On behalf of the board of directors (the "Board") of Asia Alliance Holdings Limited (the "Company"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2005.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the year under review, the Group attained notable growth in both turnover and profit. Turnover soared more than ninefold from approximately HK$5,083,000 for the fifteen months ended 31 March 2004 (the "Last Period") to approximately HK$53,662,000 for the year ended 31 March 2005. This drastic increase was predominately due to the acquisition of the bleaching and dyeing business in May 2004.

Gross profit for the year ended 31 March 2005 shot up nearly five times to approximately HK$9,962,000 from approximately HK$1,731,000 in the Last Period. Net profit attributable to shareholders amounted to approximately HK$6,104,000, reversing the net loss of approximately HK$57,737,000 in the Last Period. This remarkable change resulted largely from a gain of approximately HK$9,042,000 on the disposal of the persistent loss-making wireless communication business in June 2004 and a profit of approximately HK$4,095,000 derived from the bleaching and dyeing business during the year. This was partly offset by the loss of approximately HK$2,370,000 recorded in the knitting business. Earnings per share were approximately HK$0.02 (Last Period: loss per share of approximately HK$0.97).

Cost of sales and services leaped twelve times to approximately HK$43,700,000 for the year compared to approximately HK$3,352,000 in the Last Period, reflecting the robust growth in sales. The Group's total operating expenses were down approximately 68.3% to approximately HK$12,355,000 for the year from approximately HK$38,962,000 in the Last Period. This was mainly on account of the savings in salaries, rentals and other operating expenses following the disposal of the wireless communication business in June 2004, which was partly offset by the costs of running the garment related businesses.

Finance costs declined significantly by approximately 78.4% to approximately HK$424,000 from approximately HK$1,960,000 in the Last Period, principally by reason of repayment of a loan of HK$30,270,000 from Easyknit International Holdings Limited ("Easyknit") in March 2004 and settlement of the Facility Loan (as defined in "Business Review" below) of HK$4,000,000 in June 2004, which was partly offset by the bank loans drawn by the Group during the year.

### Business Review

During the year ended 31 March 2005, the Group experienced major changes in operations following the acquisition of Po Cheong International Enterprises Limited ("Po Cheong") in May 2004 which has introduced bleaching and dyeing business to the Group, the streamling of the wireless communication business, communication solutions consultancy services and internet operations of the Group, which continued to suffer substantial losses in the past few years, and the commencement of production of a knitting mill in the People's Republic of China (the "PRC") in May 2004. As a result of the above events, the Group became principally engaged in the business of bleaching, dyeing and knitting during the year under review.

On 5 March 2004, Best Ability Limited, a wholly-owned subsidiary of the Company, as purchaser entered into an agreement with Easyknit International Trading Company Limited, a wholly-owned subsidiary of Easyknit, a controlling shareholder of the Company, as vendor whereby Best Ability Limited conditionally agreed to purchase from Easyknit International Trading Company Limited all the issued shares of Po Cheong at a consideration of HK$65,000,000 (the

"Acquisition"). The consideration of the Acquisition has been subsequently adjusted down to HK$38,879,778 (the "Adjustment"). The Acquisition constituted a major and connected transaction of the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Acquisition and the Adjustment are set out in the circular of the Company dated 23 April 2004 and the joint announcement of Easyknit and the Company dated 16 June 2005 respectively.

On 25 June 2004, Copplestone Limited ("Copplestone"), a wholly-owned subsidiary of the Company, and Arco Consulting Inc. ("Arco"), a third party independent of the Company, entered into a settlement agreement (the "Settlement Agreement") for the full settlement of a loan of HK$4,000,000 (the "Facility Loan") provided by Arco to Copplestone pursuant to a facility agreement dated 6 January 2003 between both parties together with the accrued interest of HK$511,000 (up to the date of the Settlement Agreement) by way of transferring all the issued shares of i100 Wireless Corporation, a then wholly-owned subsidiary of Copplestone, to Arco. i100 Wireless Corporation and its subsidiaries were principally engaged in the wireless communication business. The disposal of i100 Wireless Corporation (the "Disposal") constituted a discloseable transaction of the Company under the Listing Rules. Details of the Settlement Agreement and the Disposal are set out in the circular of the Company dated 4 August 2004.

