGHTS ISSUE
OF NOT LESS THAN 297,505,700 RIGHTS SHARES
ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY SHARE HELD**

We refer to the circular dated 10 February, 2004 (the “Circular”) issued to the Shareholders of which this letter forms part. Terms defined in the Circular shall bear the same meanings herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee and to advise the Independent Shareholders in connection with the terms of the Rights Issue. Barits has been appointed as the independent financial adviser to advise us in this respect.

Your attention is drawn to the letter from the Board set out on pages 6 to 22 of the Circular, which sets out information relating to, inter alia, the Rights Issue. We also draw your attention to the letter from Barits as set out on pages 24 to 33 of the Circular, which contains its advice to us regarding the Rights Issue.

Having taken into account the principal factors and reasons considered by and the recommendation of Barits, the Independent Board Committee considers the terms of the Rights Issue to be fair and reasonable in so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve or in connection with the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee

Kan Ka Hon
*Independent Non-Executive
Director*

Kwong Cheung Tim, Jimmy
*Independent Non-Executive
Director*

LETTER FROM BARITS

The following is the text of a letter of advice from Barits to the Independent Board Committee dated 10 February, 2004 for incorporation in this circular. A copy of this letter is available for inspection as mentioned in Appendix I to this circular.



Barits Securities (Hong Kong) Limited

Rooms 3406, 34/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

10 February, 2004

*To the Independent Board Committee of
Asia Alliance Holdings Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY SHARE HELD**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of the terms of the Rights Issue, details of which are set out in this circular, of which this letter forms part. Terms used in this letter have the same meanings as defined in this circular unless the context otherwise requires.

On the basis of assured allotments of five Rights Shares for every Share held, the Rights Issue represents (a) 500.0% of the Company's issued share capital upon completion of the Capital Reduction and the Subdivision; and (b) about 83.3% of the Company's issued share capital upon completion of the Capital Reduction and the Subdivision and as enlarged by the issue of the Rights Shares assuming that no Share Options are exercised on or before the Record Date. Accordingly, the Rights Issue is conditional upon, among other things, the approval of the Independent Shareholders at the SGM on which Landmark Profits and its associates will abstain from voting as required by the Listing Rules.

The Independent Board Committee, comprising Mr. Kan Ka Hon and Mr. Kwong Cheung Tim, Jimmy, who are the independent non-executive Directors, has been appointed to advise the Independent Shareholders in relation to the Rights Issue.

In formulating our recommendation, we have relied on the accuracy of the information and representations contained in this circular and the information and facts supplied, and the opinions expressed, to us by the Company and its Directors and management. We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have assumed that all information and representations made to us by the Company and its Directors and management or referred to in this circular were true and accurate at

LETTER FROM BARITS

the time they were made and continue to be true and accurate at the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and its Directors and management and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in this circular.

We have reviewed, among other things, the published information on the Group, including its audited financial statements for the three years ended 31 December, 2002 and the unaudited financial statements for the six months ended 30 June, 2003. We have considered the rationale and timing of the Rights Issue and the funding requirements of the Group. We have also reviewed the Underwriting Agreement and the past performance of the Existing Shares on the Stock Exchange. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in this circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent investigation into the business affairs, financial position or future prospects of the Group nor have we carried out any independent verification of the information supplied.

We have not considered tax implications on Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are dependent on their individual circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or otherwise. Qualifying Shareholders are urged to consult their own professional advisers if they are in doubt as to the investment value of the Rights Shares or as to their individual tax position.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Rights Issue and in giving our recommendation to the Independent Board Committee are set out below.

Reasons for the Rights Issue

Performance and prospects of the Group

The Group is principally engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and trading of garments.

Based on the Company's annual reports, the business performance of the Group during 2000 to 2002 was adversely affected by the unfavourable overall economic conditions. The mobile communication market in Hong Kong had not avoided the lacklustre propensity to spend among customers. For the year ended 31 December, 2002, the turnover of the Group decreased by approximately 64.5% to approximately HK\$70.4 million when compared to the year ended 31 December, 2001. As stated in the Company's 2002 annual report, the decrease in the revenue was mainly due to the disposal of the Group's entire shareholding in the (i) Acme Sanitary Engineering Company Limited ("Acme Sanitary"), which was completed on 4 May, 2002, and (ii) Acme Landis Operations Holdings Limited ("Acme Landis"), which was completed on 29 May, 2002, being its major sources of revenue for the period. For the same period of time, net losses attributable to shareholders further deteriorated by approximately 61.5% to approximately HK\$191.4 million. The net losses were mainly attributable to, among other things, the Group's poor operating results, the provision of a loan to Acme Landis and an impairment of goodwill for an associate amounting to approximately HK\$42.1 million and HK\$48.8 million, respectively, in year 2002.

LETTER FROM BARITS

On 25 September, 2003, the Company announced its interim results for the six months ended 30 June, 2003. When compared with the same period in year 2002, the turnover of the Group dropped by approximately 93.9% to approximately HK\$4.2 million. For the same period of time, net losses attributable to shareholders narrowed from approximately HK\$106.8 million to approximately HK\$27.0 million. As stated in the interim results announcement, the drop in turnover was mainly attributable to the disposal of Acme Sanitary and Acme Landis as discussed above. The improvement in net losses during the period was mainly resulted from the non-recurrence of the provisions made in year 2002.

To improve its business performance, the Group went through a major reorganisational restructuring in January and February of 2003 and staff headcount was reduced significantly. The Directors believed that it was more prudent to outsource a host of operational functions such as marketing to external service vendors instead of maintaining large in-house employee roster. In addition, the Group has also migrated a few operational functions to Shenzhen as one of the cost-cutting measures.

