On behalf of the Board of directors (the "Board") of Easyknit Enterprises Holdings Limited (formerly known as 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 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK$58,039,000, an increase of approximately 8.2% over last year of approximately HK$53,662,000. Gross profit dropped approximately 48.3% to approximately HK$4,466,000 (2005: approximately HK$8,633,000). Loss attributable to shareholders amounted to approximately HK$32,857,000 as compared to the profit of approximately HK$6,104,000 for last year. Loss per share was approximately HK$0.15 (2005: earnings per share of approximately HK$0.17).

The loss for the year under review was mainly attributable to the impairment loss recognised in respect of goodwill of approximately HK$21,122,000, allowance for doubtful debts of approximately HK$3,882,000 as well as increase in cost of sales and services, operating expenses and finance costs. The cost of sales and services rose by approximately 19.0% to approximately HK$53,573,000 (2005: approximately HK$45,029,000), primarily due to the growth in sales, increase in depreciation costs on property, plant and equipment and upsurge in production costs such as wages, materials, coal, oil, electricity and water.

The Group's total operating expenses also went up by approximately 13.2% to approximately HK$12,485,000 (2005: approximately HK$11,026,000), predominately due to the increase in administrative expenses of approximately HK$2,089,000.

Finance costs leaped 2 times to approximately HK$1,275,000 as compared to approximately HK$424,000 for last year, mainly due to the increase in bank loans and rise in interest rate during the year under review.

Business Review

During the year ended 31 March 2006, the Group was principally engaged in the businesses of bleaching, dyeing and knitting.

The bleaching and dyeing business continued to be the core business of the Group and contributed to approximately 99.8% of the Group's total turnover for the year under review, an approximately 0.6% increase over last year of approximately 99.2%. Turnover of this segment increased by approximately 8.9% to approximately HK$57,936,000 (2005: approximately HK$53,218,000). However, this segment suffered a loss of approximately HK$25,366,000 (2005: profit of approximately HK$4,095,000), largely due to the impairment loss recognised in respect of goodwill of approximately HK$21,122,000 and allowance for doubtful debts of approximately HK$3,882,000. The segment results also adversely affected by rising fuel prices, higher material costs as well as increased salaries and wages during the year under review. The Group's bleaching and dyeing factory located in Dongguan, the People's Republic of China (the "PRC") currently has a daily production capacity of about 30,000 pounds.

Turnover in the knitting business only accounted for approximately 0.2% (2005: approximately 0.8%) of the Group's total turnover for the year ended 31 March 2006. Taking into account the portion of inter-segment, the turnover derived from this segment rose drastically by approximately 64.3% to approximately HK$5,568,000 from approximately HK$3,389,000 for last year, mainly due to the steady growth after the commencement of production in May 2004 as anticipated. The segment loss decreased from approximately HK$2,370,000 to approximately HK$1,434,000. The knitting mill in Heyuan, the PRC has a daily production capacity of about 20,000 pounds.

The Group with its bleaching and dyeing factory as well as knitting mill located in the Pearl River Delta continues to be affected by the shortage of skilled labour and the rise in production costs.

There is a considerable delay in the construction of a factory complex for the Group's knitting, bleaching and dyeing, garment as well as a waste water treatment plant (the "Huzhou Project") located in the Zhili Town of Huzhou City, Zhejiang Province, the PRC. It was partly attributable to the implementation of the macroeconomic adjustment and control by the Central Government of the PRC in order to suppress the over-heated economy. The Group received the first piece of land of approximately 184 mu from the People's Government of Zhili Town (the "Local Government") in August 2005. However, due to the aforesaid reason, the Local Government has postponed the transfer of the remaining two pieces of land with a total area of approximately 448 mu to the end of 2006 and mid-2007 respectively. As a result, the construction work for the Huzhou Project has been slowed down accordingly.

Prospects

The outlook for the business is positive and the Group remains confident in its ability to perform well in the years to come. In order to maintain its competitiveness in the market, the Group will focus on where it sees increasing potential and will continue to invest in new production methods, staff training and product variety so as to meet the ever-increasing demand of its customers. Measures are being devised to attract and retain experienced workers and to help combat rising production costs. The Group's strategy is to focus on the organic growth opportunities but does not exclude any other opportunities present themselves.

The Group will follow up closely with the Local Government on the transfer of the remaining two pieces of land for the Huzhou Project. Once the title of land has been transferred to the Group, the construction work will proceed at full speed. The directors believe that the Huzhou Project will not only strengthen the Group's manufacturing capabilities by vertically integrated all the knitting, bleaching and dyeing and the garment manufacturing businesses, but also help minimise cost, maximise effectiveness and efficiency of the Group's production through economies of scale.

Liquidity and Financial Resources

During the year ended 31 March 2006, the Group financed its operations mainly by internally generated resources, bank borrowings and net proceeds of approximately HK$141,000,000 raised from the Rights Issue (as defined in "Capital Structure" below) after deducting all the relevant expenses, of which approximately HK$69,000,000 has been used for the repayment of all outstanding bank borrowings and the balance of approximately HK$72,000,000 will be used as general working capital. Shareholders' fund of the Group as at 31 March 2006 was approximately HK$175,028,000 (31 March 2005: approximately HK$64,021,000). The Group had bank borrowings of approximately HK$984,000 as at 31 March 2006 (31 March 2005: approximately HK$46,406,000). As at 31 March 2006, the Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, was approximately 0.006 (31 March 2005: approximately 0.725).

