
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Alliance Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

**ASIA ALLIANCE HOLDINGS LIMITED****亞洲聯盟集團有限公司****(incorporated in Bermuda with limited liability)***Stock Code: 616****ONGOING CONNECTED TRANSACTIONS
ADOPTION OF NEW BYE-LAWS****Independent Financial Adviser to the Independent Board Committee**

A letter from the board of directors of Asia Alliance Holdings Limited is set out on pages 4 to 11 of this circular. A letter from the independent board committee of Asia Alliance Holdings Limited is set out on pages 12 to 13 of this circular. A letter from Access Capital Limited, the independent financial adviser, to the independent board committee and the independent shareholders of the Company is set out on pages 14 to 25 of this circular.

A notice convening a special general meeting of Asia Alliance Holdings Limited to be held on 25th August, 2004 at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages 34 to 35 of this circular. Whether or not shareholders are able to attend the special general meeting, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the special general meeting or any adjournment thereof, should they so wish.

* For identification only

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DEFINITIONS

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

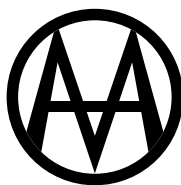
“Acquisition”	the acquisition by Best Ability and the sale by Easyknit International Trading Company of the entire issued share capital of Po Cheong
“associate”	the meaning ascribed thereto in the Listing Rules
“Best Ability”	Best Ability Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Asia Alliance Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and the SGX-ST and, through its wholly-owned subsidiary Landmark Profits, holds approximately 35.93% of the issued share capital of the Company
“Easyknit Group”	Easyknit and its subsidiaries
“Easyknit International Trading Company”	Easyknit International Trading Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Easyknit
“Group”	the Company and its subsidiaries
“IFA” or “Access Capital”	Access Capital Limited, the independent financial adviser to the Independent Board Committee and a corporation deemed licensed under the SFO to engage in types 1, 4, 6 and 9 regulated activities
“Independent Board Committee”	a board committee comprising of the independent non-executive Directors of the Company constituted to make recommendations to the Independent Shareholders in respect of the LTC Transactions and the KPF Transactions
“Independent Shareholders”	the meaning ascribed to it under Chapter 14A of the Listing Rules

DEFINITIONS

“Independent Third Parties”	parties which are not a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“KPF Agreement”	the agreement entered into between the Company and Ms. Koon on 15th June, 2004
“KPF Cap”	the maximum value of the KPF Transactions for the periods as set out under “KPF Transactions”
“KPF Companies”	companies controlled by Ms. Koon
“KPF Transactions”	the sale of fabrics and provision of bleaching and dyeing services by the Group to the KPF Companies pursuant to the KPF Agreement
“Landmark Profits”	Landmark Profits Limited, the beneficial owner of an approximately 35.93% interest in the Company and a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits
“Latest Practicable Date”	21st July, 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
“LTC Agreement”	the agreement entered into between the Company and Mr. Louie on 15th June, 2004
“LTC Cap”	the maximum value of the LTC Transactions for the periods as set out under “LTC Transactions”
“LTC Companies”	companies controlled by Mr. Louie
“LTC Transactions”	the sale of fabrics and provision of bleaching and dyeing services by the Group to the LTC Companies pursuant to the LTC Agreement
“Magical Profits”	Magical Profits Limited, a company incorporated in the British Virgin Islands with limited liability and which is beneficially owned by The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and members of her family)
“Mr. Louie”	Mr. Louie Tsz Chung, the nephew of Ms. Lui Yuk Chu, a Director

DEFINITIONS

“Ms. Koon”	Ms. Koon Po Fun, the sister of Mr. Koon Wing Yee, a Director
“New Bye-laws”	the new bye-laws of the Company proposed to be adopted at the SGM
“Po Cheong”	Po Cheong International Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Po Cheong Group”	Po Cheong and its subsidiary
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to approve amongst others, the LTC Transactions, the KPF Transactions and the adoption of the New Bye-laws
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



ASIA ALLIANCE HOLDINGS LIMITED

亞洲聯盟集團有限公司*

(incorporated in Bermuda with limited liability)

Executive Directors:

Koon Wing Yee

(President and Chief Executive Officer)

Tsang Yiu Kai *(Vice President)*

Lui Yuk Chu

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent Non-executive Directors:

Kan Ka Hon

Kwong Jimmy Cheung Tim

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

26th July, 2004

To the Shareholders, and

for information only, the optionholder

Dear Sirs or Madam,

**ONGOING CONNECTED TRANSACTIONS
ADOPTION OF NEW BYE-LAWS**

INTRODUCTION

In an announcement dated 2nd July, 2004, the Directors announced that on 17th May, 2004, the acquisition of all the issued shares of Po Cheong by Best Ability from Easyknit International Trading Company was completed and Po Cheong has become a wholly-owned subsidiary of the Company. Prior to the Acquisition, the Po Cheong Group had carried out the LTC Transactions and the KPF Transactions and the Group intends to continue to enter into the LTC Transactions and the KPF Transactions with the LTC Companies and the KPF Companies respectively.

* *For identification only*

LETTER FROM THE BOARD

As Mr. Louie is the nephew of Ms. Lui Yuk Chu, a Director and has been deemed to be a connected person of the Company under the Listing Rules and Ms. Koon is the sister of Mr. Koon Wing Yee, a Director and is a connected person of the Company under the Listing Rules, the LTC Transactions and the KPF Transactions will constitute “non-exempt continuing connected transactions” of the Company under the Listing Rules. The LTC Transactions and the KPF Transactions will be subject to Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the LTC Transactions and the KPF Transactions.

The Independent Board Committee has been formed to make a recommendation to the Independent Shareholders in respect of the resolutions to approve the LTC Transactions and the KPF Transactions to be subject to the LTC Cap and the KPF Cap respectively. Access Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the LTC Transactions and the KPF Transactions and the LTC Cap and the KPF Cap are fair and reasonable so far as the Shareholders are concerned.

The Company is an investment company and, through its subsidiaries, is engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and bleaching and dyeing services.

The Company also proposes to adopt the New Bye-laws in place of the existing bye-laws of the Company.

The purpose of this circular is to provide the Shareholders with details of the LTC Transactions and the KPF Transactions, the advice of the IFA, the recommendations of the Independent Board Committee and the important provisions of the New Bye-laws, together with a notice convening the SGM.