Although tighten cost control measurements have been implemented, however, the Directors considered that the existing wireless communication business of the Group will continue to suffer substantial losses given that the outlook for the mobile communication industry remains uncertain.

Furthermore, as detailed in the Company's announcement dated 21 October, 2003, the Directors intended to introduce the new business of garment trading commencing early October 2003 in order to help turn around the business of the Group. The new business of garment trading represents garment sourcing and selling products to the customers. With Easyknit, who has been mainly involved in the garment business, joining the Company as an indirect controlling shareholder, the Directors considered that Easyknit's extensive experiences in garment business would help improve the financial performance of the Group.

Use of proceeds

The Directors intend to continue the wireless communication business on a prudent basis while conducting reviews and assessments on streamlining the operations of this business. In view of such uncertainty, the Directors believe that it is in the interest of the Group to explore new investments and business opportunities to diversify and expand its source of income. Save for the garment trading business as announced in the announcement of the Company dated 21 October, 2003, the funds to be raised under the Rights Issue are not currently earmarked for any specific projects or any specific business nor there is any capital commitment on any specific projects as at the Latest Practicable Date. The Directors consider that it is in the interests of the Company and the Shareholders for the Company to raise additional finance through the issue of additional equity to enlarge the Company's capital base in view of the above strategy. The Directors believe the timing of the Rights Issue is appropriate as it allows the Group to capitalise on the strength of the stock market in general and in particular, the prices of the Existing Shares recently, to raise capital. The Directors are of the view that such opportunity may not frequently arise.

To strengthen the Group's capital base and financial position, the Company has raised total net proceeds of approximately HK\$28.6 million through placings of new Existing Shares and a 1-for-2 rights issue in second half of 2003 in order to take advantage of the then improved stock market condition. It was stated in the relevant announcements of the Company that the above net proceeds would be used as to approximately HK\$9.0 million for repayment of the Easyknit Loan and

LETTER FROM BARITS

approximately HK\$19.6 million reserved for additional general working capital. As at the date of the Announcement, approximately HK\$9.0 million has been applied for the repayment of the Easyknit Loan, approximately HK\$3.6 million has been applied for the daily operation and approximately HK\$16.0 million of the net proceeds raised has yet to be deployed.

As stated in the letter from the Board of this circular, the estimated net proceeds of the Rights Issue will be between HK\$73.2 million and HK\$74.4 million. The Company plans to use the proceeds as follows: (a) approximately HK\$22.0 million for the full repayment of the Easyknit Loan; and (b) the balance of approximately HK\$51.0 million will be used for general working capital. If there arise opportunities for possible new businesses or investments, including the expansion of the aforesaid garment trading businesses, the balance proceeds may be used for such purposes. The Company shall make announcements on any change in use of proceeds of the Rights Issue as and when appropriate.

To the extent that the net proceeds from the Rights Issue are not immediately required for the above purposes, it is the intention of the Directors that they will be placed on short-term deposits with financial institution.

Having considered the net asset value of the Group immediately before the Rights Issue of approximately HK\$13.3 million as stated in the section headed "Statement of pro forma adjusted consolidated net tangible assets" in the letter from the Board of this circular, the net cash position of approximately HK\$17.8 million as at 31 December, 2003 as advised by the Directors and the intention of the Group to explore new investments and business opportunities to diversify and expand its sources of income, we are of the view that the Group requires funding for its operations and for the implementation of the above strategy and it is the appropriate timing to raise proceeds from the Rights Issue in order to improve its financial position and provide funding for its operations and future investments.

Alternatives to the Rights Issue

The Directors advise that they have considered other methods of fund raising, such as bank borrowings and placing of new Shares. Given the unsatisfactory financial performance of the Group which has been reflected in the Group's loss during the financial years 2000 to 2002 and for the six months ended 30 June, 2003, the Directors advise that it is difficult for the Group to raise substantial fund by bank borrowings which the banks' requirement of security is high. The Directors intend to maintain a healthy balance sheet rather to increase its gearing ratio by increasing their bank loans and to bear a heavy interest burden. Meanwhile the Directors confirm that if equity financing in the size comparable to the Rights Issue were raised through a placing of new shares, it would result in a significant dilution to the Shareholders.

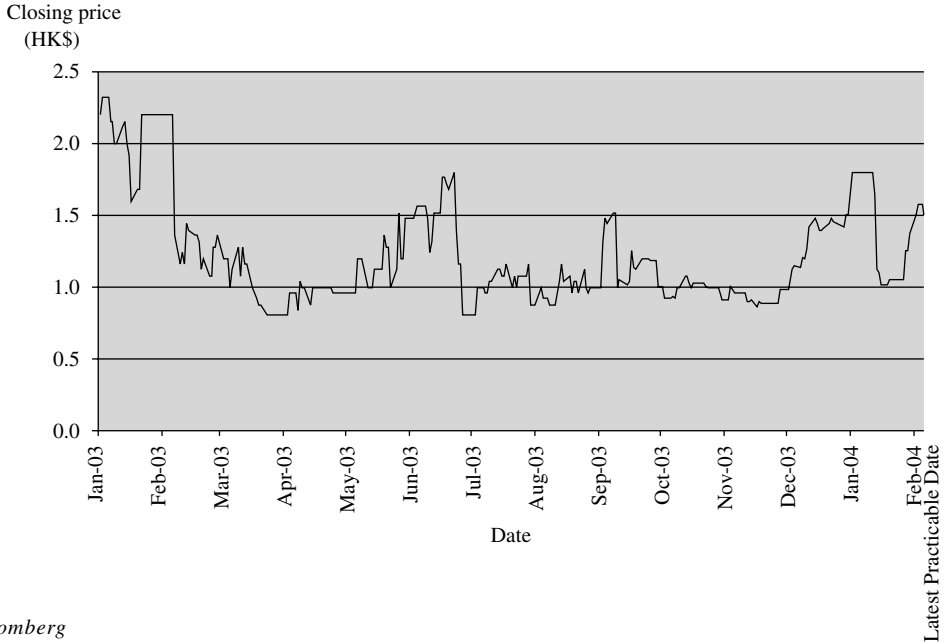
Unlike other methods of fund raising, the Directors consider that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to continue to participate in the future development of the Group should they wish to do so.

