



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated statement of comprehensive income for Asia Fashion Holdings Limited (the “Company”) and its subsidiaries and/or associated companies (the “Group”)

	2Q2017 RMB'000 (Unaudited)	4Q2015 RMB'000 (Unaudited)	% Change + / (-)	6M2017 RMB'000 (Unaudited)	6M2015 RMB'000 (Unaudited)	% Change + / (-)
Continuing operations						
Revenue	-	11,338	N/A	-	46,529	N/A
Cost of sales	-	(17,335)	N/A	-	(39,721)	N/A
Gross profit	-	(5,997)	N/A	-	6,808	N/A
Other operating income	336	-	N/A	336	-	N/A
Selling and distribution expenses	(313)	(1,539)	(80%)	(313)	(3,421)	(91%)
Administrative expenses	(1,768)	(4,674)	(62%)	(3,422)	(8,250)	(59%)
Finance costs	(448)	(6,938)	(93%)	(889)	(13,618)	(93%)
	(2,193)	(19,148)	(88%)	(4,288)	(18,481)	(77%)
Share of profit from associates, net of tax	-	-	N/A	-	-	N/A
(Loss) before taxation from continuing operations	(2,193)	(19,148)	(88%)	(4,288)	(18,481)	(77%)
Income tax expense	-	-	N/A	-	(14)	N/A
(Loss) after taxation from continuing operations	(2,193)	(19,148)	(88%)	(4,288)	(18,495)	(77%)
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive (loss) net of tax	(2,193)	(19,148)	(88%)	(4,288)	(18,495)	(77%)
Total comprehensive (loss) net of tax, attributable to:						
Equity holders of the company	(2,193)	(12,539)	(83%)	(4,288)	(13,726)	(69%)
Non-controlling interest	-	(6,609)	N/A	-	(4,769)	N/A
	(2,193)	(19,148)	(88%)	(4,288)	(18,495)	(77%)

Note:

Notwithstanding that the Company has recorded zero operating revenue for 2Q2017, the Company owns assets with operating businesses, namely:

- its indirect 54.6% stake in Xuzhou Zhongwei New Board Co, Ltd (“**Xuzhou Zhongwei**”), which operates in the business of designing, manufacturing and sales of new materials business products, whereby the Company, *inter alia*, continues to observe and monitor and participate in the economic benefits of this business and the formulation of its business strategies and important operating issues; and



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 ("2Q2017")

- 2) its 100% ownership of both Asia Entertainment Limited and Asia Entertainment (Hong Kong) Limited, which are businesses in the media and entertainment industry in mainland China and Hong Kong.

Please also refer to Sections 8(a) and 8(b) of this announcement.

- 1(a)(ii) **The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.**

The Group's (loss) before taxation from continuing operations is arrived at after charging :

	2Q2017 RMB'000 (Unaudited)	4Q2015 RMB'000 (Unaudited)	6M2017 RMB'000 (Unaudited)	6M2015 RMB'000 (Unaudited)
Interest expenses on :				
- 10% SME Bonds (RMB180M)	-	4,500	-	9,000
- 7% Straight Bond (S\$10M)	-	1,031	-	1,887
- 7% Loan to Subsidiary (RMB51M)	-	892	-	1,784
- 7% Convertible Bond (S\$2.66M)	224	274	450	495
- 10% Straight Bond (HK\$10M)	224	241	439	452
Total Finance Costs	448	6,938	889	13,618

Note A

The maturity and repayment date of the 7% Convertible Bond of S\$2.66M is 30 March 2017, and S\$2,986,000 (principal and accrued interests) remains unpaid as at the date hereof.

Note B

The repayment date of the 10% Straight Bond of HK\$10 million is 4 March 2017, and HK\$10 million remains unpaid as at the date hereof.

Please also refer to Sections 8(a) and 8(b) of this announcement.