LTC TRANSACTIONS

On 15th June, 2004, the Company and Mr. Louie entered into the LTC Agreement pursuant to which, amongst other things, the Group has agreed to sell fabrics and provide bleaching and dyeing services to the LTC Companies for the period from 17th May, 2004 to 31st March, 2007. The LTC Agreement specifies the maximum amount (in monetary terms) of sales of fabrics and bleaching and dyeing services by the Group to the LTC Companies for such period. Each order for sale of fabrics to the LTC Companies and provision of bleaching and dyeing services to the LTC Companies will be made subject to orders placed by the LTC Companies with the Group from time to time, at prices agreed between them on a case-by-case basis by reference to the prevailing rates charged by the Group to customers which are Independent Third Parties and which will be on normal commercial terms.

LETTER FROM THE BOARD

In addition, under the terms of the LTC Agreement, the Company has agreed to grant trade credit to the LTC Companies in respect of the sales of fabrics and provision of bleaching and dyeing services to the LTC Companies. Such trade credit is interest free with a credit period of 60 days. The terms of the trade credit granted by the Group to the LTC Companies are normal commercial terms which are common in the garment industry in Hong Kong. The Group has also provided similar arrangements to its other independent third party customers.

As shown in the audited consolidated financial statements of the Po Cheong Group for the three financial years ended 31st March, 2004, the aggregate values of the LTC Transactions and the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group were as follows:

For the year ended 31st March	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (audited) <i>HK\$'000</i>
Sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group to the LTC Companies	1,778 <i>(Note)</i>	8,504	10,308
Total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	7,817	29,789	55,747
Sales to the LTC Companies as percentage of the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	22.7%	28.5%	18.5%

Note: The LTC Companies had been customers of the Po Cheong Group for only 5 months since October 2001 when Po Cheong's bleaching and dyeing factory began to operate.

Pursuant to the terms of the LTC Agreement and based on (i) the historical amount of sale of fabrics made between the Po Cheong Group and LTC Companies for the three years ended 31st March, 2004 (ii) discussions between the Group and its customers with regard to their estimated growth in demand of garments in order to enable the Group to ascertain the estimated demand for the Group's bleaching and dyeing services in the coming years (iii) the historical production capacity of LTC Companies and the expected increase in capacity of LTC Companies and (iv) assessment of the market trend, the overall demand and the expectation of the growth for garments by the customers of the Group, the Group expects that the maximum value of the LTC Transactions for the periods set out below is likely to be as follows. The following estimate has also taken into account the fact that the Po Cheong Group has installed new bleaching and dyeing machines in April 2004 to handle the fabrics

LETTER FROM THE BOARD

purchased by the LTC Companies, which were not previously processed by the Po Cheong Group, and the likelihood of increasing expected sales and demand for garments from the Easyknit Group, details of which are set out in the letter from Access Capital in pages 14 to 25 of this circular. **This is an estimate only and not a forecast:**

	17th May, 2004 - 31st March, 2005	1st April, 2005 - 31st March, 2006	1st April, 2006 - 31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of fabrics and provision of bleaching and dyeing services to the LTC Companies	57,900	63,690	70,059

Mr. Louie is the nephew of Ms. Lui Yuk Chu, a Director and has been deemed to be a connected person of the Company under the Listing Rules. As the LTC Transactions will constitute “non-exempt continuing connected transactions” of the Company under the Listing Rules, they will be subject to Independent Shareholders’ approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the LTC Transactions which will be subject to the following conditions:

- (1) the LTC Transactions will be:
 - (i) entered into in the ordinary and usual course of business of the Company;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than the terms available to Independent Third Parties; and
 - (iii) entered into in accordance with the relevant terms and conditions governing them which are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company as a whole;
- (2) the aggregate value of the LTC Transactions shall not exceed HK\$57,900,000, HK\$63,690,000 and HK\$70,059,000 for the period from 17th May, 2004 to 31st March, 2005 and each of the two financial years ending 31st March, 2006 and 31st March, 2007 respectively; and
- (3) compliance will be made by the Company with all other relevant requirements under the Listing Rules regarding the LTC Transactions.

LETTER FROM THE BOARD

KPF TRANSACTIONS

On 15th June, 2004, the Company and Ms. Koon entered into the KPF Agreement pursuant to which, amongst other things, the Group has agreed to sell fabrics and provide bleaching and dyeing services to the KPF Companies for the period from 17th May, 2004 to 31st March, 2007. The KPF Agreement specifies the maximum amount (in monetary terms) of sales of fabrics and bleaching and dyeing services by the Group to the KPF Companies for such period. Each order for sale of fabrics to the KPF Companies and provision of bleaching and dyeing services to the KPF Companies will be made subject to orders placed by the KPF Companies with the Group from time to time, at prices agreed between them on a case-by-case basis by reference to the prevailing rates charged by the Group to customers which are Independent Third Parties and which will be on normal commercial terms.

In addition, under the terms of the KPF Agreement, the Company has agreed to grant trade credit to the KPF Companies in respect of the sales of fabrics and provision of bleaching and dyeing services to the KPF Companies. Such trade credit is interest free with a credit period of 60 days. The terms of the trade credit granted by the Group to the KPF Companies are normal commercial terms which are common in the garment industry in Hong Kong. The Group has also provided similar arrangements to its other independent third party customers.

As shown in the audited consolidated financial statements of the Po Cheong Group for the three financial years ended 31st March, 2004, the aggregate values of the KPF Transactions and the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group were as follows:

For the year ended 31st March	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (audited) <i>HK\$'000</i>
Sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group to the KPF Companies	3,282 <i>(Note)</i>	8,465	17,532
Total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	7,817	29,789	55,747
Sales to the KPF Companies as percentage of the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	42.0%	28.4%	31.4%

Note: The KPF Companies had been customers of the Po Cheong Group for only 5 months since October 2001 when Po Cheong's bleaching and dyeing factory began to operate.