In our point of view, as compared with financing with bank borrowing and placing of new Shares, the Rights Issue provides a cost effective means of fund raising and enables the Shareholders to maintain their proportionate interests in the Company should they wish to do so.

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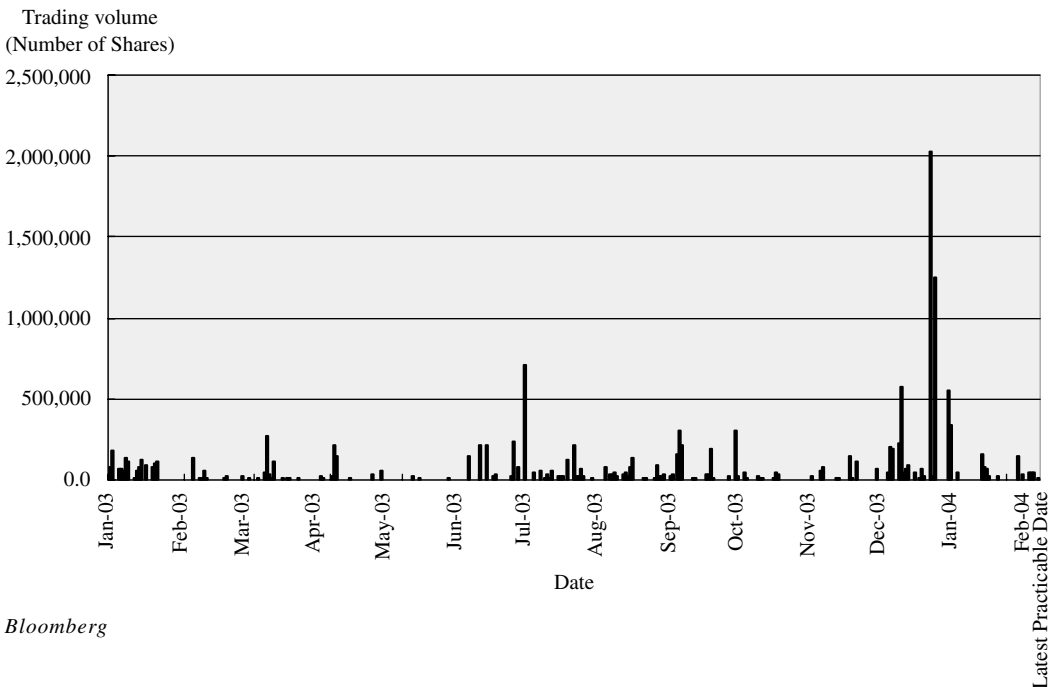
Recent share prices and trading volumes

The following charts illustrate the closing price of the Existing Shares on the Stock Exchange versus the subscription price per Rights Share and the trading volume of the Existing Shares during the period from 1 January, 2003 to the Latest Practicable Date.



Source: Bloomberg

From the chart above, we note that the daily closing price of the Existing Share for the period from 1 January, 2003 up to and including the Last Trading Day range from HK\$0.80 to HK\$2.32. Since the date of the resumption of trading in the Existing Shares following the Announcement and up to and including the Latest Practicable Date, the daily closing prices of the Existing Shares were within the range of HK\$1.02 and HK\$1.65.



Source: Bloomberg

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As illustrated in the chart above, the daily trading volume of the Company on the Stock Exchange was relatively low, representing approximately nil to 0.2% of the total issued share capital of 1,101,873,000 of Existing Shares as at 31 December, 2002. However, in respect of the exceptional volume increase in December 2003, the Company had made several clarification announcements stating that the Directors were not aware of the reasons for such increases.

Principal terms of the Rights Issue

Subscription Price

The basis of the Rights Issue is five Rights Shares for every Share held. The subscription price for the Rights Shares is HK\$0.25 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Share and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The subscription price per Rights Shares, which was agreed after arm's length negotiation between the Company and the Underwriters with reference to the market condition and market price of the Existing Shares, represents:

- (a) a discount of about 86.1% to the closing price of HK\$1.80 per Existing Share quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of about 50.8% to the theoretical ex-rights price of HK\$0.508 per Existing Share calculated based on the closing price per Existing Share on the Last Trading Day;
- (c) a discount of about 83.3% to the closing price of HK\$1.50 per Existing Share quoted on the Stock Exchange on the Latest Practicable Date;
- (d) a discount of about 45.4% to the theoretical ex-rights price of HK\$0.458 per Existing Share calculated based on the closing price per Existing Share on the Latest Practicable Date;
- (e) a discount of about 80.5% to the average closing price of about HK\$1.282 per Existing Share quoted on the Stock Exchange for the period from 13 January, 2004, being the first trading day immediately after the Last Trading Day, and up to and including the Latest Practicable Date;
- (f) a discount of about 40.8% to the theoretical ex-rights price of about HK\$0.422 per Existing Share based on the average closing price of about HK\$1.282 per Existing Share calculated in (e) above;
- (g) a discount of about 83.1% to the average closing price of approximately HK\$1.483 per Existing Share for the last 10 trading days up to and including the Last Trading Day;
- (h) a discount of about 45.2% to the theoretical ex-rights price of about HK\$0.456 per Existing Share based on the average closing price of about HK\$1.483 per Existing Share calculated in (g) above;
- (i) a premium of about 11.6% over the pro forma adjusted consolidated net tangible asset value per Existing Share of about HK\$0.224 immediately before completion of the Rights Issue (assuming no Share Options are exercised on or before the Record Date); and

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- (j) a premium of about 3.3% over the pro forma adjusted consolidated net tangible asset value per Share of about HK\$0.242 immediately after completion of the Rights Issue (assuming no Share Options are exercised on or before the Record Date).