To strengthen its manufacturing operations and the capability of its existing main business, the Group has decided to develop a multi-functional base in Huzhou City, Zhejiang Province, the PRC. On 24 December 2004 and 28 December 2004, Easyknit (Mauritius) Limited, a wholly-owned subsidiary of the Company, and the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC (the "Vendor") entered into an agreement and a supplemental agreement respectively in relation to the acquisition by Easyknit (Mauritius) Limited of land of about 670 mu situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC and the South of Hengtang Harbour, the PRC (the "Property") at a consideration of RMB10,050,000 (the "Land Acquisition"), the construction of a waste water treatment plant on the Property at a cost of not more than HK$30,000,000 (the "Construction") and the proposed development of manufacturing operations on the Property, including garment manufacturing, bleaching and dyeing and knitting (the "Development") (the Land Acquisition, the Construction and the Development are together, the "Huzhou Project"). Phase 1 of the Huzhou Project which involves the Land Acquisition, the Construction and the setting up of garment manufacturing and bleaching and dyeing capabilities constituted a very substantial acquisition of the Company under the Listing Rules. Details of phase 1 of the Huzhou Project are set out in the circular of the Company dated 21 February 2005. On 18 April 2005, a second supplemental agreement was entered into between Easyknit (Mauritius) Limited and the Vendor in relation to the reduction of the size of the Property to 632.289 mu and the consideration of the Land Acquisition to RMB9,484,335, the way in which the Construction be held, and the appointment of the Vendor as an agent to deal with matters in relation to the Construction subject to the terms contained therein. The consideration of the Land Acquisition of RMB9,484,335 and a deposit for the Construction of HK$15,000,000 were paid in April 2005. According to an indicative timetable, the Group will strive to complete the garment manufacturing and bleaching and dyeing capabilities by early 2006 and the knitting capability by the end of 2006.

During the year ended 31 March 2005, the bleaching and dyeing business contributed to approximately 99.2% of the Group's total turnover, amounting to approximately HK$53,218,000. The Group's bleaching and dyeing factory located in Dongguan, the PRC currently has a daily production capacity of about 30,000 pounds.

The knitting mill in Heyuan, the PRC commenced production in May 2004 with a daily production capacity of about 20,000 pounds. Turnover in the knitting services only accounted for approximately 0.8% of the Group's total turnover for the year ended 31 March 2005 and its share is expected to grow going forward.

Geographically, almost all the Group's customers were located in the PRC.

### Prospects

To stem a rising tide of the Chinese textile imports following the lifting of the global trade quotas on textiles on 1 January 2005, the United States of America (the "US"), in May 2005, imposed safeguard quotas limiting the increase in 7 categories of Chinese textile imports to 7.5 % this year by relying upon the terms of the PRC's accession to World Trade Organisation (the "WTO"). The PRC abolished its self-imposed export tariffs on 81 categories of textile products in June 2005, escalating trade tensions with the US. In June 2005, the European Union (the "EU") and the PRC also agreed to limit the growth of 10 categories of Chinese textile products to the EU to between 8% and 12.5% a year until the end of 2007. Our customers whose garment products are mainly sold to the US and the EU member countries are likely to be affected and may in turn impact the business of the Group. We will constantly monitor the market conditions and adjust accordingly.

The directors are of the view that the long-term prospect of the textile and apparel industry is promising as the WTO China textile safeguard mechanism will be in effect only until 31 December 2008 and progressive liberalisation of textile trade is inevitable. More importantly, the PRC is experiencing strong economic growth which has elevated the living standard for part of its population and will in turn spur the domestic demand for high quality textile products. We believe that the setting up of a multi-functional base in Huzhou City, Zhejiang Province, the PRC for developing vertical integrated operations ranging from knitting, bleaching and dyeing and garment manufacturing will not only consolidate and significantly increase the Group's manufacturing capabilities, but will also help to minimise cost, maximise efficiency and increase the Group's competitivity so as to pave the way for future business growth in the challenging but expanding textile industry.

The management remains cautiously optimistic about the results for the first half year ended 30 September 2005 based on the orders on hand. It is believed that the bleaching and dyeing business will continue to make positive contribution to the Group. We also anticipate the production of the knitting mill in Heyuan, the PRC will grow steadily. Coupled with our stable clientele, improved efficiency, advanced production facilities and experienced management team, we are confident that the Group will eventually benefit from the booming economy.

The Group will endeavour to provide high quality fabric products to its customers, further expand its sourcing network and customer base and implement an effective control in production cost and pricing strategy in order to generate higher returns to its shareholders.

