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

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

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Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Directors:

Mr. KOON Wing Yee

(President & Chief Executive Officer)

Mr. TSANG Yiu Kai

(Vice President)

Ms. LUI Yuk Chu

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head office and principal place

of business in Hong Kong:

7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

29 July 2004

Independent Non-executive Directors:

Mr. KAN Ka Hon

Mr. KWONG Jimmy Cheung Tim

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

Dear Sir or Madam,

**PROPOSED RE-ELECTION OF A DIRECTOR
AND
PROPOSED GENERAL MANDATES TO ISSUE NEW SHARES
AND REPURCHASE SHARES**

* For identification only

INTRODUCTION

The purpose of this circular is to give you information on matters to be dealt with at the annual general meeting of Asia Alliance Holdings Limited (“Company”) to be held on 25 August 2004 (“AGM”). They are: (i) re-election of a director of the Company (“Director”); (ii) grant of general mandate to issue shares of HK\$0.10 each in the capital of the Company (“Shares”); and (iii) grant of general mandate to repurchase Shares.

PROPOSED RE-ELECTION OF A DIRECTOR

According to bye-laws 87(2) and 87(3) of the bye-laws of the Company (“Bye-laws”), at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to Bye-law 87(2), the chairman or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As the office of the chairman is equivalent to that of the president for the purpose of the Bye-laws and the Companies Act 1981 of Bermuda (as amended), Mr. Koon Wing Yee, the President of the Company, shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire at the AGM.

One of the remaining four Directors, being Ms. Lui Yuk Chu, Mr. Tsang Yiu Kai, Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim, shall be subject to rotation. As agreed among themselves, Ms. Lui Yuk Chu will retire at the conclusion of the AGM. Ms. Lui Yuk Chu is eligible for re-election.

Brief biography, as at 26 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein (“Latest Practicable Date”), of the Director to be re-elected at the AGM is set out below.

Ms. Lui Yuk Chu, aged 46, is an executive Director of the Company. Ms. Lui is a co-founder and an executive director of Easyknit International Holdings Limited (“Easyknit”), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Singapore Exchange Securities Trading Limited and the controlling shareholder of the Company. She is the wife of Mr. Koon Wing Yee, a Director of the Company. She has been involved in the textiles industry for more than 26 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. Ms. Lui was appointed to the board of Directors of the Company (“Board”) in March 2003. She is also a director of various members of the Company and its subsidiaries (“Group”). Ms. Lui did not hold any directorship in other listed public companies in the last three years.

As at the Latest Practicable Date, Ms. Lui was deemed to have an interest in 128,259,324 Shares (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”). The 128,259,324 Shares are beneficially owned by Landmark Profits Limited, which is a wholly-owned subsidiary of Easyknit. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited 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 and her family members).

Save as disclosed above, Ms. Lui has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Ms. Lui is currently receiving a Director’s fee of HK\$200,000 per annum. Her emoluments as a Director are determined by the Board with reference to the Company’s performance and the prevailing market terms.

There is no service contract between the Company and Ms. Lui. Ms. Lui has no fixed term of office. After her re-election at the forthcoming AGM, she will continue to serve on the Board until she resigns or is removed and she will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

GENERAL MANDATE TO ISSUE NEW SHARES

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

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

GENERAL MANDATE TO REPURCHASE SHARES

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

The Directors have no present intention to repurchase any Shares.

The Repurchase Mandate and the Issue Mandate, if passed, would continue in force until the conclusion of the next annual general meeting of the Company or until the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any

applicable law to be held or until revoked, renewed or varied by ordinary resolution of the shareholders of the Company (“Shareholders”) in general meeting prior to the next annual general meeting, whichever occurs first.

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

ANNUAL GENERAL MEETING

Notice of the AGM is set out in the Company’s 2004 Annual Report to be sent to the Shareholders together with this circular. A proxy form for use at the AGM is enclosed. Whether or not Shareholders are able to attend the AGM, they are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company’s principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the AGM or any adjournment thereof if they so wish. In the event that a Shareholder having lodged a proxy form attends the AGM, his proxy form will be deemed to have been revoked.

Pursuant to the Bye-laws, a poll may be demanded in relation to any resolution put to the vote of the AGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) 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
- (d) 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 Shares conferring that right.

RECOMMENDATION

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

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

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

1. SHARE CAPITAL

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

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

2. REASONS FOR REPURCHASES

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

3. FUNDING OF REPURCHASES

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

There might be a material adverse impact on the working capital requirements or gearing levels of the Company, as compared with the position disclosed in the latest published audited accounts as at 31 March 2004, in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed purchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels that in the opinion of the Directors are from time to time appropriate for the Company.

4. DIRECTORS' UNDERTAKING

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

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

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

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

6. HONG KONG CODE ON TAKEOVERS AND MERGERS

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

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

7. SHARE PRICES

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

	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
July	0.408	0.342
August	0.408	0.342
September	0.488	0.368
October	0.388	0.358
November	0.380	0.342
December	0.458	0.372
2004		
January	0.508	0.375
February	0.490	0.405
March	0.430	0.200
April	0.219	0.170
May	0.158	0.100
June	0.140	0.110

8. SHARE REPURCHASE MADE BY THE COMPANY

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



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)

Form of proxy for Annual General Meeting (or any adjournment thereof)

I/We ⁽¹⁾ _____
of _____
being the registered holder(s) of ⁽²⁾ _____ share(s) of HK\$0.10 each in
the capital of Asia Alliance Holdings Limited (the "Company") HEREBY APPOINT ⁽³⁾ the Chairman of the meeting
or _____
of _____
as my/our proxy to attend and vote for me/us and on my/our behalf at the said meeting of the Company to be held at 7th Floor,
Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 25
August, 2004 at 9:30 a.m. (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing the
resolutions as set out in the notice convening the said meeting as hereunder indicated, and, if no such indication is given, as
my/our proxy thinks fit.

		For ⁽⁴⁾	Against ⁽⁴⁾
1.	To receive, consider and adopt the audited financial statements and the reports of the directors and auditors for the fifteen months ended 31 March 2004.		
2.	(a) To re-elect Ms. Lui Yuk Chu as executive director.		
	(b) To authorise the board of directors to fix the directors' remuneration.		
3.	To appoint Messrs. Deloitte Touche Tohmatsu as auditors and to authorise the board of directors to fix their remuneration.		
4A.	To grant a general mandate to the directors to allot and issue new shares.		
4B.	To grant a general mandate to the directors to repurchase shares of the Company.		
4C.	To add the aggregate nominal amount of share capital repurchased by the Company to the aggregate nominal amount of share capital to be allotted and issued by the directors.		

Dated this _____ day of _____ 2004

Signature(s)⁽⁵⁾: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the meeting is preferred, please delete the words "the Chairman of the meeting 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 WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE BOX MARKED "AGAINST".** Failure to tick a box or insert a number will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must either be executed under its common seal or under the hand of an officer or attorney or other person duly authorised.
6. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at 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 48 hours before the time appointed for holding the said meeting or adjourned meeting.
7. 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.
8. 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.
9. Completion and return of this form of proxy will not preclude you from attending and voting at the meeting.

* For identification only