In order to assess its reasonableness, we have conducted a comparison of the subscription price of the Rights Issue with that of, so far as we are aware based on publicly available information, all right issues announced during the period from 1 July, 2003 to 31 December, 2003. We are mindful of the fact that the pricing of a rights issue may vary under different stock market condition as well as for companies with different financial standing and business performance. We notice that none of the Reference Companies (as defined below) is involved in the business activities in which the Group currently operates. Nevertheless, we consider that a broader comparison of all rights issues announced recently would provide a general reference for the reasonableness of the pricing of the Rights Issue.

For the period from 1 July, 2003 to 31 December, 2003, we have identified fifteen rights issues announced by listed issuers (the “Reference Companies”) and have considered the theoretical ex-rights prices based on the average closing prices of the relevant shares of listed issuers quoted on the Stock Exchange for the last 10 trading days up to and including the date of their respective announcements (or the last trading day immediately preceding the release of their respective announcements). Given that the trading price of a share on the last date of trading prior to an announcement of a rights issue may be influenced by market speculation on a possible fund raising exercise and therefore we believe that it is more meaningful to have a longer-term comparison and a 10 trading day period is appropriate.

A summary of the key information on the rights issue of the Reference Companies is set out below:

Name of companies	Date of announcement	Subscription price (effective price) HK\$	Adjusted average closing price for the last 10 trading days up to and including the date of their respective announcements (or the last trading day immediately preceding the release of their respective announcements) HK\$	Theoretical ex-rights price HK\$	Premium/ (Discount) (%)
Wo Kee Hong (Holdings) Limited	24 July, 2003	0.0250	0.0654	0.0405	(38.33)%
Universe International Holdings Limited	29 July, 2003	0.0800	0.1050	0.0967	(17.24)%
Matsunichi Communication Holdings Limited	1 August, 2003	1.0000	1.4980	1.1660	(14.24)%
i100 Limited	1 August, 2003	1.0000	1.0600	1.0400	(3.85)%
Melco International Development Limited	11 August, 2003	1.4500	1.8000	1.6833	(13.86)%
MRC Holdings Limited	15 August, 2003	0.0500	0.0520	0.0510	(1.96)%
Thiz Technology Group Limited	10 September, 2003	0.0230	0.0430	0.0391	(41.22)%
Grandmass Enterprise Solution Limited	17 September, 2003	0.0075	0.0140	0.0118	(36.62)%
CASH Financial Services Group Limited	29 September, 2003	0.2500	1.2300	0.5767	(56.65)%
Star Cruises Limited	17 October, 2003	2.2500	2.4900	2.4743	(9.07)%
Fortuna International Holdings Limited	29 October, 2003	0.0100	0.0145	0.0123	(18.37)%
Enerchina Holdings Limited	31 October, 2003	0.4000	0.8750	0.5696	(29.78)%
Epro Limited	10 November, 2003	0.0110	0.0390	0.0303	(63.71)%
Jade Dynasty Food Culture Group Limited	4 December, 2003	0.3300	0.3100	0.3150	4.76%
Renren Holdings Limited	12 December, 2003	0.0100	0.0670	0.0214	(53.27)%

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As shown in the above table, the subscription prices of these rights issues to their respective theoretical ex-rights prices range from discounts of about 1.96% to 63.71% (14 rights issues) and a premium of about 4.76% (1 rights issue), with mean and median discounts of about 26.23% and 18.37%, respectively.

Upon arm's length negotiations between the Company and the Underwriters, the subscription price was set at HK\$0.25 per Rights Share, representing a discount of about 45.2% to the theoretical ex-rights price of about HK\$0.456 per Existing Share calculated in (h) above. However, given that the discount on the subscription price of the Rights Issue is within the abovementioned range for the Reference Companies, we consider the subscription price to be fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect on the Shareholders

Given that the Rights Issue is on the basis of five Right Shares for every Share held, Qualifying Shareholders who do not elect to take up in full their provisional allotments under the Rights Issue, will find their attributable interest in the Company (in terms of percentage shareholding) diluted after completion of the Rights Issue to a maximum dilution of about 83.3%. On the other hand, those Shareholders who wish to increase their shareholding in the Company may apply for Rights Shares in excess of their provisional allotments.

The Rights Shares

The Rights Shares, when fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividend and distributions which are declared, made or paid after the date of full payments for allotment of the Rights Shares.

Trading in nil-paid Rights Shares and application for excess Rights Shares

The Rights Shares may be traded in nil-paid form commencing on 8 March, 2004 and ending on 17 March, 2004. The arrangement will allow those Qualifying Shareholders who do not wish to take up all or part of their Rights Shares entitlements to dispose of all or part of their nil-paid Rights Shares on the Stock Exchange provided that there are purchasers for such nil-paid Rights Shares. Nevertheless, we must reiterate that those Qualifying Shareholders who do not take up all or part of their provisional allotments under the Rights Issue will suffer a dilution of their shareholdings.

On the other hand, Qualifying Shareholders who wish to increase their shareholdings of the Company through the Rights Shares, may acquire additional nil-paid Rights Shares on the Stock Exchange or apply for excess Rights Shares in the Rights Issue under the arrangement as set out in the section headed "Application for excess Rights Shares" in the letter from the Board of this circular.

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Financial effects of the Rights Issue

Net asset value

The effects on the pro forma adjusted consolidated net tangible asset value of the Group immediately after completion of the Rights Issue are set out in the section headed “Statement of pro forma adjusted consolidated net tangible assets” in the letter from the Board of this circular.