- 1(b)(i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

Statements of financial position

←----- The Group -----→		←----- The Company -----→	
As at		As at	
31 December 2016	30 June 2016	31 December 2016	30 June 2016
RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)	(Audited)	(Unaudited)	(Audited)

Non-current assets



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

Property, plant and equipment	-	-	-	-
Investments in subsidiaries	-	-	8	8
Investments in associates	-	-	-	-
	-	-	8	8
Current assets				
Prepayments and other receivables	173	111	96	102
Amount due from a subsidiary	-	-	1,288	547
Amount due from associates	302	302	-	-
Loan to associates	61,000	61,000	61,000	61,000
Cash and cash equivalents	984	311	67	67
	62,459	61,724	62,451	61,716
Total assets	62,459	61,724	62,459	61,724
Current liabilities				
Other payables and accruals	7,068	6,313	7,068	6,313
Amount due to associates	7,645	4,051	7,645	4,051
Amount due to former director/ shareholder	1,221	1,221	1,221	1,221
Bonds payable	21,614	21,614	21,614	21,614
Interest payable	1,397	723	1,397	723
	38,945	33,922	38,945	33,922
Net current assets	23,514	27,802	23,506	27,794
Net assets	23,514	27,802	23,514	27,802

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Equity				
Share capital	27,293	27,293	27,293	27,293
Reserves	(3,779)	509	(3,779)	509
Total attributable to equity holders of the company	23,514	27,802	23,514	27,802
Non-controlling interest	-	-	-	-
Total equity	23,514	27,802	23,514	27,802

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

RMB '000	As at 31 December 2016		As at 30 June 2016	
	Secured	Unsecured	Secured	Unsecured
Bonds payable(i)	-	8,606	-	8,606
Convertible bond(ii)	-	13,008	-	13,008

- (i) Bonds payable of RMB8.606 million was incurred due to a bond subscription agreement dated 4 March 2015 entered into between the Company and Prime Pacific Investments Limited for the subscription by Prime Pacific Investments Limited of a two-year 10% coupon bond for a



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UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

principal amount of HK\$10 million. Interest is payable half-yearly in arrears. Prime Pacific Investments Limited is a Hong Kong-incorporated company that is a wholly-owned subsidiary of a company listed on the Main Board of the Hong Kong Exchanges and Clearing Limited.

(ii) Convertible bonds

In connection with the Company's announcements dated 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015, the Company had on 31 March 2015 completed the issuance of 7.0% unsecured convertible bonds (“**Convertible Bonds**”) due 2017 of an aggregate principal amount of S\$2,660,000 to Alternus Capital Holdings Limited (the “**Investor**”) pursuant to a convertible bonds agreement dated 5 March 2015 entered into between the Company and the Investor (as supplemented by the supplemental agreement dated 16 March 2015 entered into between the Company and the Investor) (collectively, the “**CBA**”). The Convertible Bonds bear an interest rate of 7%, interest per annum, which is payable quarterly in arrears. The maturity date of the Convertible Bonds is two years from the date of the issue of the Bonds (the “**Maturity Date**”). The Investor may, in accordance with the terms and conditions of the CBA, at any time within the period commencing the 3 months from the issue date up to the Maturity Date convert all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$1.12 per share.

Please also refer to Sections 8(a) and 8(b) of this announcement.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Consolidated statement of cash flows for the Group</u>	2Q2017 RMB'000 (Unaudited)	4Q2015 RMB'000 (Unaudited)	18M2015 RMB'000 (Audited)
Cash flows from operating activities			
(Loss) before taxation	(2,193)	(19,148)	(28,393)
Adjustments for:			
Amortization of land use rights	-	5	-
Depreciation of property, plant and equipment	-	5,824	-
Loss on disposal of subsidiaries	-	-	6434
Waiver of loan interest charged to an associated company	-	-	1,851
Gain arising from the difference in carrying amount of			
Bond liability extinguished and settlement made	-	-	(14,766)
Fair value gains on bonds	-	-	(1,838)
Share of loss of associated companies	-	-	27,354
Impairment loss on investments in associated company	-	-	37
Interest expense	448	6,938	5,318
Operating (loss) before working capital changes	(1,745)	(6,381)	(4,003)
Decrease in inventories	-	19,264	-
Decrease in trade receivables	-	89,030	-
(Increase)/decrease in prepayments and other receivables	(37)	24,892	(111)
Increase in amount due to associates	758	-	-
(Decrease) in trade payables	-	(103,789)	-
Increase/(decrease) in accrued liabilities and other payables	1,850	(26,704)	(14,414)
Cash generated from (used in) operations	826	(3,688)	(18,528)
Interest paid	-	(6,938)	(828)
Net cash generated from (used in) operating activities	826	(10,626)	(19,356)
Cash flows from investing activity			
Net effect of cash flow on disposal of subsidiaries (Note A)	-	-	(4,554)
Expenses paid on behalf by associated companies	-	-	5,361
Acquisition of associated company	-	-	(7)
Loan advanced to associated company	-	-	(12,000)
Net cash (used in) investing activities	-	-	(11,200)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	28,547
Proceeds from issue of coupon bond	-	-	7,908
Proceeds from issue of convertible bond	-	-	11,739
Repayment of non-equity linked bonds	-	-	(22,063)
Net cash generated from financing activities	-	-	26,131
Net increase / (decrease) in cash and cash equivalents	826	(10,626)	(4,425)
Cash & cash equivalents at beginning of the financial period	158	20,105	4,736
Cash & cash equivalents at the end of the financial period	984	9,479	311