The Group continued to sustain a liquidity position. As at 31 March 2006, the Group had net current assets of approximately HK$125,990,000 (31 March 2005: approximately HK$34,659,000) and cash and cash equivalents of approximately HK$110,018,000 (31 March 2005: approximately HK$33,352,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2006, the Group's current ratio was approximately 13.0 (31 March 2005: approximately 1.9), which was calculated on the basis of current assets of approximately HK$136,503,000 (31 March 2005: approximately HK$74,884,000) to current liabilities of approximately HK$10,513,000 (31 March 2005: approximately HK$40,225,000). The current ratio improved significantly during the year under review, primarily as a result of the Rights Issue (as defined in "Capital Structure" below) in September 2005 and the refund of the consideration of HK$11,120,222 received by the Group in June 2005 in connection with the acquisition of Po Cheong International Enterprises Limited, which not only increased the bank balances and cash but also reduced the Group's liabilities.

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 period 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

A special resolution approving the reduction of the par value of the authorised, issued and unissued share capital of the Company from HK$0.10 per share to HK$0.001 per share (the "Reduced Share") (the "Capital Reduction"), the credit of the amount of the cancelled paid-up capital in the sum of HK$35,343,677.16 arising from the Capital Reduction to a capital reserve account of the Company and the consolidation of every 10 issued and unissued Reduced Shares into 1 share of HK$0.01 each (the "Share Consolidation") was passed at the special general meeting of the Company held on 6 September 2005, resulting in an authorised share capital of HK$6,500,000 divided into 650,000,000 shares of HK$0.01 each and an issued share capital of HK$357,006.84 consisting of 35,700,684 shares of HK$0.01 each with effect from 9 September 2005. Details of the said capital reorganisation are set out in the Company's circular dated 15 August 2005.

On 27 September 2005, the Company allotted 357,006,840 rights shares of HK$0.01 each at a subscription price of HK$0.40 per rights share to the shareholders of the Company on the basis of 10 rights shares for every consolidated share then held (the "Rights Issue"). Details of the Rights Issue are set out in the Company's prospectus dated 9 September 2005.

The Group had no debt securities or other capital instruments as at 31 March 2006 and up to the date of this report.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2006.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2006.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2006, the Group spent approximately HK$4,094,000 on acquisition of property, plant and equipment (2005: approximately HK$26,308,000, of which approximately HK$14,529,000 was related to acquisition of subsidiaries).

As at 31 March 2006, the Group had capital commitments in respect of capital expenditure contracted but not provided for and capital expenditure authorised but not contracted for of approximately HK$26,807,000 (31 March 2005: approximately HK$49,522,000) and of approximately HK$466,733,000 (31 March 2005: approximately HK$171,382,000) respectively.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2006 (31 March 2005: Nil).

Significant Investment

Apart from the Huzhou Project (as defined in "Business Review" above), the Group did not have any significant investment plans or any significant investment held as at 31 March 2006.

Change of Company Name

References are made to the announcement of the Company dated 2 May 2006 and the circular of the Company dated 19 May 2006 in relation to, among others, the proposed change of name of the Company.

At the special general meeting of the Company held on 19 June 2006, a special resolution was passed by shareholders to approve the change of name of the Company from "Asia Alliance Holdings Limited" to "Easyknit Enterprises Holdings Limited", subject to the approval of the Registrar of Companies in Bermuda, and on such change becoming effective the new Chinese name of "永義實業集團有限公司" will be adopted to replace the existing Chinese name of "亞洲聯盟集團有限公司" for identification purposes only.

A copy of the certificate of change of name dated 28 June 2006 issued by the Registrar of Companies in Bermuda was received by the Company on 5 July 2006. The Company will shortly submit an application to the Companies Registry in Hong Kong to apply for a certificate of registration of change of name of oversea company. As soon as practicable after the Company receives the certificate of registration of change of name of oversea company from the Companies Registry in Hong Kong, the Company will publish an announcement in relation to the new stock short name to be adopted.

The above change of name of the Company will not affect any of the rights of the shareholders of the Company. All existing share certificates in issue bearing the former name of the Company continue to be evidence of title to the shares in the Company and continue to be valid for trading, settlement, delivery and registration for the same number of shares in the new name of the Company. The Company will publish an announcement regarding the arrangement in relation to free exchange of share certificates in the new name of the Company.

Employment and Remuneration Policy

As at 31 March 2006, the Group employed approximately 280 full time management, technical, administrative staff and workers in Hong Kong and elsewhere in the PRC. Staff cost (including directors' emoluments) amounted to approximately HK$7,186,000 for the year under review (2005: approximately HK$5,121,000). 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.

Tse Wing Chiu, Ricky
Chairman and Chief Executive Officer

Hong Kong, 23 June 2006