Following completion of the Rights Issue (assuming no Share Options are exercised on or before the Record Date), the pro forma adjusted consolidated net tangible assets of the Group as at 31 December, 2003 is estimated to increase from about HK\$13.3 million to HK\$86.5 million, representing an increase of about HK\$73.2 million or about 550.4%. The pro forma adjusted unaudited consolidated net tangible assets per Share of the Group as at 31 December, 2003 is estimated to increase from about HK\$0.224 to about HK\$0.242 immediately after completion of the Rights Issue (assuming no Share Options are exercised on or before the Record Date), representing an increase of about 8.0%.

Gearing ratio

The Group’s audited consolidated accounts for the year ended 31 December, 2002 showed that as at 31 December, 2002, the Group had a net cash position of about HK\$1.8 million, representing about 15.4% of its shareholders’ fund of HK\$11.7 million on that date. As advised by the Directors, the net cash position as at 31 December, 2003 was about HK\$17.8 million. As a result of the Rights Issue, the Group’s net cash position, based on the net cash position as at 31 December, 2003 of about HK\$17.8 million and the net proceeds of about HK\$73.2 million raised from the Rights Issue, would increase to about HK\$91.0 million, representing about 105.2% of the pro forma adjusted consolidated net tangible asset value of the Group of HK\$86.5 million immediately following the completion of the Rights Issue.

Underwriting arrangements

As at the Latest Practicable Date, Easyknit, through Landmark Profits, was interested in 21,376,554 Existing Shares, representing approximately 35.9% of the total issued share capital of the Company. Landmark Profits has irrevocably undertaken to the Company and the Underwriters that the Existing Shares beneficially owned by it will not be disposed of or transferred and will remain registered in its name (or names of its nominees) from the date of the undertaking, being 2 January, 2004, to the close of business on the Record Date and that it will take up its provisional allotment in full, representing 106,882,770 Rights Shares. Landmark Profits will not apply for any excess Rights Shares.

Independent Shareholders should note that the Underwriting Agreement contains termination clauses entitling Get Nice, on behalf of the Underwriters, to terminate their obligations on the occurrence of certain events occurring at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date. Please refer to the section headed “Termination of the Underwriting Agreement” in the letter to the board of Directors for details.

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RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the opinion that the Rights Issue is in the interest of the Company and Shareholders as a whole and the terms of which are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue at the SGM.

Yours faithfully,

For and on behalf of

Barits Securities (Hong Kong) Limited

Terence Hong

Alfred Wong

Executive Director

Director

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the equity and debt securities of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

A. Interests in the Company

1. *Interests in issued Existing Shares*

Name of Director	Capacity	Number of issued Existing Shares	% to existing issued share capital of the Company
Koon Wing Yee (<i>Note</i>)	Interest of spouse	21,376,554	35.93
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	21,376,554	35.93

Note: The Existing Shares were beneficially owned by Landmark Profits which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested to approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Lui Yuk Chu and her family members). Koon Wing Yee, being the spouse of Lui Yuk Chu, was deemed to be interested in the 21,376,554 Existing Shares by virtue of the SFO.

2. *Interests in unissued Shares*

Name of Director	Capacity	Number of unissued Shares	% to the Shares to be issued under the Rights Issue
Koon Wing Yee (<i>Note</i>)	Interest of spouse	106,882,770	35.93
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	106,882,770	35.93

Note: These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Lui Yuk Chu and her family members). Koon Wing Yee, being the spouse of Lui Yuk Chu, was deemed to be interested in the 106,882,770 Rights Shares by virtue of the SFO.

B. **Interests in associated corporations**1. *Easyknit*

Name of Director	Capacity	Number of shares	% to issued share capital of Easyknit
Koon Wing Yee (<i>Note</i>)	Interest of spouse	324,216,452	36.74
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	324,216,452	36.74
Tsang Yiu Kai	Beneficial owner	98,175	0.01

Note: These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Lui Yuk Chu and her family members). Koon Wing Yee, being the spouse of Lui Yuk Chu, was deemed to be interested in the 324,216,452 shares by virtue of the SFO.

2. *Wellmake Investments Limited (“Wellmake”) (Note)*

Name of Director	Capacity	Number of non-voting deferred share	% to issued non-voting deferred shares of Wellmake
Koon Wing Yee	Beneficial owner	1	50
Lui Yuk Chu	Beneficial owner	1	50

Note: All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by Easyknit.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the equity and debt securities of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

None of the Directors is interested in any assets which have since 31 December, 2002 been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the section headed “Material Contracts” below, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

None of the Directors have entered into any service contract with the Company or any of its subsidiaries or associated companies which have more than 12 months to run, or which have been entered into or amended within six months.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such shares are set out below:

A. Interests in issued Existing Shares

Name of substantial shareholder	Capacity	Number of issued Existing Shares	% to existing issued share capital of the Company
Landmark Profits (<i>Note</i>)	Beneficial owner	21,376,554	35.93
Easyknit (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93
Magical Profits Limited (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93
Accumulate More Profits Limited (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93
Newcourt Trustees Limited (<i>Note</i>)	Trustee	21,376,554	35.93
Au Yeung Man Yin	Beneficial owner	7,937,356	13.34
Chan So Chun	Beneficial owner	6,198,500	10.42

Note: These Existing Shares were beneficially owned by Landmark Profits, which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Lui Yuk Chu and her family members).