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(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

Note A

Further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February 2015 and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of QIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the SPA.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

The carrying value of the identifiable assets and liabilities of QIL Group as at the date of disposal are as follows:

	<u>RMB,000</u>
Property, plant and equipment	(37,633)
Land use rights	(7,649)
Inventories	(11,043)
Trade and other receivable	(90,606)
Cash and cash equivalents	(4,554)
Trade and other payables	111,540
Bond payables	10,000
	<u>(29,945)</u>
Less: Consideration receivable	10,921
Loss arising from the disposal of QIL Group	<u>(19,024)</u>
 <u>Net effect of cash flow on acquisitions</u>	
Consideration received	-
Cash and cash equivalents disposed	(4,554)
Net cash outflow from disposal	<u>(4,554)</u>

Note B

The proceeds of offerings pursuant to Chapter 8 undertaken by the Company have been used for the intended purposes and the Company will be making further announcements on the details from time to time. Shareholders may also wish to refer to the announcement dated 1 December 2016 for information on the use of proceeds to date of offerings pursuant to Chapter 8 undertaken by the Company in the last 2 years.



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(Company Registration No. 41195)
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UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 ("2Q2017")

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the Group and for the Company

Group

	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total attributable to equity holders of the parents	Non- controlling interest	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 (Restated)	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,827)	-	15,486	-	15,486
Issue of shares pursuant to the placement approved in Feb 2015, Apr 2015 and Oct 2015	8073	-	32,636	-	-	-	-	-	-	40,709	-	40,709
Disposal of the QIL Group as approved in SGM on 2 February 2015	-	-	(13,967)	(1,216)	-	64,889	(45,303)	(4,403)	-	-	-	-
Total comprehensive income for the period ended 30 June 2016	-	-	-	-	-	-	-	(28,393)	-	(28,393)	-	(28,393)
Balance at 30 June 2016 (Audited)	27,293	172,983	84,135	3,014	-	-	-	(259,623)	-	27,802	-	27,802
Total comprehensive income for 1Q2017	-	-	-	-	-	-	-	(2,095)	-	(2,095)	-	(2,095)
Total comprehensive income for 2Q2017	-	-	-	-	-	-	-	(2,193)	-	(2,193)	-	(2,193)
Balance at 31 December 2016 (Unaudited)	27,293	172,983	84,135	3,014	-	-	-	(263,911)	-	23,514	-	23,514



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(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 (Restated)	19,220	172,983	51,499	3,014	-	(285,277)	(38,561)
Issue of shares pursuant to the placement approved in February 2015, April 2015 and October 2015	8,073	-	32,636	-	-	-	40,709
Disposal QIL Group as approved by shareholders on 2 February 2015	-	-	-	-	-	54,047	54,047
Total comprehensive income for the period ended 30 June 2016	-	-	-	-	-	(28,393)	(28,393)
Balance at 30 June 2016 (Audited)	27,293	172,983	84,135	3,014	-	(259,623)	27,802
Total comprehensive income for 1Q2017	-	-	-	-	-	(2,095)	(2,095)
Total comprehensive Income for 2Q2017	-	-	-	-	-	(2,193)	(2,193)
Balance at 31 December 2016 (Unaudited)	27,293	172,983	84,135	3,014	-	(255,335)	23,514



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UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

- 1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There is no change in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose from 30 September 2016 until the date hereof.

As the Convertible Bonds have yet to be converted, the total number of shares that may be issued upon conversion of the Convertible Bond as at both 30 June 2016 and 31 December 2016 is 2,375,000. Save for the aforementioned Convertible Bond, the Company did not have other outstanding convertibles or treasury shares as at 30 June 2016 and 31 December 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year are 50,500,000 and 50,500,000 ordinary shares, respectively.