LETTER FROM THE BOARD

Pursuant to the terms of the KPF Agreement and based on (i) the historical amount of sale of fabrics made between the Po Cheong Group and KPF Companies for the three years ended 31st March, 2004 (ii) discussions between the Group and its customers with regard to their estimated growth in demand of garments in order to enable the Group to ascertain the estimated demand for the Group's bleaching and dyeing services in the coming years (iii) the historical production capacity of KPF Companies and the expected increase in capacity of KPF Companies and (iv) assessment of the market trend, the overall demand and the expectation of the growth for garments by the customers of the Group, the Group expects that the maximum value of the KPF Transactions for the periods set out below is likely to be as follows. **This is an estimate only and not a forecast:**

	17th May, 2004 - 31st March, 2005	1st April, 2005 - 31st March, 2006	1st April, 2006 - 31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of fabrics and provision of bleaching and dyeing services to the KPF Companies	18,900	18,900	18,900

Ms. Koon is the sister of Mr. Koon Wing Yee, a Director and is a connected person of the Company under the Listing Rules. As the KPF Transactions will constitute "non-exempt continuing connected transactions" of the Company under the Listing Rules, they will be subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules. Since Landmark Profits is a wholly-owned subsidiary of Easyknit which is in turn owned as to 36.74% by Magical Profits, it will abstain from voting at the SGM to approve the KPF Transactions which will be subject to the following conditions:

- (1) the KPF Transactions will be:
 - (i) entered into in the ordinary and usual course of business of the Company;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than the terms available to Independent Third Parties; and
 - (iii) entered into in accordance with the relevant terms and conditions governing them which are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company as a whole;
- (2) the aggregate value of the KPF Transactions shall not exceed HK\$18,900,000 for the period from 17th May, 2004 to 31st March, 2005 and each of the two financial years ending 31st March, 2006 and 31st March, 2007 respectively; and
- (3) compliance will be made by the Company with all other relevant requirements under the Listing Rules regarding the KPF Transactions.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE LTC TRANSACTIONS AND THE KPF TRANSACTIONS

The LTC Transactions and the KPF Transactions will be conducted in the ordinary and usual course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. In view of the good long term relationships between the Po Cheong Group and the LTC Companies and the KPF Companies, the Directors are of a view that the Group's business with the LTC Companies and the KPF Companies will enhance the growth prospects of the Group's business. The Directors believe that the LTC Agreement and the KPF Agreement will ensure a stable source of business for the Group. The Directors consider that the LTC Transactions and the KPF Transactions are in the interest of the Company and the Shareholders and that their bases are fair and reasonable so far as the Company and the Shareholders are concerned.

In view of the nature of the bleaching and dyeing business, the Directors believe that customers who are garment suppliers/manufacturers as well as their ultimate customers are in general very demanding. In addition, the Group has to compete with many other bleaching and dyeing companies and/or garment suppliers/manufacturers with in-house bleaching and dyeing services, in terms of quality, value for money and efficient and on-time delivery. Due to the highly competitive nature of the garment industry in Hong Kong, the Directors believe it is very important for the Group to maintain a long-term and steady relationship with its customers (such as the LTC Companies and the KPF Companies).

Following the accession by the People's Republic of China (the "PRC") to the World Trade Organisation and the announced elimination of the quota system for garment exports from the PRC to the United States of America and countries in Europe by 2005, the Directors are of a view that the business of the LTC Companies and the KPF Companies will continue to grow due to increasing demand from their customers, which will in turn further enhance the growth prospects of the Group's business.

ADOPTION OF NEW BYE-LAWS

The Board considered that since the existing bye-laws were adopted in 1991, a number of provisions therein should be amended to take into account various changes in applicable laws, regulations, the Listing Rules and market practices. As such amendments are substantial, it is proposed that a new set of bye-laws which complies with all current applicable laws and Stock Exchange requirements be adopted instead of further amending the existing bye-laws on a piecemeal basis, which may lead to confusion and complication in the future. It is therefore proposed that Shareholders' approval be sought by way of special resolution at the SGM to adopt the New Bye-laws in substitution for and to the exclusion of the existing bye-laws. A summary of certain important provisions of the New Bye-laws is set out in Appendix I to this circular.

LETTER FROM THE BOARD

SGM

The notice of the SGM is set out on pages 34 to 35 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the SGM or any adjournment thereof in person, if they so wish.

Landmark Profits will abstain from voting at the SGM on the resolutions to approve the LTC Transactions and the KPF Transactions. The votes of the Independent Shareholders at the SGM will be taken by poll. Save and except for the shareholding of Landmark Profits in the Company, details of which are set out in page 31 in Appendix II of this circular, none of Mr. Louie, Ms. Lui Yuk Chu, Ms. Koon and Mr. Koon Wing Yee and their respective associates has any other shareholding in the Company.

RECOMMENDATION

The Independent Board Committee has been formed to make a recommendation to the Independent Shareholders in respect of the resolutions to approve the LTC Transactions and the KPF Transactions to be subject to the LTC Cap and the KPF Cap respectively. Access Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the LTC Transactions, the KPF Transactions, the LTC Cap and the KPF Cap are fair and reasonable so far as the Shareholders are concerned. Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 12 to 13 and pages 14 to 25 of this circular respectively.

The Board believes that the adoption of the New Bye-laws is essential to comply with changes to applicable laws, regulations and Listing Rules. Accordingly, the Directors recommend that the Shareholders vote in favour of the special resolution to be proposed at the SGM to approve such matter.

ADDITIONAL INFORMATION

Your attention is also drawn to the notice of the SGM, the summary of the important provisions of the New Bye-laws and the general information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee prepared for inclusion in this circular.



ASIA ALLIANCE HOLDINGS LIMITED

亞洲聯盟集團有限公司*

(incorporated in Bermuda with limited liability)

26th July, 2004

To the Independent Shareholders

Dear Sir and Madam,

ONGOING CONNECTED TRANSACTIONS

We refer to the circular dated 26th July, 2004 of Asia Alliance Holdings Limited (“Circular”), of which this letter forms part. Terms defined in the Circular bear the same meanings herein, unless the context otherwise requires.

We have been appointed to constitute the Independent Board Committee to make a recommendation to the Independent Shareholders in relation to the LTC Transactions and the KPF Transactions subject to the LTC Cap and the KPF Cap respectively.

We draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular, which provides details of the LTC Transactions and the KPF Transactions. Your attention is also drawn to the letter from Access Capital to the Independent Board Committee and the Independent Shareholders which contains their advices in respect of the LTC Transactions and the KPF Transactions, as set out on pages 14 to 25 of the Circular.

Having considered the terms of the LTC Agreement and the KPF Agreement, the principal factors and reasons considered by, and the advice of, Access Capital as stated in their aforementioned letter of advice, the Independent Board Committee concurs with the views of Access Capital that the terms of the LTC Agreement, the KPF Agreement and the transactions contemplated thereunder as well as the respective cap amounts are fair and reasonable so far as the Shareholders are concerned and in

* *For identification only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the interests of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the terms of the LTC Agreement, the KPF Agreement and the transactions contemplated thereunder as well as the respective cap amounts.