B. Interests in unissued Shares

Name of substantial shareholder	Capacity	Number of unissued Shares
Landmark Profits (<i>Note a</i>)	Beneficial owner	106,882,770
Easyknit (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Magical Profits Limited (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Accumulate More Profits Limited (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Newcourt Trustees Limited (<i>Note a</i>)	Trustee	106,882,770
Kingston (<i>Note b</i>)	Beneficial owner	50,000,000
Chu Yuet Wah (<i>Note b</i>)	Interest of controlled corporation	50,000,000
Ma Siu Fong (<i>Note b</i>)	Interest of controlled corporation	50,000,000
Get Nice Holdings Limited (<i>Note c</i>)	Interest of controlled corporation	95,593,180
Honeylink Agents Limited (<i>Note c</i>)	Interest of controlled corporation	95,593,180
Cheer Union (<i>Note d</i>)	Beneficial owner	50,000,000
Business Securities Limited (<i>Note e</i>)	Beneficial owner	61,593,180

Notes:

- (a) These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Lui Yuk Chu and her family members).
- (b) These are the Rights Shares which Kingston has underwritten in respect of the Rights Issue (assuming all Share Options are exercised on or before the Record Date). Kingston is a company controlled by Chu Yuet Wah and Ma Siu Fong. Accordingly, both of them are deemed to be interested in the Rights Shares in which Kingston has interest.
- (c) These are the Rights Shares which Get Nice has underwritten in respect of the Rights Issue (assuming all Share Options are exercised on or before the Record Date). Get Nice is wholly-owned by Get Nice Incorporated. Honeylink Agents Limited and its non-wholly owned subsidiary, Get Nice Holdings Limited, through its wholly-owned subsidiary, Get Nice Incorporated, are deemed to be interested in Get Nice's interest in the Company by virtue of the SFO.
- (d) These are the Rights Shares which Cheer Union has underwritten in respect of the Rights Issue (assuming all Share Options are exercised on or before the Record Date).
- (e) These are the Rights Shares which Business Securities Limited has sub-underwritten in respect of the Rights Issue (assuming all Share Options are exercised on or before the Record Date) from Get Nice.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately preceding the date of this Circular and are or may be material:

- (a) a share acquisition agreement dated 29 May, 2002 entered into between the Company and Mountial Investment Co. Ltd. (“Mountial”) relating to disposal of the entire issued share capital of Acme Landis Operations Holdings Limited (“ALOH”), formerly a wholly-owned subsidiary of the Company, for a consideration of HK\$1;
- (b) a deed of loan restructure dated 29 May, 2002 entered into between ALOH, Mountial and the Company for amending the terms of the original loan by the Company to ALOH arising pursuant to an asset transfer agreement dated 20 May, 2000;
- (c) a deed of equitable mortgage of shares dated 29 May, 2002 entered into between the Company and Mountial relating to the pledge of 100 million shares by Mountial in the capital of the Company as security for the repayment of the outstanding loan as set out under the deed of loan restructure dated 29 May, 2002 (refer to (b) above);
- (d) a top-up subscription agreement dated 4 June, 2002 entered into between the Company and i100 Capital Corporation as subscriber relating to the subscription of 100 million new shares of the Company for a total consideration of HK\$28,934,831;
- (e) a sale and purchase agreement dated 23 August, 2002 entered into between Digital Empires Company Limited as Vendor, solution100 Limited (a wholly-owned subsidiary of the Company) as purchaser, Chung Wai Keung, David, Chan Chun Hung, Addison, Lo Yuet Sun, Keymaster Management Limited, Time Matrix Holdings Limited, Major Circle Limited (collectively “Vendor’s Guarantors”) and the Company relating to acquisition of the entire share capital of Digital Empires Company Limited in consideration of a sum of HK\$502,500 and the allotment and issued to the Vendor’s Guarantors credited as fully paid a total of 2,500 shares of HK1.00 each in the capital of solution100 Limited (a wholly-owned subsidiary of the Company);

- (f) an escrow agreement dated 24 January, 2003 entered into between the Company, Planetic International Limited (a wholly-owned subsidiary of Easyknit) (“Planetic”) and Messrs. Simmons & Simmons (as Escrow Agent) relating to the loan facility of HK\$30.27 million granted by Easyknit, through Planetic, to the Company, pursuant to the loan facility letter dated 24 January, 2003;
- (g) an underwriting agreement dated 30 July, 2003 entered into between the Company and Get Nice in relation to the underwriting in respect of a rights issue of not less than 13,773,412 rights shares at a price of HK\$1.00 per rights share whereby Get Nice has agreed to fully underwrite 6,988,494 rights shares;
- (h) a placing agreement dated 13 October, 2003 entered into between the Company and Get Nice in relation to the placing of 8,264,047 new shares at a price of HK\$0.865 per placing share whereby Get Nice has agreed to fully underwrite all the placing shares;
- (i) a placing agreement dated 21 November, 2003 entered into between the Company and Kingston in relation to the placing of 9,916,856 new shares at a price of HK\$0.865 per placing share whereby Kingston has agreed to fully underwrite all the placing shares; and
- (j) the Underwriting Agreement.

5. LITIGATION

On 5 February, 2003 and 22 February, 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of the Company, by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the arrears of rental, management fees and rates plus any subsequent arrears of rent, management fees and rates until the date of delivery of vacant possession in relation to an alleged breach of a tenancy agreement for the premises known as Shop Nos. 7 and 8 on Ground Floor and the whole First Floor of Hang Lung Mansion, Nos. 578-580 Nathan Road, Nos. 44-46 Dundas Street, Kowloon, Hong Kong. An acknowledgement of service has been filed in respect of the claim. On 17 March, 2003, the vacant possession of the premises has been duly delivered to the landlord. As at the Latest Practicable Date, the Group intends to contest the legal proceedings with defence.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 December, 2002, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$1.2 million and are payable by the Company.

8. EXPERT

The following is the qualification of the expert who has been named in this Circular or has given its opinion, letters or advice which are contained in this Circular:

Name	Qualification
Barits	Corporation deemed licensed under the SFO

Barits has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Barits had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Tsang Yiu Kai, FHKSA, FCCA, AHKIT, CGA and CPA.