The Company does not hold any treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial information for the second quarter ended 31 December 2016 has not been audited or reviewed by the Company’s auditors.

- 3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards (“FRS”) that are mandatory for financial year beginning on or after 1 January 2015.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the period ended 30 June 2016.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation, including any required by an accounting standard.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2Q2017	4Q2015
Basic earnings per share (RMB cents)		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	(4.34)	(28.63)
- Fully diluted	(4.15)	(27.15)

Number of shares

Current / weighted average number of ordinary shares in issue	50,500,000	43,790,843
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7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

RMB Cents	The Group		The Company	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
Net (liabilities)/asset value per ordinary share	46.56	55.05	46.56	55.05

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 50,500,000 and 50,500,000 shares in issue at 31 December 2016 and 30 June 2016, respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

As reported in the full 18 months' result announcement for the period ended 30 June 2016, despite the fact that on 27 May 2015, the Company increased its shareholding in the Rich Circles Group from 49% to 54.46% or 6,100 shares out of an expanded total number of 11,200 shares, the Company's management has re-visited the issue of "control" as a result of the default in the prompt repayment of the RMB 180 million SME Bond by Xuzhou Zhongwei (which was issued before Xuzhou Zhongwei was acquired by the Rich Circles Group) on 28 March 2016 and has come to the conclusion that it is more appropriate to treat the Rich Circles Group as the Company's associated company instead of a subsidiary, thereby adopting the



UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

“equity” instead of “full consolidation” basis of accounting for the Rich Circles Group’s financial performance, for the following main reasons :

- 1) With effect from 28 March 2016, the date of default of repayment of the RMB 180 million SME Bond to the respective bondholders (in aggregate, the “**bondholders**”), the bondholders have been in a position to take whatever proper legal action(s) in Xuzhou against Zhongwei for the recovery of their bonds. Despite being in a position to take legal action against Xuzhou Zhongwei, the bondholders are willing to enter into negotiation with the Xuzhou Zhongwei local management and Ms. Li Ya Xin as Rich Circles Group’s major shareholder, in search for a mutually agreeable and acceptable solution. The bondholders have not filed any legal action against the Rich Circles Group as the Rich Circles Group is neither a borrower under any financial facilities with the bondholders nor a guarantor of the SME Bonds. The Company has been informed by the local management of Xuzhou Zhongwei that the daily operations of Xuzhou Zhongwei have been under observation by a major bondholder (whose identity is not disclosed due to confidentiality terms under the SME Bond) while in the negotiation, by the stationing of representatives on the premises of the factory of Xuzhou Zhongwei, until an ultimate solution or agreement has been reached by both Xuzhou Zhongwei and the bondholders. The Company’s auditors have provided full disclosure of their audit findings on the SME Bonds, and the default in repayment thereof, in the Company’s Annual Report 2016 (under pages 55 – 60);
- 2) Ms. Li Ya Xin, the other major shareholder of the Rich Circles Group who has owned the remaining 45.54% of its shareholding with effect from 27 May 2015, had on 8 August 2014 granted an irrevocable Power of Attorney (“**POA**”) to Mr. Yuan Li Min (the then Non-executive Director of the Company) authorizing Mr. Yuan to represent her in all operational and control aspects of the Rich Circles Group for a period of 20 months. Such POA expired on 8 April 2016 and extension or renewal was not been granted by Ms. Li Ya Xin to Mr. Yuan Li Min or other legal representative of the Company. It is therefore apparent that the Company does not have any direct or indirect control through Ms. Li Ya Xin’s shareholdings in Rich Circles Group;

Subsequently, we have been informed by Ms. Li Ya Xin that she has granted a new irrevocable POA to her brother-in-law, a Mr. Wong who is a person unrelated to but having a very strong and friendly business relationship with the bondholders and who shall work very closely with the bondholders in the currently on-going negotiation about reaching a solution or agreement with the bondholders as direct representative of Ms. Li Ya Xin. It is evidenced that Ms. Li Ya Xin will cooperate with the bondholders under the proper legal framework in China. Whereas the Company effectively had 100% control of the Rich Circles Group through its 54.46% shareholding combined with the POA granted by Ms. Li Ya Win to Mr. Yuan Li Min over, *inter alia*, her 45.54% shareholding in the Rich Circles Group, Ms. Li Ya Xin’s non-renewal / non-extension of such POA granted to M. Yuan Li Min has weakened the control possessed by the Company over the Rich Circles Group ;