Yours faithfully,

For and on behalf of

Independent Board Committee

Kan Ka Hon

Kwong Jimmy Cheung Tim

Independent Non-executive Director *Independent Non-executive Director*

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.



Suite 606
6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

26th July, 2004

*To: The Independent Board Committee and
the Independent Shareholders of Asia Alliance Holdings Limited*

Dear Sirs,

ONGOING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the LTC Transactions and the KPF Transactions (together defined as the “Ongoing Connected Transactions”) contemplated under the LTC Agreement and the KPF Agreement and the respective caps (i.e. the LTC Cap and the KPF Cap) in relation to these Ongoing Connected Transactions. Details of the Ongoing Connected Transactions are contained in the “Letter from the Board” set out on pages 4 to 11 of a circular to the Shareholders dated 26th July, 2004 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined elsewhere in the Circular, unless the context otherwise specifies.

Reference is made to an announcement issued by the Company and Easyknit, the controlling shareholder of the Company, on 5th March, 2004, relating to a transaction whereby Easyknit International Trading Company (a wholly-owned subsidiary of Easyknit) disposed (the “Disposal”) of all the issued shares of Po Cheong, previously an indirect wholly-owned subsidiary of Easyknit, to Best Ability, a wholly-owned subsidiary of the Company. Completion of the Disposal took place on 17th May, 2004 and Po Cheong became a wholly-owned subsidiary of the Company on the same date. Prior to the Disposal, the LTC Transactions and the KPF Transactions were carried out solely by the Po Cheong Group and will continue to be carried out by the Po Cheong Group after the Disposal.

LETTER FROM ACCESS CAPITAL

Given that (i) Mr. Louie is the nephew of Ms. Lui Yuk Chu, a Director, and has been deemed to be a connected person of the Company under the Listing Rules; and (ii) Ms. Koon is the sister of Mr. Koon Wing Yee, a Director and is a connected person of the Company under the Listing Rules, the respective transactions contemplated under the LTC Agreement and the KPF Agreement will constitute non-exempt continuing connected transactions of the Company under the Listing Rules. The Ongoing Connected Transactions are subject to reporting requirements and to Independent Shareholders' approval at the SGM.

As stated in the "Letter from the Board", the Company will seek the approval of the Independent Shareholders at the SGM of the Ongoing Connected Transactions and the respective caps in relation to the Ongoing Connected Transactions. Since Landmark Profits is a wholly-owned subsidiary of Easyknit, which is in turn owned as to approximately 36.74% by Magical Profits, it will abstain from voting on the relevant resolutions to approve the LTC Transactions and the KPF Transactions at the SGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board is comprised of (i) three executive Directors, namely Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu and (ii) two independent non-executive Directors, namely Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim.

An Independent Board Committee comprising Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim, has been established to consider the terms of the Ongoing Connected Transactions and the respective caps related thereto.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Ongoing Connected Transactions and the respective caps related thereto are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Ongoing Connected Transactions and the respective caps for the Independent Board Committee's consideration in making their recommendation to the Independent Shareholders.

III. BASES OF THE OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company through its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company through its senior management staff and/or the Directors (and for which the Directors are solely responsible) were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company through its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM ACCESS CAPITAL

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company through its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the Ongoing Connected Transactions

1.1 Background to the Ongoing Connected Transactions

The Group is an investment company and, through its subsidiaries, is engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and bleaching and dyeing services.

1.1.1 LTC Transactions

LTC Companies have been customers of Po Cheong since October 2001 when Po Cheong's bleaching and dyeing factory began to operate (and at which time Po Cheong belonged to Easyknit). As confirmed by the management of the LTC Companies and as shown in the audited consolidated financial statements of the Po Cheong Group for the three financial years ended 31st March, 2004, the aggregate value of the LTC Transactions and the sales of garments of the LTC Companies to the Easyknit Group were as follows:

For the year ended 31st March,	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (audited) <i>HK\$'000</i>
Sales of fabrics to the LTC Companies and provision of bleaching and dyeing services by the Po Cheong Group to LTC Companies	1,778 <i>(Note)</i>	8,504	10,308
Total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	7,817	29,789	55,747

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For the year ended 31st March,	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (audited) <i>HK\$'000</i>
Sales to the LTC Companies as percentage of the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	22.7%	28.5%	18.5%
Total sales of garments by the LTC Companies to the Easyknit Group	189,397	205,381	182,890

Note: The LTC Companies had been customers of the Po Cheong Group for only 5 months since October 2001 when Po Cheong's bleaching and dyeing factory began to operate.

Shareholders should note that both the revenue from sales of fabrics to the LTC Companies and the provision of bleaching and dyeing services to the LTC Companies (approximately HK\$8.5 million in 2003 to approximately HK\$10.3 million in 2004, representing an increase of approximately 21.2%) and the total revenue from sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group (approximately HK\$29.8 million in 2003 to approximately HK\$55.7 million in 2004, representing an increase of approximately 86.9%) increased substantially during the financial years ended 31st March, 2003 and 31st March, 2004 (when Po Cheong began full operation). Shareholders should note that the revenue from sales of fabrics to the LTC Companies and the provision of bleaching and dyeing services to the LTC Companies represented approximately 28.5% (for the year ended 31st March, 2003) and approximately 18.5% (for the year ended 31st March, 2004) of the total revenue from sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group. Shareholders should also note that we have not taken into account the sales to the LTC Companies for the financial year ended 31st March, 2002 as the LTC Companies had been customers of the Po Cheong Group for only 5 months since October 2001. As the amount of sales to the LTC Companies for the financial year ended 31st March, 2002 (approximately HK\$1.8 million) is relatively small compared to the full year figures of 2003 and 2004, and such figure only represents the 5 months results for the year ended 31st March, 2002, we believe that even if we do not consider the 5 months figure, it would not have any impact to our opinion or analysis.

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1.1.2 KPF Transactions

KPF Companies have also been customers of Po Cheong since October 2001. As confirmed by the management of the KPF Companies and as shown in the audited consolidated financial statements of the Po Cheong Group for the three financial years ended 31st March, 2004, the aggregate value of the KPF Transactions and the sales of garments of the KPF Companies to the Easyknit Group were as follows:

For the year ended 31st March,	2002 (audited) <i>HK\$'000</i>	2003 (audited) <i>HK\$'000</i>	2004 (audited) <i>HK\$'000</i>
Sales of fabrics to the KPF Companies and provision of bleaching and dyeing services by the Po Cheong Group to the KPF Companies	3,282 <i>(Note)</i>	8,465	17,532
Total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	7,817	29,789	55,747
Sales to the KPF Companies as percentage of the total sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group	42.0%	28.4%	31.4%
Total sales of garments by the KPF Companies to the Easyknit Group	40,314	50,236	62,959

Note: The KPF Companies had been customers of the Po Cheong Group for only 5 months since October 2001 when Po Cheong's bleaching and dyeing factory began to operate.