The authorised representatives of the Company are Mr. Koon Wing Yee and Mr. Tsang Yiu Kai.

- (b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The principal place of business of the Company is at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Hong Kong.
- (d) The principal share registrar and transfer office of the Company in Bermuda is The Bank of Bermuda Limited whose address is at Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda.
- (e) The principal banker of the Company is The Hongkong and Shanghai Banking Corporation Limited whose address is at 1 Queen's Road, Central, Hong Kong.
- (f) The legal adviser to the Company on Hong Kong law is Richards Butler whose address is at 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong.
- (g) The legal adviser to the Company on Bermuda law is Appleby Spurling & Kempe whose address is at 5511, The Centre, 99 Queen's Road Central, Central, Hong Kong.

- (h) The auditors of the Company are Deloitte Touche Tohmatsu, Certified Public Accountants, whose address is at 26th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (i) The English language texts of this document shall prevail over the Chinese language texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Underwriting Agreement;
- (c) the material contracts referred to in the section headed “Material Contracts”;
- (d) the audited financial statements of the Company for the years ended 31 December, 2001 and 31 December, 2002;
- (e) the letter from Barits, the Independent Financial Adviser as set out on pages 24 to 33 of this Circular; and
- (f) the letter of consents referred to in paragraph headed “Expert” above.

This appendix serves as an explanatory statement as required by the Listing Rules to provide information to Shareholders for their consideration of the Share Repurchase Mandate.

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue (assuming no exercise of Share Options on or before the Record Date) are as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
750,000,000 Existing Shares as at the Latest Practicable Date	300,000,000
6,500,000,000 Shares (assuming the Capital Reduction, the Subdivision and the increase in authorised share capital become effective)	650,000,000
<i>Issued and fully paid:</i>	
59,501,140 Existing Shares as at the Latest Practicable Date	23,800,456
59,501,140 Shares (assuming the Capital Reduction and Subdivision become effective)	5,950,114
297,505,700 Rights Shares to be issued pursuant to the Rights Issue	29,750,570
357,006,840 Shares in issue immediately following the Rights Issue	35,700,684

All Existing Shares rank *pari passu* in all respects as regards to right to dividends, voting and return of capital. The Rights Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank *pari passu* in all respects with the then issued Shares including the right to receive all dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

Save as disclosed herein, no Share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

In addition, as at the Latest Practicable Date, there were outstanding Share Options carrying the rights to subscribe up to an aggregate of 994,050 Existing Shares or Shares, as the case may be. If such Share Options are exercised in full on or before the Record Date, immediately after the Rights Issue, a further 5,964,300 Shares will be in issue.

Subject to the passing of the relevant ordinary resolution as set out in the notice of the SGM on pages 46 to 50 of this Circular and assuming that no further Existing Shares are issued or repurchased by the Company and no Share Options are exercised on or before the Record Date, the Directors will be authorised to repurchase up to 35,700,684 Shares pursuant to the Share Repurchase Mandate. Correspondingly, assuming that all outstanding Share Options carrying the rights to subscribe up to an aggregate of 994,050 Shares are exercised, on or before the Record Date, the Directors will be authorised to repurchase up to 36,297,114 Shares.

2. REASONS FOR REPURCHASE

The Directors have no present intention to repurchase any Shares but consider that the Share Repurchase Mandate is in the interests of the Company and the Shareholders. The Share Repurchase Mandate will provide the Company with the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company must fund the repurchase entirely from the Company's available cash flow or working capital facilities legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

The Directors do not propose to exercise the Share Repurchase Mandate to such extent as could, in the circumstances, have a material adverse effect on the working capital or the gearing level of the Company which in the opinion of the Directors is from time to time appropriate for the Company.

4. SHARE REPURCHASES BY THE COMPANY AND SHARE PRICES

The highest and lowest closing prices at which the Existing Shares have traded on the Stock Exchange in each of the last twelve months and up to the Latest Practicable Date are as follows:

2003	Share price	
	Highest <i>HK\$</i> <i>(Note)</i>	Lowest <i>HK\$</i> <i>(Note)</i>
February	1.28	1.04
March	1.20	0.88
April	1.04	0.88
May	1.36	0.96
June	1.52	0.88
July	1.12	0.88
August	1.12	0.92
September	1.52	1.00
October	1.08	0.91
November	1.01	0.87
December	1.51	0.98
2004		
January	1.80	1.02
February (up to and including the Latest Practicable Date)	1.58	1.50

Note: The abovementioned share prices of the Existing Shares have been adjusted as a result of the reorganisation of the capital of the Company by way of a share consolidation and a rights issue in September 2003.

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

5. 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 purchases pursuant to the Share Repurchase Mandate in accordance with the Listing Rules and all applicable laws of Bermuda.

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Share Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company nor has he undertaken not to sell any of the Shares held by him to the Company in the event that the Share Repurchase Mandate is approved by the Shareholders.

6. EFFECT OF TAKEOVERS CODE

If, as the result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a shareholder or a group of shareholders acting in concert could as a result of increase of its or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

After completion of the Rights Issue, Landmark Profits will directly or indirectly hold 128,259,324 Shares representing approximately 35.9 per cent. of the entire issued share capital of the Company (following the completion of the Capital Reduction, the Subdivision and the Rights Issue). Assuming that the Company exercises in full of the power to repurchase Shares under the Share Repurchase Mandate, the number of issued Shares would decrease from 357,006,840 to 321,306,156. The shareholding of Landmark Profits therein would increase to 39.9 per cent. and in such event, Landmark Profits may be required to make a mandatory conditional general offer for the Shares under the Takeovers Code. However, the Directors do not have any present intention to exercise the repurchase mandate to such extent.