- 3) Due to the current financial incapability of the Company and Ms. Li Ya Xin, it was obvious that the current shareholders of the Rich Circles Group will not be able to raise cash funds of as much as RMB 180 million for injection into Zhongwei to enable Zhongwei to repay the SME Bonds in the near foreseeable future. Accordingly, the local management including but not limited to Mr. Huo Wei Sheng, who is a current executive director of the Company and the legal representative of Xuzhou Zhongwei, has strong tendency to work closely with the bondholders in all aspects of daily normal operations of Zhongwei to avoid the bondholders taking legal actions against them; and
- 4) The Company does not have substantive rights that provide the Company with the ability to exercise that right and to direct relevant activities in Zhongwei.



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UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

Accordingly, the management reached a consensus that it is more appropriate from the practical point of view and the current operational position that the Company will treat the Rich Circles Group as our associated company and adopt the “equity” accounting basis for recording Rich Circles Group’s financial performance for the 18 months’ period from 1 January 2015 to 30 June 2016 and thereafter, which is in fact consistent with the Company’s accounting treatment of the Rich Circles Group for the financial year ended 31 December 2014. While the Rich Circles Group is exempt from audit under the Ordinance laws of Hong Kong, the Company’s auditors have performed all necessary audit reviews and tests on the books and accounts of Rich Circles Enterprise Limited (“RCEL”) (an investment holding company ultimately owning the other companies in the Rich Circles Group) and China Construction Material (Hong Kong) Limited (“CCMH”) for the financial period ended 30 June 2016 and concurred with the management’s view and decision. RCEL and CCMH are 2 out of the 4 companies that constitute the Rich Circles Group, the other 2 being Zhongchuang (Xuzhou) Construction Material Co. Ltd. and Xuzhou Zhongwei.

The Rich Circles Group is owned by the Company (54.46%) and Ms. Li Ya Xin (45.54%) as mentioned above. The Rich Circles Group is operating and a going concern. Its current directors are Mr. Mak Tin Sang (as representative of the Company), Ms. Li Ya Xin (representing herself) and Mr. Yuan Li Min (as independent director). Mr. Yuan Li Lim is a former non-executive chairman of the Company (until his resignation on 27 October 2015). Save for Mr. Mak Tin Sang, the directors of the Company have no relationship with the Rich Circles Group except through the Company’s shareholding therein.

Xuzhou Zhongwei’s reported net asset value of RMB 193,233K as at 30 June 2016 is sufficient to repay the total loan from shareholders to the Rich Circles Group of RMB112 million comprising RMB61 million owed to the Company and RMB51 million owed to Ms. Li Ya Xin. As Xuzhou Zhongwei has defaulted in its repayment of the SME Bond (due on 28 March 2016) to the bondholders, the management is closely monitoring the progress of the abovementioned negotiations between Xuzhou Zhongwei and the bondholders to determine whether there will be any significant impact of the recovery of the Company’s RMB61 million loan from the Rich Circles Group.

As the abovementioned negotiations between Xuzhou Zhongwei and the bondholders are ongoing, the details thereof are sensitive and not disclosable by the Company. Nonetheless, the Company will provide updates to shareholders on any material developments.

For detailed information on the matters in this Section 8(a), shareholders may wish to refer to pages 8 – 11 of the Company’s response to the queries of the Singapore Exchange Securities Trading Limited as released by the Company on 24 November 2016, and pages 3 – 5 of the Company’s response to the queries of the Singapore Exchange Securities Trading Limited as released by the Company on 13 September 2016.

Review of Financial Performance

Revenue for this quarter ended 31 December 2016 was presented as nil as we have adopted the equity accounting basis for our investments in the Rich Circles Group as explained above. For information purposes, the turnover at the Xuzhou Zhongwei level has dropped significantly in the past few quarters as a result of discontinued orders from Baota and Han Energy respectively.

Other operating income of approximately RMB336,000 for this quarter ended 31 December 2016 represented our share of income generated by our wholly-owned subsidiary Asia Entertainment (Hong Kong) Limited from an amusement event successfully held in Hong Kong during this quarter in cooperation with one of its business partners in the media and entertainment arena.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

Selling and distribution expenses for this quarter ended 31 December 2016 of approximately RMB313,000 mainly represented our share of the cost outlays of the amusement event successfully held in Hong Kong during this quarter as mentioned above.