Following the commencement of the provision of bleaching and dyeing services by the Po Cheong Group in October 2001 as mentioned above, the revenue from sales of fabrics to the KPF Companies and the provision of bleaching and dyeing services to the KPF Companies increased substantially from approximately HK\$8.5 million for the year ended 31st March, 2003 to approximately HK\$17.5 million for the year ended 31st March, 2004 (representing an increase of approximately 105.9%). Shareholders should note that the revenue from sales of fabrics to the KPF Companies and the provision of bleaching and dyeing services to the KPF Companies represented approximately 28.4% (for the year ended 31st March, 2003) and approximately 31.4% (for the year ended 31st March, 2004) of the total revenue from sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group. Shareholders should also note that we have not taken into account the sales to the KPF Companies for the financial year ended 31st March, 2002 as the KPF

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Companies had been customers of the Po Cheong Group for only 5 months since October 2001. As the amount of sales to the KPF Companies for the financial year ended 31st March, 2002 (approximately HK\$3.3 million) is relatively small compared to the full year figures of 2003 and 2004, and such figure only represents the 5 months results for the year ended 31st March, 2002, we believe that even if we do not consider the 5 months figure, it would not have any impact to our opinion or analysis.

As mentioned above, Mr. Louie and Ms. Koon are connected persons (or deemed connected persons) of the Company under the amended Listing Rules (effective from 31st March, 2004) and transactions contemplated under the LTC Transactions and the KPF Transactions therefore constitute Ongoing Connected Transactions. They are therefore subject to reporting requirements and to Independent Shareholders' approval at the SGM.

1.2 Reasons for the Ongoing Connected Transactions

According to the Directors, the LTC Transactions and the KPF Transactions will be subject to Independent Shareholders' approval and (if approved) will continue to be conducted in the ordinary and usual course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. The executive Directors consider that the LTC Transactions and the KPF Transactions are in the interests of the Company and the Shareholders and that their bases are fair and reasonable so far as the Company and the Shareholders are concerned.

In view of the nature of the bleaching and dyeing business, the Directors believe that customers who are garment suppliers/manufacturers as well as their ultimate customers are in general very demanding. In addition, the Group has to compete with many other bleaching and dyeing companies and/or garment suppliers/manufacturers with in-house bleaching and dyeing services, in terms of quality, value for money and efficient and on-time delivery. Due to the highly competitive nature of the garment industry in Hong Kong, the Directors believe it is very important for the Group to maintain a long-term and steady relationship with its customers (such as the LTC Companies and the KPF Companies). We concur with the view of the Directors.

Following the accession by the People's Republic of China (the "PRC") to the World Trade Organisation and the announced elimination of the quota system for garment exports from the PRC to the United States of America and countries in Europe by 2005, the Directors are of a view that the business of the LTC Companies and the KPF Companies will continue to grow due to increasing demand from their customers, which will in turn further enhance the growth prospects of the Group's business.

Having taken into account the background and reasons stated above, we are of the view that it is justifiable for the Group to continue to deal with its long-term customers (such as the LTC Companies and the KPF Companies), in particular, it is beneficial to the Group so as to maintain its competitiveness among many other bleaching and dyeing companies and/or garment suppliers/manufacturers with in-house bleaching and dyeing services, in terms of quality, value for money and efficient and on-time delivery. In addition, the entering into of the LTC Agreement and the KPF Agreement helps to formalise and secure the purchase relationship for the period from 17th May, 2004 to 31st March, 2007. Shareholders should note that the terms of the transactions contemplated under the LTC Agreement and the KPF Agreement have been and will continue to be conducted on normal commercial terms or on terms no less favourable than terms available to independent third parties as described in the paragraph headed “2.1 Terms of the Ongoing Connected Transactions” below. Accordingly, we believe that it is reasonable for the Group to enter into the LTC Agreement and the KPF Agreement and the transactions contemplated thereunder with the LTC Companies and the KPF Companies respectively.

2. Terms of the Ongoing Connected Transactions and the commercial justification for determining the caps

2.1 Terms of the Ongoing Connected Transactions

According to the LTC Agreement and the KPF Agreement, each sale of fabrics to the LTC Companies/the KPF Companies and provision of bleaching and dyeing services to the LTC Companies/the KPF Companies will be made subject to orders placed by the LTC Companies/the KPF Companies with the Group from time to time, at prices agreed between them on a case-by-case basis by reference to the prevailing rates charged by the Group to customers (who are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries and/or their respective associates) and will be on normal commercial terms.

In addition, under the terms of the LTC Agreement and the KPF Agreement, the Company has agreed to grant trade credit to the LTC Companies/the KPF Companies in respect of the sales of fabrics and provision of bleaching and dyeing services to the LTC Companies/the KPF Companies. Such trade credit is interest free with a credit period of 60 days. The Directors have confirmed that such trade credit arrangements (i.e. interest free with a credit period of 60 days) are normal practice in the garment industry in Hong Kong and similar arrangements are provided by the Group to other customers (who are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries and/or their respective associates).

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We have reviewed on a random basis some sales invoices issued by the Po Cheong Group to the LTC Companies/the KPF Companies and other customers for the two years ended 31st March, 2004 as well as the period between 1st April, 2004 to the Latest Practicable Date and noted that the sale prices of the fabrics and the charges for bleaching and dyeing service offered by the Group to the LTC Companies/the KPF Companies are no less favourable than terms offered by the Group to other independent third parties. We have also discussed with the Directors the sale prices of all fabrics supplied by the Group to the LTC Companies and the KPF Companies and the basis of the service charges for the bleaching and dyeing process with different materials and specifications and obtained confirmation that they are no more favourable than comparable terms offered to third parties.

Taking into account the abovementioned background and confirmation from the Directors as well as our review, we concur with the view of the executive Directors that the sales and services provided to the LTC Companies and the KPF Companies are normal commercial arrangements between the Group and the LTC Companies/the KPF Companies, the terms of which are reasonable and in the interests of the Shareholders and will continue to be conducted on terms no more favourable than terms to be charged by the Group to the independent third parties.