The Board of Directors shall ensure that no repurchase of Shares would result in the aggregate number of Shares held by public shareholders falling below the minimum percentage specified by the Stock Exchange in respect of the Company.



Asia Alliance Holdings Limited

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of the shareholders of Asia Alliance Holdings Limited (the “Company”) will be held at Connaught Room, 1/F, Mandarin Oriental Hotel, 5 Connaught Road, Central, Hong Kong on Thursday, 4 March, 2004, at 9:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as a Special Resolution numbered 1 and Ordinary Resolutions numbered 2 to 6:

SPECIAL RESOLUTION

1. **“THAT**, conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company arising from the Capital Reduction (as defined below); (ii) the publication of a notice in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the date as from which the Capital Reduction is to take effect, in accordance to section 46 of the Companies Act 1981 of Bermuda (as amended and consolidated from time to time), with effect from 4:00 p.m. on the date on which this resolution is passed:
 - (a) the issued share capital of the Company be reduced from an amount of HK\$23,800,456 to HK\$5,950,114 by cancelling paid up capital to the extent of HK\$0.30 on each of the shares of HK\$0.40 each (“Existing Shares”) in issue in the capital of the Company (the “Capital Reduction”) such that the nominal value of all Existing Shares in issue on the date of this resolution be reduced from HK\$0.40 per Existing Share to HK\$0.10 per share (“Share”);
 - (b) each of the authorised but unissued Existing Shares (including but not limited to those unissued shares arising from the Capital Reduction) be subdivided into four Shares of HK\$0.10 each;
 - (c) the credit of an amount of HK\$17,850,342 be transferred to the Company’s capital reserve account; and
 - (d) the directors of the Company be and are hereby authorised generally to do all things they consider appropriate or desirable to effect and implement any of the foregoing.”

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ORDINARY RESOLUTIONS

2. **“THAT** the authorised share capital of the Company be increased from HK\$300,000,000 to HK\$650,000,000 by the creation of an additional 3,500,000,000 shares (each a “Share”) of HK\$0.10 each in the capital of the Company upon completion of the Capital Reduction and the Subdivision referred to in the form of Special Resolution numbered 1 in the notice of SGM dated 10 February, 2004.”

3. **“THAT**, subject to the fulfilment or waiver of the conditions set out in the underwriting agreement (the “Underwriting Agreement”) dated 2 January, 2004 in respect of the proposed rights issue by the Company and entered into between the Company, Get Nice Investment Limited, Cheer Union Securities Limited and Kingston Securities Limited (the “Underwriters”) (a copy of the Underwriting Agreement having been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification):
 - (a) the allotment and issue of 297,505,700 shares (each a “Share”) of HK\$0.10 each in the capital of the Company (the “Rights Shares”) pursuant to an offer by way of rights issue by the Company (the “Rights Issue”) in the proportion of five Rights Shares for every one Share held to holders of Shares (“Shareholders”) whose names appear on the register of members of the Company on Thursday, 4 March, 2004 (or such later date as the Company and the Underwriters may agree to be the record date for such Rights Issue) (the “Record Date”) other than those Shareholders whose addresses on the Record Date are outside Hong Kong (“Overseas Shareholders”) as described in further detail in the circular issued by the Company dated 10 February, 2004, a copy of which has been produced to the meeting and marked “B” and signed by the Chairman of the meeting for the purpose of identification, and on and subject to such terms and conditions as may be determined by the directors of the Company, be and is hereby approved;

 - (b) the directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Overseas Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this Ordinary Resolution;

 - (c) the directors of the Company be and are hereby authorised to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and desirable.”

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4. “**THAT:**

- (a) the general mandate granted to the directors of the Company to exercise the power of the Company to allot, issue and deal with shares of the Company pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 18 November, 2003 be and is hereby revoked (but without prejudice to any exercise of such mandate prior to the date on which this resolution becomes effective);
- (b) subject to paragraph (d) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the unissued shares (each a “Share”) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options, which might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Ordinary Resolution and, if Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004 is passed, the Rights Shares (as defined in Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004) to be issued pursuant to the Underwriting Agreement (as defined in Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004);
- (e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended and consolidated from time to time) or any other applicable law to be held; and

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- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. **“THAT:**

- (a) the general mandate granted to the directors of the Company to exercise the power of the Company to repurchase shares of the Company pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 18 November, 2003 be and is hereby revoked (but without prejudice to any exercise of such mandate prior to the date on which this resolution becomes effective);
- (b) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase shares (each a “Share”) of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited, the Companies Act 1981 of Bermuda (as amended and consolidated from time to time) (the “Companies Act”) and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (b) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Ordinary Resolution and, if Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004 is passed, the Rights Shares (as defined in resolution numbered 3 in the notice of SGM dated 10 February, 2004) to be issued pursuant to the Underwriting Agreement (as defined in Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004) and the authority pursuant to paragraph (b) of this Ordinary Resolution shall be limited accordingly; and

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- (d) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”
6. “**THAT** subject to the passing of Ordinary Resolutions numbered 4 and 5 in the notice of SGM dated 10 February, 2004, the general mandate granted to the directors of the Company pursuant to the approval granted under Ordinary Resolution numbered 4 in the notice of SGM dated 10 February, 2004 and for the time being in force to exercise the power of the Company to allot, issue and deal with shares (each a “Share”) of HK\$0.10 each in the capital of the Company be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of Shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the directors of the Company of the powers of the Company to purchase such Shares pursuant to the approval granted under Ordinary Resolution numbered 5 in the notice of SGM dated 10 February, 2004 provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Ordinary Resolution as enlarged by the Rights Issue referred to in Ordinary Resolution numbered 3 in the notice of SGM dated 10 February, 2004.”

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

Hong Kong, 10 February, 2004