### Liquidity and Financial Resources

During the year ended 31 March 2005, the Group financed its operations mainly by net proceeds from the fund raising exercises conducted in 2003 and 2004, the Facility Loan of HK$4,000,000, bank borrowings and internally generated resources. In June 2004, the Facility Loan together with its accrued interests was settled. As at 31 March 2005, the Group's total bank borrowings amounted to approximately HK$46,406,000 (31 March 2004: Nil), of which approximately 66.8% being short-term borrowings and approximately 33.2% being long-term borrowings. All the loans are unsecured, denominated in Hong Kong dollars and charged at prevailing market interest rates. Approximately HK$21,406,000 of the bank borrowings are repayable in instalments over a period of four years and approximately HK$25,000,000 are repayable within one year and guaranteed by a personal guarantee from Mr. Koon Wing Yee, who is a director of the Company. They are mostly event driven, with little seasonality. Shareholders' fund of the Group as at 31 March 2005 was approximately HK$64,021,000 (31 March 2004: approximately HK$57,856,000). The Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, rose from approximately 0.069 as at 31 March 2004 to approximately 0.725 as at 31 March 2005.

The Group continued to sustain a liquidity position. As at 31 March 2005, the Group had net current assets of approximately HK$34,659,000 (31 March 2004: approximately HK$56,997,000) and cash and cash equivalents of approximately HK$33,352,000 (31 March 2004: approximately HK$66,131,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2005, the Group's current ratio was approximately 1.9 (31 March 2004: approximately 6.1), which was calculated on the basis of current assets of approximately HK$74,884,000 (31 March 2004: approximately HK$68,066,000) to current liabilities of approximately HK$40,225,000 (31 March 2004: approximately HK$11,069,000). The current ratio deteriorated during the year, primarily as a result of the acquisition of the bleaching and dyeing business, setting up of the knitting mill and investment in the Huzhou Project which not only reduced the bank and cash balance but also increased the Group's liabilities. During the year under review, the Group serviced its debts primarily through cash earned from its operations.

The directors believe that the Group has sufficient financial resources for its operations.

### Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's revenues and payments are in Hong Kong dollars and Renminbi. During the year under review, the Group had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed.

### Capital Structure

The Group had no debt securities or other capital instruments as at 31 March 2005 and up to the date of this report.

### Material Acquisitions and Disposals

Apart from the acquisition of Po Cheong and the disposal of i100 Wireless Corporation as disclosed in "Business Review" above, the Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2005.

### Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2005.

### Capital Expenditure and Capital Commitments

During the year ended 31 March 2005, the Group spent approximately HK$26,308,000 (Last Period: approximately HK$12,125,000) on acquisition of property, plant and equipment, of which approximately HK$14,529,000 (Last Period: Nil) was related to the acquisition of subsidiaries.

As at 31 March 2005, the Group had capital commitments of approximately 49,522,000 (31 March 2004: approximately HK$95,827,000).

### Contingent Liabilities

As at 31 March 2005, the Group's banking facilities of approximately HK$47,606,000 (31 March 2004: Nil) were supported by the Company's unlimited guarantee and unlimited cross guarantee provided by two of its subsidiaries in favour of the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2005.

### Significant Investment

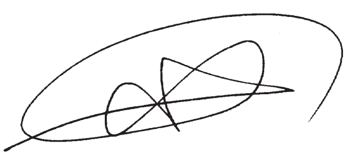
Apart from the Huzhou Project as disclosed in "Business Review" above, the Group did not have any significant investment plans or any significant investment held as at 31 March 2005. The Group will make use of its existing bank facilities for the Construction if further funding is required. The costs for the Development in the sum of HK$160,000,000 will be financed through bank borrowing or other forms of financing available. As at the date hereof, no member of Group is a party to any financing arrangement in respect thereof.

### Employment and Remuneration Policy

As at 31 March 2005, the Group employed approximately 300 full time management, technical, administrative staff and workers in Hong Kong and elsewhere in the PRC. Employees' cost (including directors' emoluments) amounted to approximately HK$5,121,000 for the year under review (Last Period: approximately HK$12,737,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

### Appreciation

On behalf of the board, I would like to extend my sincere gratitude to our staff and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.



**Koon Wing Yee**
*Chairman and Chief Executive Officer*

Hong Kong, 23 June 2005