2.2 For the respective caps of the Ongoing Connected Transactions

According to the Company, the respective caps of the Ongoing Connected Transactions were determined with reference to the following factors:

- the historical amount of sale of fabrics made between the Po Cheong Group and the LTC Companies/the KPF Companies for the three years ended 31st March, 2004;
- discussions between the Group and its customers with regard to their estimated growth in demand of garments in order to enable the Group to ascertain the estimated demand for the Group's bleaching and dyeing services in the coming years;
- the historical production capacity of the LTC Companies and the KPF Companies and the expected increase in capacity of the LTC Companies and the KPF Companies; and
- assessment of the market trend, the overall demand and the expectation of the growth for garments by the customers of the Group.

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2.2.1 LTC Cap

Pursuant to the terms of the LTC Agreement and based on the historical transaction value between the Po Cheong Group and the LTC Companies for the three years ended 31st March, 2004 as well as the expected sales of garments by the LTC Companies to the Easyknit Group (as confirmed by the management of the LTC Companies and set out below), the Group expects that the maximum value of the LTC Transactions for the periods set out below are likely to be as follows, **but with the caveat that these are estimates only and not forecasts. Actual values may be materially different:**

	17th May, 2004 to 31st March, 2005	1st April, 2005 to 31st March, 2006	1st April, 2006 to 31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Estimate)</i>	<i>(Estimate)</i>	<i>(Estimate)</i>
Sales of fabrics to the LTC Companies and provision of bleaching and dyeing services to the LTC Companies	57,900	63,690	70,059
Expected sales of garments by the LTC Companies to the Easyknit Group <i>(Notes)</i>	193,000	212,300	233,530

Notes:

1. These are expected caps set out in a circular of Easyknit dated 29th June, 2004.
2. The expected sales of garment by the LTC Companies to the Easyknit Group directly correlate with the amount of fabrics, bleaching and dyeing services to be procured by the LTC Companies from the Group.

It is noted from the paragraph headed “1.1.1 LTC Transactions” above, sales of fabrics and provision of bleaching and dyeing services to the LTC Companies represented approximately 28.5% and 18.5% of the total revenue from sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group for the years ended 31st March, 2003 and 2004 respectively. We also note the total sales of garments by the LTC Companies to the Easyknit Group in the paragraph headed “1.1.1 LTC Transactions” above as well as the expected sales of garments by the LTC Companies to the Easyknit Group (increase at a rate of some 10% on a year-on-year basis) set out above. Taking into account the increasing trend for purchasing fabrics and utilisation of bleaching and dyeing services from the Po Cheong Group by the LTC Companies, in particular, the Po Cheong Group has installed new bleaching and dyeing machines in April 2004 to handle the fabrics purchased

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by the LTC Companies but previously not processed by the Po Cheong Group, the likelihood of increasing demand for garments from the Easyknit Group as mentioned above and the increasing expected sales of garments of the LTC Companies mentioned above, we are of the view that (i) the value of the sales of fabrics and provision of bleaching and dyeing services by the Group to the LTC Companies represents approximately 30% of the expected sales of garments by the LTC Companies to the Easyknit Group for the period from 17th May, 2004 to 31st March, 2005 and each of the years ending 31st March, 2006 and 2007 to be justifiable and (ii) the requirement that the value of the sales of fabrics and provision of bleaching and dyeing services by the Group to the LTC Companies increase at a rate of some 10% on a year-on year basis is acceptable.

2.2.2 KPF Cap

Pursuant to the terms of the KPF Agreement and based on the historical transaction values between the Po Cheong Group and the KPF Companies for the three years ended 31st March, 2004, as well as the expected sales of garments by the KPF Companies to the Easyknit Group (as confirmed by the management of the KPF Companies and set out below), the Group expects that the maximum values of the KPF Transactions for the periods set out below are likely to be as follows, **but with the caveat that this is an estimate only and not a forecast. Actual values may be materially different:**

	17th May, 2004 to 31st March, 2005	1st April, 2005 to 31st March, 2006	1st April 2006 to 31st March, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Estimate)</i>	<i>(Estimate)</i>	<i>(Estimate)</i>
Sales of fabrics to the KPF Companies and provision of bleaching and dyeing services to the KPF Companies	18,900	18,900	18,900
Expected sales of garments by the KPF Companies to the Easyknit Group <i>(Notes)</i>	63,000	63,000	63,000

Notes:

1. These are expected caps set out in a circular of Easyknit dated 29th June, 2004.
2. The expected sales of garment by the KPF Companies to the Easyknit Group directly correlate with the amount of fabrics, bleaching and dyeing services to be procured by the KPF Companies from the Group.

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As noted in the paragraph headed “1.1.2 KPF Transactions” above, sales of fabrics and provision of bleaching and dyeing services to the KPF Companies was approximately HK\$17.5 million for the year ended 31st March, 2004. We also note the total sales of garments by the KPF Companies to the Easyknit Group in the paragraph headed “1.1.2 KPF Transactions” above as well as the expected sales of garments by the KPF Companies to the Easyknit Group set out above. Taking into account the stable trend for purchasing fabrics from the Po Cheong Group by the KPF Companies and the likelihood of a steady demand for garments from the Easyknit Group as mentioned above, we are of the view that KPF Cap of HK\$18.9 million (i) represents approximately 30% of the expected sales of garments by the KPF Companies to the Easyknit Group for the period from 17th May, 2004 to 31st March, 2005 and each of the years ending 31st March, 2006 and 2007 to be justifiable and (ii) represents an increase of 8% over the value of the sales of fabrics and provision of bleaching and dyeing services by the Po Cheong Group to the KPF Companies for the year ended 31st March, 2004 (with the previous year increment represents approximately 105.9% as set out in paragraph headed “1.1.2 KPF Transactions”) is acceptable.

Having considered the abovementioned factors and based on our discussions with the Directors, we are of the view that the LTC Cap and the KPF Cap of the Ongoing Connected Transactions for each of the periods mentioned above are justifiable. Accordingly, we consider that the basis of determining the respective caps for the Ongoing Connected Transactions is fair and reasonable so far as the Independent Shareholders are concerned.

