

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the fifteen months ended 31 March 2004.

### CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders on 18 November 2003, the name of the Company was changed from i100 Limited to Asia Alliance Holdings Limited with effect on 19 November 2003. The Chinese name “亞洲聯盟集團有限公司” is adopted by the Company for identification purposes.

### CHANGE IN FINANCIAL YEAR-END DATE

During the period, the Company changed its financial year-end date from 31 December to 31 March to align the financial year-end date with that of Easyknit International Holdings Limited (“Easyknit”), a controlling shareholder of the Company. The financial statements therefore cover a fifteen month period from 1 January 2003 to 31 March 2004.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 17 to the financial statements.

### RESULTS

The results of the Group are set out in the consolidated income statement on page 16.

The directors of the Company do not recommend the payment of a dividend.

### MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 81% and 95%, respectively, of the Group’s purchases and services received for the period under review.

The aggregate turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group’s turnover for the period under review.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owns more than 5% of the Company’s share capital has a beneficial interest in the Group’s five largest suppliers.

### PRINCIPAL SUBSIDIARIES

The details of the Company’s principal subsidiaries are set out in note 17 to the financial statements.

### SHARE CAPITAL

The movements of the Company’s share capital during the period are set out in note 26 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$12.1 million on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the period are set out in note 15 to the financial statements.

### DIRECTORS

The directors of the Company during the period and up to the date of this report were:

#### Executive directors:

Koon Wing Yee - President and Chief Executive Officer	(appointed on 10 March 2003)
Tsang Yiu Kai - Vice President	(appointed on 10 March 2003)
Lui Yuk Chu	(appointed on 10 March 2003)
Cheuk Ho Yeung, Gerald	(resigned on 25 April 2003)
Kan Siu Kei, Laurie	(resigned on 25 April 2003)
Vong Tat leong, David	(resigned on 25 April 2003)

#### Non-executive directors:

Chan Chi Chung	(appointed on 10 March 2003 and resigned on 25 April 2003)
Leung Siu Mei	(appointed on 10 March 2003 and resigned on 25 April 2003)
Louie Siu Kuen	(appointed on 10 March 2003 and resigned on 25 April 2003)
Wong Sui Wah, Michael	(appointed on 10 March 2003 and resigned on 25 April 2003)
Ko Pil Jae, Peter	(resigned on 15 April 2003)

#### Independent non-executive directors:

Kan Ka Hon	(appointed on 25 April 2003)
Kwong Jimmy Cheung Tim	(appointed on 25 April 2003)
Tsang Wai Chun, Marianna	(resigned on 25 April 2003)
Wong Ying Wai, Wilfred	(resigned on 25 April 2003)

In accordance with the Company's Bye-laws 87(2) and (3), Lui Yuk Chu retires by rotation and, being eligible, offers herself for re-election.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

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### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

The independent non-executive directors have reviewed the connected transactions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) as set out in note 14 to the financial statements, and confirmed that the transactions had been transacted on normal commercial terms and in the ordinary course of business of the Group.

The Group obtained a loan of HK\$30,270,000 from Planetic International Limited, a wholly-owned subsidiary of Easyknit, for working capital purposes. The loan was unsecured, bore interest at prevailing market rates and was repaid in full during the period. Interest paid by the Group during the period amounted to HK\$1,514,500.

The Group conditionally agreed to purchase the entire issued shares of Po Cheong International Enterprises Limited ("Po Cheong") from a wholly-owned subsidiary of Easyknit at a consideration of HK\$65,000,000. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing. The acquisition of Po Cheong constituted a major and connected transaction of the Group and was approved by the shareholders at the special general meeting of the Company held on 10 May 2004.

Save as disclosed above, there was no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the period or at any time during the period.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

As at 31 March 2004, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in the Company (long positions):

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Mr. Koon Wing Yee ( <i>Note</i> )	Interest of spouse	128,259,324	35.93%
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	128,259,324	35.93%

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

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2004, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Share option schemes of the Company:

Details of the Company's share option schemes are set out in note 27(a) to the financial statements.

A summary of the movements of the options granted to a former director of the Company during the fifteen months ended 31 March 2004 is as follows:

Name of director	Date of grant	Exercise period	Exercise price	Number of share options		
				At 1 January 2003	Reclassification*	At 31 March 2004
Cheuk Ho Yeung, Gerald	31 August 2001	31 August 2001 to 30 August 2011	0.4032	25,000,000	(25,000,000)	-

\* Mr. Cheuk Ho Yeung, Gerald resigned as an executive director of the Company on 25 April 2003 and remained as an employee of the Group during the fifteen months ended 31 March 2004.

The total number of shares available for issue under the Company's share option schemes as at the date of this report is 16,917,138, representing approximately 4.7% of the issued capital of the Company as at that date.

(b) Share option schemes of subsidiaries:

Details of the share option schemes of subsidiaries are set out in note 27(b) to the financial statements.

No share options have been granted under the share option schemes of subsidiaries since their adoption.

Save as disclosed above, at no time during the fifteen months ended 31 March 2004 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures), of the Company or any other body corporate, or had any right to subscribe for the securities or had exercised any such rights.

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### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long positions

Name of substantial shareholder	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Landmark Profits Limited ( <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 Limited ( <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 were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director of the Company, and her family members other than spouse).

Other than as disclosed above, as at 31 March 2004, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

### PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the fifteen months ended 31 March 2004.

### CORPORATE GOVERNANCE

The Company has complied throughout the fifteen months ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company have not been appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### POST BALANCE SHEET EVENTS

The details of the significant post balance sheet events are set out in note 38 to the financial statements.

### AUDITORS

During the period, Messrs. Ernst & Young, who acted as auditors of the Company for the past three years, retired and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**Koon Wing Yee**

*President and Chief Executive Officer*

Hong Kong, 26 July 2004