Administrative expenses for this quarter ended 31 December 2016 was approximately RMB1.77 million (same quarter ended 31 December 2015 was approximately RMB4.67 million) which mainly includes remuneration of directors and management staff, office rental, business travelling expenses and professional fees incurred.

Finance costs for this quarter ended 31 December 2016 was approximately RMB0.45 million (same quarter ended 31 December 2015 was approximately RMB6.94 million) which relates to interest accrued for the 10% Coupon Bonds and the 7% Convertible Bonds issued at the Company's level. Please refer to section 1(a)(ii) for detailed breakdown.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Financial Position

Loan to associates of RMB61 million represented the operating loan extended to the Rich Circles Group and has remained the same as reported on 30 June 2016.

Prepayments and other receivables of RMB173 thousand (RMB111 thousand as of 30 June 2016) represented mainly rental and utilities deposits.

Amount due to associates of RMB7.65 million (RMB4.05 million as of 30 June 2016) was due to the payment of costs and expenses by the associated companies for and on behalf of the Company.

Other payables and accruals of RMB7.07 million (RMB6.31 million as of 30 June 2016) represented mainly accrued operating and professional expenses.

Amount due to former director/shareholder of RMB1.22 million (RMB1.22 million as of 30 June 2016) represented amount due to Mr. Lin Dao Qing which is interest free and repayable on demand.

Bonds payable of RMB21.61 million (RMB21.61 million as of 30 June 2016) comprise of (1) Issuance of a 7% Convertible Bond of RMB13.01 million and (2) a 10% Coupon Bonds of RMB8.60 million. For details of the respective Bonds, please refer to section 1(b)(ii) for detailed breakdown.

Interest payable of RMB1.40 million (RMB0.72 million as of 30 June 2016) relates to the respective interest accrued for the 7% Convertible Bond and the 10% Coupon Bond.

Review of Cash Flow

Net cash generated from operating activities

The Group's loss before tax for this quarter was approximately RMB2.19 million (loss of approximately RMB12.54 million for the same quarter ended 31 December 2015) and resulted in a net cash inflow from operating activities of approximately RMB0.83 million (cash outflow of approximately RMB10.63 million for the quarter ended 31 December 2015).

The Group's cash flows from both investing activities and financing activities for this quarter ended 31 December 2016 were nil.



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UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (“2Q2017”)

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There are no variances between any forecast or prospect statements disclosed to shareholders and the actual results.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The financial performance of our associated company Xuzhou Zhongwei's new material business for this second quarter has been continuously weak for the same reasons explained in past quarters' commentary.

As stated in last quarter's commentary, the Group has incorporated two wholly owned subsidiaries, namely Asia Entertainment Limited and Asia Entertainment (Hong Kong) Limited (collectively referred to as Asia Entertainment Group (“AEG”)) to start up our new media and entertainment business initially in the Greater China region. Since inception, AEG has already secured cooperation with a few well known Hong Kong-based industry players on entertainment-related projects such as live shows and movies shooting. On 5 November 2016 and 17 January 2017, we have respectively organised and presented the W-inds' Concert and the E1 World Championship Boxing Show in Hong Kong with our partners with great success.

Through AEG as the main operating entity, the Group will continue to explore business potentials and strategic partnerships to provide promising growth opportunities to our new business initiative. The Board will provide prompt updates on the development status of this new business initiative to our shareholders from time to time.

11. Dividend

(a) Whether an interim ordinary dividend has been declared

No dividend was declared for the current financial period reported on.

(b)

(i) Amount per share

Not applicable.

(ii) Amount per share for corresponding period of the immediately preceding financial year

Not applicable. No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Whether the dividend is before tax, net of tax or tax exempt.

Not applicable.

(d) Date payable

Not applicable.



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(e) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended during the period.

13. Interested person transactions

There is no general mandate obtained for interested person transactions.

14. Confirmation by the Board pursuant to Listing Rule 705(5) of SGX Listing Manual

The Directors confirmed that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company and of the Group for the second quarter ended 31 December 2016 to be false or misleading in any material respect.

15. Confirmation pursuant to Listing Rule 720(1) of the SGX Listing Manual

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7 of the SGX Listing Manual.

BY ORDER OF THE BOARD

Chong Tin Yam, Alex
Chief Executive Officer
13 February 2017