V. RECOMMENDATION

Having considered the above principal factors, being (i) the background to, and reasons for, the Ongoing Connected Transactions; and (ii) the terms of the Ongoing Connected Transactions and the commercial justification for determining the respective caps of the Ongoing Connected Transactions, we are of the view that the terms of the LTC Agreement, the KPF Agreement and the Ongoing Connected Transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group as well as the respective caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Furthermore, in relation to compliance with the conditions set out in the Listing Rules, the Directors will request the auditors of the Company to review the Ongoing Connected Transactions and confirm that the terms of the Ongoing Connected Transactions have received the approval of the Board, have been entered into in accordance with the terms of the LTC Agreement and the KPF Agreement as well as the pricing policy of the Group, and that the value of the Ongoing Connected Transactions has not exceeded the respective caps. In addition, in order to comply with this condition, the Directors have confirmed to us that the auditors of the Company will have sufficient access to the books and records of the Company for the purpose of the auditors’ review of the Ongoing Connected Transactions. On this basis, we believe that the aforesaid conditions and right of access have been given in the interests of the Independent Shareholders and provide additional safeguards to the Company.

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Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolutions to approve the LTC Agreement, the KPF Agreement and the Ongoing Connected Transactions contemplated thereunder, as well as the respective caps in relation to the Ongoing Connected Transactions.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

The proposed New Bye-laws of the Company reflect recent amendments of the Listing Rules which allow the Company the flexibility (a) to send corporate documents to the Shareholders with their prior approval using electronic means and (b) to offer Shareholders the choice to receive a summary financial report in place of the Company's full financial report from which the former is derived. If this special resolution is passed and in compliance with the Listing Rules and the laws of Bermuda, the Company will be able to offer Shareholders the chance to receive the summary financial report in place of the full financial report and to receive notices or documents to be given or issued by the Company by electronic means rather than receiving a printed copy of the documents. These new arrangements, if adopted by the Company, will result in a reduction of the volume and costs of the printed documents.

In the Company's existing bye-laws, the definition for "Clearing House" makes reference to the Securities and Futures (Clearing Houses) Ordinance of Hong Kong. Since the Securities and Futures (Clearing Houses) Ordinance was repealed by the Securities and Futures Ordinance with effect from 1st April 2003, the Directors propose to make corresponding changes to be reflected in the Company's New Bye-laws.

On 30th January, 2004, the Stock Exchange announced that subject to certain transitional arrangements, certain amendments to the Listing Rules relating to corporate governance issues will take effect on 31st March, 2004. The key issues affecting the New Bye-laws are as follows:

- (i) a new definition for "associates" will be added;
- (ii) the minimum seven-day period for lodgment by Shareholders of the notice to nominate a Director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (iii) Directors shall abstain from voting at board meetings on any matter in which any of his associates has a material interest and are not to be counted towards the quorum of the relevant board meeting; and
- (iv) where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

The Company's New Bye-laws now reflect the above requirements.

The following is a brief summary of the major important changes as against the existing bye-laws of the Company (the paragraph numbers of bye-laws set out below, unless otherwise stated, refer to the New Bye-laws):

1. New definition of “Clearing House”

“Clearing House” shall mean a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.

2. New provisions in relation to votes of Shareholders

Bye-law 76A provides that where the Listing Rules requires any shareholder to abstain from or restricted to voting for or only against any particular resolution, his vote cast in contravention of such requirement or restriction shall not be counted.

3. New Provisions in relation to votes of Directors

Bye-law 98 will contain the amended provisions of existing bye-law 104 in relation to Directors’ voting on Board meetings where they have a material interest in the relevant resolutions:

- (a) Bye-law 98(H) provides that subject to the exceptions under Bye-law 98H(i) to (v), a Director shall not vote or be counted in the quorum at board meeting in relation to any contract or arrangement or proposal where he or any of his Associate(s) (as defined in the Listing Rules) has/have a material interest;
- (b) Bye-law 98(I) provides that if a Director (other than in the capacity of a bare or custodian trustee) and his Associate(s) is the holder of or beneficially interested in 5% or more of any class of the shares in a company, such company will be deemed be a company in which such Director together with any of his Associate(s) own 5% or more of any class of the issued shares or of the voting rights of such company; and
- (c) Bye-law 98(J) provides that if a company mentioned in Bye-law 98(I) is materially interested in a transaction, that Director is also deemed materially interested in such transaction.

4. New Provisions in relation to notice to be given when person proposed for election

Bye-law 103 will expand on the requirements of the existing Bye-law 89 in respect of the notice period to be lodged with the Company to nominate a candidate to be elected as a Director at the general meeting. It provides that the period for depositing such notice will commence on (and include) the day after the dispatch of the notice of the general meeting appointed for such election and end on (and exclude) the date that is seven (7) days before the date appointed for such general meeting.

5. New provisions in relation to financial statements to Shareholders

Bye-law 162(C) provides that the Company may send summarised financial statements to Shareholder who have, in accordance with the Statutes and any applicable rules prescribed by the Stock Exchange, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by an auditor's report and notice informing the Shareholder how to notify the Company that he elects to receive the full financial statements. The summarised financial statements, notice and auditor's report must be sent not less than (21) twenty one days before the general meeting to those Shareholders so elected to receive the summarised financial statements.

Bye-law 162(D) provides that subject to Section 88 of the Companies Act, the Company shall send the full financial statements to a Shareholder within seven (7) days of receipt of the Shareholder's election to receive the full financial statements.

6. New provisions in relation to electronic means

Bye-law 167A provides that subject to exceptions, any notice to be given or by any person pursuant to the bye-laws of the Company shall be in writing or, contained in an electronic communication. A notice or document may be served or delivered by the Company to any Shareholder by electronic means to such address as may from time to time be authorised by the Shareholder concerned or by publishing it on a computer network and notifying the Shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.

Bye-law 167B provides that the Board may from time to time specify the form and manner in which a notice may be given to the Company by electronic means. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Board.

Bye-law 169 provides that any notice or document, if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company.

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 contained in this circular misleading.

2. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

A poll may be demanded at any general meeting:

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

A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken in such manner and either forthwith or at such time (being not later than 30 days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll. If a poll is duly demanded, the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

On a poll a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. On a poll votes may be given either personally or by proxy.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the

register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	128,259,324	35.93%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	128,259,324	35.93%

Note: The Shares are registered in the name of and, beneficially owned by Landmark Profits, which is a wholly-owned subsidiary of Easyknit. Magical Profits is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 128,259,324 Shares by virtue of the SFO.

