

ASIA FASHION HOLDINGS LIMITED
(Company Registration No. 41195)
(Incorporated in Bermuda)

ACQUISITION BY AN ASSOCIATED COMPANY

A. INTRODUCTION

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcements (“**Announcements**”) on 18 June 2014, 25 June 2014 and 27 June 2014 on the acquisition (“**Acquisition**”) of China Construction Material (Hong Kong) Limited (“**CCMH**”) by Rich Circles Enterprise Limited (“**Rich Circles**”), a 49% owned associated company of the Company.

Further to the Announcements, in an effort to provide greater disclosure to its shareholders, the Company wishes to set out additional information on the Acquisition, which had been completed on 27 June 2014.

B. DETAILS OF THE ACQUISITION

As announced by the Company on 18 June 2014, CCMH was incorporated on 29 May 2013 under the laws of Hong Kong. CCMH has a share capital of HK\$10,000 divided into 1 share of HK\$10,000, which has been issued and fully paid-up. CCMH is an investment holding company. Its sole shareholder and director is Mr Huo Weisheng.

CCMH is the legal and beneficial owner of 100% of the registered capital of Zhongzhuang (Xuzhou) Construction Material Co., Ltd. (“**Xuzhou Zhongchuang**”), a company incorporated on 1 July 2013 under the laws of the People’s Republic of China (“**PRC**”). Xuzhou Zhongchuang is the legal and beneficial owner of 100% of the registered capital of Xuzhou Zhongsen Tonghao New Board Co., Ltd (“**Xuzhou Zhongsen**”), a company incorporated on 14 November 2007 under the laws of the PRC. The principle activity of CCMH and its subsidiaries is the manufacture and sale of magnesium wooden-base panel, and through the composite aluminum or magnesium processing produce fire-proof panel, interior and exterior decorative panels.

C. KEY TERMS OF THE ACQUISITION

As announced by the Company on 18 June 2014, the aggregate consideration (“**Consideration**”) for the purchase of the CCMH Sale Share is equivalent to the amount of RMB 100,000,000, arrived at on a willing-seller-willing-buyer basis after arms’ length negotiations between the parties taking into account, *inter alia*, the net tangible value of Xuzhou Zhongsen as at 31 December 2013, the net profit after tax of Xuzhou Zhongsen for the year ended 31 December 2013, and the historical performance and potential business growth of Xuzhou Zhongsen.

As announced by the Company on 27 June 2014, the completion of the Acquisition took place on 27 June 2014, and the Consideration has been fully paid by Rich Circles.

In connection with the Acquisition, the Company has also granted to Rich Circles a loan of RMB 49,000,000 ("**Loan**").

There are no other material conditions attached to the Acquisition. No directors are proposed to be appointed to the Company in connection with the Acquisition.

D. RELATIVE FIGURES RELATING TO THE ACQUISITION

For **illustrative purposes only**, the relative figures for the Acquisition computed on the bases set out below based on the latest announced consolidated accounts of the Group for financial year ended 31 December 2013, are as follows:-

Bases of calculation	Size of relative figures (to the nearest 2 decimal places)
The net asset value of the assets to be disposed of, compared with the Group's net asset value.	<i>Not applicable as this is not a disposal</i>
The net profits attributable to the assets acquired or disposed of ⁽¹⁾ compared with the Group's net profits.	<i>Not meaningful as the Group is currently loss-making.</i>
The aggregate value of the consideration ⁽²⁾ given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	19.71%
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	<i>Not applicable</i>
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	<i>Not applicable</i>

Notes:

⁽¹⁾ Calculated based on the Company's 49% indirect interest in CCMH (based on the Company's 49% shareholding percentage in Rich Circles)

⁽²⁾ Calculated based on the Loan of RMB 49,000,000 extended by the Company to Rich Circles, based on the indicative exchange rate of RMB4.990 : S\$1 as at 18 June 2014

The Acquisition does not fall under Chapter 10 of the Listing Manual as the Acquisition was carried out by Rich Circles, an associated company of the Company.

E. FINANCIAL EFFECTS

General

The financial effects of the Acquisition on the Company set out below are **solely for illustrative purposes only** and are therefore not indicative of the actual financial performance or position of the Group immediately after the completion. The financial effects set out below have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (“FY2013”) and on the following key assumptions:-

- (a) the effect of the transaction on the earnings per share (“EPS”) of the Company shown below is based on the assumption that the Acquisition was completed on 1 January 2013; and
- (b) the effect of the transaction on the net tangible assets (“NTA”) and book value per share of the Company shown below is based on the assumption that the Acquisition was completed on 31 December 2013.

Net Tangible Assets (“NTA”) per Share

The effects of the Acquisition on the NTA per share of the Company for FY2013 are as follows:-

	Before the Acquisition	After the Acquisition
NTA (RMB'000)	483	91,163
NTA per share (RMB cents)	0.09	16.61

Earnings per Share (“EPS”)

The effects of the Acquisition on the EPS of the Group for FY2013 are as follows:-

	Before the Acquisition	After the Acquisition
Profit attributable to Shareholders (RMB'000)	(420,959)	(401,074)
EPS (RMB cents)	(76.70)	(73.08)

F. RATIONALE

The Company is supportive of the Acquisition as it is expected to contribute positively to the financial position of the Company and its subsidiaries.

G. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND ASSOCIATES

As at the date of this announcement, none of the directors or substantial shareholders of the Company, or their respective associates, save for their respective shareholdings in the Company, has any interest, direct or indirect, in the Acquisition.

By Order of the Board

Neo Chee Beng
Executive Chairman
3 July 2014