Save as disclosed herein and as at the Latest Practicable Date, none of the Director or chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Save as publicly disclosed, none of the Directors is interested in any assets which have been since 31st December, 2002 (being the date to which the latest published audited accounts of the Company were made up) 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 for the LTC Agreement and the KPF Agreement, 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.

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contracts with any member of the Group, save for contracts which will expire or are terminable by the employer within one year without payment of compensation, other than statutory compensation.

As at the Latest Practicable Date, none of the Directors nor any of his/her respective associates has any competing interest as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following are those persons (the “Substantial Shareholders”) (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, 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:

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
Landmark Profits (<i>Note</i>)	Beneficial owner	128,259,324	35.93%
Easyknit (<i>Note</i>)	Interest of controlled corporation	128,259,324	35.93%
Magical Profits (<i>Note</i>)	Interest of controlled corporation	128,259,324	35.93%
Accumulate More Profits Limited (<i>Note</i>)	Interest of controlled corporation	128,259,324	35.93%
Newcourt Trustees Limited (<i>Note</i>)	Trustee	128,259,324	35.93%
Au Yeung Man Yin	Beneficial owner	47,624,136	13.34%
Chan So Chun	Beneficial owner	37,191,000	10.42%

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

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person, other than a Director or chief executive of the Company, who, as at the Latest Practicable Date, had any interest or short position in the Shares and 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 was interested, directly or indirectly, 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 member of the Group or had any options in respect of such shares.

5. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that, save as disclosed in the announcements issued by the Company dated 6th February, 2003, 28th March, 2003, 14th April, 2003, 1st August, 2003, 14th October, 2003, 27th November, 2003, 12th January, 2004, 5th March, 2004, 21st April, 2004 and 2nd July, 2004, there has not been any material adverse change in the financial or trading position of the Group since 31st December, 2002, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, 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.

7. QUALIFICATION OF EXPERTS

Access Capital, being a corporation deemed licensed under the SFO and engaged in types 1, 4, 6 and 9 regulated activities, has given its advice which is contained in this circular.

As at the Latest Practicable Date:

- (i) Access Capital did not have any direct or indirect interests in any assets which have since 31st December, 2002 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

- (iii) Access Capital did not have any 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 securities in any member of the Group.

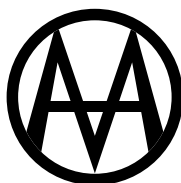
8. CONSENT

Access Capital has given and has not withdrawn its 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 they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong 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 13th August, 2004:

- (a) the letter from Access Capital, the text of which is set out on pages 14 to 25 in this circular;
- (b) the written consent from Access Capital referred to in paragraph 8 of this appendix;
- (c) the LTC Agreement and the KPF Agreement;
- (d) the New Bye-laws; and
- (e) a copy of the Companies Act.



ASIA ALLIANCE HOLDINGS LIMITED

亞洲聯盟集團有限公司*

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Asia Alliance Holdings Limited (“Company”) will be held on 25th August, 2004 at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the agreement dated 15th June, 2004 entered into between the Company and Mr. Louie Tsz Chung and the transactions contemplated thereunder subject to the LTC Cap (as defined in the circular of the Company dated 26th July, 2004) be and are hereby approved, confirmed and ratified and that the directors of the Company be and are hereby authorised to do all things and acts and execute all documents which they consider necessary, desirable or expedient in connection with the LTC Transactions (as defined in the circular of the Company dated 26th July, 2004).”
2. **“THAT** the agreement dated 15th June, 2004 entered into between the Company and Ms. Koon Po Fun and the transactions contemplated thereunder subject to the KPF Cap (as defined in the circular of the Company dated 26th July, 2004) be and are hereby approved, confirmed and ratified and that the directors of the Company be and are hereby authorised to do all things and acts and execute all documents which they consider necessary, desirable or expedient in connection with the KPF Transactions (as defined in the circular of the Company dated 26th July, 2004).”

SPECIAL RESOLUTION

3. **“THAT** the new bye-laws of the Company, a copy of which marked “A” has been produced to this meeting and for the purposes of identification signed by the Chairman, be and are hereby approved and adopted as the new bye-laws of the Company in substitution for and to the exclusion of the existing bye-laws of the Company and that the directors of the Company be and are hereby authorised to do all things and acts and execute all documents which they consider necessary, desirable or expedient in connection with the foregoing.”

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

Hong Kong, 26th July, 2004.

* *For identification only*

NOTICE OF THE SGM

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

Notes:

1. Any member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
4. In the case of joint holders of a share, if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
5. A form of proxy for use at the SGM is enclosed herewith.
6. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Landmark Profits Limited is required to abstain from voting in respect of the Ordinary Resolutions numbered 1 and 2 to be proposed at the meeting which shall be voted only by way of poll.



ASIA ALLIANCE HOLDINGS LIMITED

亞洲聯盟集團有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 616

FORM OF PROXY FOR USE AT THE SPECIAL GENERAL MEETING (OR AT ANY ADJOURNMENT THEREOF)

I/We (Note 1), _____

of _____

being the registered holder(s) of (Note 2) _____ ordinary share(s) of HK\$0.10 each in the capital of ASIA ALLIANCE HOLDINGS LIMITED (the "Company") hereby appoint the Chairman of the special general meeting of the Company, or (Note 3) _____ of _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the special general meeting of the Company (the "Meeting") to be held at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 25th August, 2004 at 9:00 a.m. and at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions as set out in the notice convening the Meeting as indicated below or if no such indication is given, as my/our proxy thinks fit and in respect of any other business that may properly come before the Meeting and/or at any adjournment thereof (Note 4):

Resolutions	For	Against
ORDINARY RESOLUTION NO.1 — To approve the LTC Transactions		
ORDINARY RESOLUTION NO.2 — To approve the KPF Transactions		
SPECIAL RESOLUTION NO.3 — To approve the adoption of the New Bye-laws		

Dated this _____ day of _____, 2004

Signature: _____

Notes:

1. Full name(s) and address(es) must be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. If any proxy other than the Chairman is preferred, please strike out "the Chairman of the special general meeting of the Company, or" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON(S) WHO SIGN(S) IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED "AGAINST".** Failure to tick either box will entitle your proxy to cast your vote or abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting and/or at any adjournment thereof other than those referred to in the notice convening the Meeting.
5. Any member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member of the Company.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
8. In the case of joint holders of a share, if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
9. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Landmark Profits Limited is required to abstain from voting in respect of the Ordinary Resolutions numbered 1 and 2 to be proposed at the meeting which shall be voted only by way of poll.

* For identification only