

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

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**PROPOSED PLACEMENT OF UP TO 145,000,000 NEW ORDINARY SHARES (“PROPOSED PLACEMENT”)**

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**DISCLAIMER: THE OFFERING TO WHICH THIS PLACEMENT RELATES IS MADE TO OR DIRECTED AT ONLY PERSONS OUTSIDE SINGAPORE, AND MAY BE ACTED UPON ONLY BY PERSONS OUTSIDE SINGAPORE.**

**A. TERMS OF PLACEMENT**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) wishes to announce that the Company has entered into a placement agreement dated 8 August 2017 (“**Placement Agreement**”) with Freeman Securities Limited as an overseas placement manager (the “**Overseas Placement Manager**”) whereby the Overseas Placement Manager (as placement agent) has agreed to use its best efforts to identify subscriptions for up to 145,000,000 new ordinary shares in the capital of the Company (“**Placement Shares**”) at the issue price of HK\$0.90 per Placement Share (the “**Placement Price**”), subject to and upon the terms of the Placement Agreement.

The Placement Price of HK\$0.90 for each Placement Share represents a discount of approximately 8.59% to S\$0.172 (based on the exchange rate of HK\$1 = S\$0.1742), which is the volume weighted average price of the ordinary shares in the capital (“**Shares**”) of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for trades done on 7 August 2017, being the preceding full Market Day prior to the date of the Placement Agreement.

A commission of 1.75% of the aggregate Placement Price for the Placement Shares subscribed for and for which the Overseas Placement Manager has identified subscribers plus applicable taxes is payable by the Company to the Overseas Placement Manager pursuant to the Placement Agreement.

Under the terms of the Placement Agreement, the Overseas Placement Manager has provided an undertaking to the Company that, *inter alia*:

- (a) neither it nor any of the placees (“**Placees**”) is acting in concert with any party in relation to the Placement Shares to be issued under the Proposed Placement; and
- (b) there are no share borrowing arrangements to facilitate the Proposed Placement.

The Placees will be independently procured by the Overseas Placement Manager.

Under the confirmations to be provided under the Placement Agreement, each of the Placees will undertake not to sell, transfer, assign, dispose or realise or otherwise reduce any interests in or create any encumbrance over the Placement Shares for a period of one year from the date of completion of the Proposed Placement.

The Placement Shares will collectively represent approximately 169.6% of the existing issued and paid-up share capital of the Company as at the date of this announcement.

When completed, on the assumption that all of the outstanding convertible bonds (the “**Convertible Bonds**”) issued to Mr. Dai Ji Zhou (“**Mr. Dai Ji Zhou**”) pursuant to the convertible bond agreement entered into between the Company and Mr. Dai Ji Zhou dated 25 November 2016, and as supplemented by the supplemental agreements dated 23 December 2016 and 23 March 2017, have been fully converted into conversion shares (the “**Conversion Shares**”), then:

- (a) the Proposed Placement will increase the issued and paid up share capital of the Company to 237,760,000 Shares; and
- (b) the Placement Shares will collectively represent approximately 60.99% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

When completed, on the assumption that none of the outstanding Convertible Bonds have been converted into Conversion Shares, then:

- (a) the Proposed Placement will increase the issued and paid up share capital of the Company to 230,500,000 Shares; and
- (b) the Placement Shares will collectively represent approximately 62.91% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

The Proposed Placement and issuance of the Placement Shares to the Placees would not result in adjustments to the Convertible Bonds.

To the best of the Company and Directors' knowledge, the issuance of the Placement Shares to the Placees will not result in a transfer of controlling interest.

The Placement Shares when issued and fully paid will rank *pari passu* in all respects with the existing Shares of the Company.

The Proposed Placement will be undertaken in Hong Kong and wholly outside Singapore to investors wholly outside Singapore, with the Placement Shares to be offered for sale in accordance with all requirements under the laws of Hong Kong. As such, no prospectus, offer document or offer information statement will be lodged with the SGX-ST in connection with the Proposed Placement.

The terms of the Proposed Placement do not contravene any laws and regulations governing the Company and/or the Bye-Laws of the Company.

The Company intends to convene a special general meeting ("**SGM**") to seek the approval of Shareholders for the Proposed Placement. A circular containing information on the Proposed Placement, together with a notice of the SGM, will be despatched to Shareholders in due course. The Company will be applying to the SGX-ST for the dealing in, listing and quotation of the Placement Shares on the Official List of the SGX-ST and will make the necessary announcements once the approval-in-principal of the listing and quotation of the Placement Shares has been obtained from the SGX-ST.

## **B. CONDITIONS PRECEDENT**

The completion of the Proposed Placement ("**Completion**") is conditional upon the following conditions (collectively the "**Conditions Precedent**" and each a "**Condition Precedent**"):

- (a) in-principle approval for the application to the SGX-ST for the Placement Shares to be admitted to the Official List of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Overseas Placement Manager and, to the extent that any conditions for the listing and quotation of the Placement Shares on the Official List of the SGX-ST are required to be fulfilled on or before the date of Completion (the "**Completion Date**"), they are so fulfilled;
- (b) the approval of the Directors and Shareholders of the Company (where necessary) being obtained in respect of the transactions contemplated by the Placement Agreement including but not limited to the issue and allotment of the Placement Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Overseas Placement Manager;

- (c) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of the Company contained or referred to in the Placement Agreement deemed to be repeated on each day from the date of signing to Completion in all respects with reference to the facts and circumstances existing on each such day;
- (d) the subscription, issue and allotment, and offering (if any) of the Placement Shares being in compliance with the Securities and Futures Act (Chapter 289 of Singapore) in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore, Bermuda or elsewhere which is applicable to the Company and/or the Placees; and
- (e) not later than three (3) business days (or such other date as the Company and the Overseas Placement Manager may agree) prior to the Completion Date the Overseas Placement Manager notifying the Company of the Placees identified by it, and the number of Placement Shares to be subscribed for by each Placee, together with a confirmation executed by each Placee in the form set out in the Placement Agreement.

The Overseas Placement Manager may, upon such terms as it thinks fit, waive compliance with any of the Conditions Precedent (save for (d) and (e) above) and any Condition Precedent so waived shall be deemed to have been satisfied.

If any of the Conditions Precedent is not satisfied within 60 days from the date of the Placement Agreement, or such other date as the Overseas Placement Manager and the Company may agree, the Placement Agreement shall *ipso facto* cease and determine thereafter and neither of the Overseas Placement Manager and the Company shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise.

## **C. RATIONALE FOR AND PROCEEDS FROM PROPOSED PLACEMENT**

### Increase of the Market Capitalisation of the Company

With effect from 5 June 2017, the Company was placed on the minimum trading price watch-list (the “**Watch-list**”) of the SGX-ST pursuant to Listing Rule 1311(2) of the Listing Manual of the SGX-ST (the “**SGX-ST Listing Manual**”) due to the Company having recorded a volume-weighted average price of less than S\$0.20 over the 6 months prior to June 2017 and an average daily market capitalisation of less than S\$40 million over the 6 months prior to June 2017.

The SGX-ST has informed the Company that it must take active steps to meet the requirements of Listing Rule 1314(2) of the SGX-ST Listing Manual within 36 months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Company’s shares with a view to delisting the Company. Listing Rule 1314(2) of the SGX-ST Listing Manual states that the Company will be assessed by the SGX-ST for removal from the Watch-list if it records volume-weighted average price of at least S\$0.20 and an average daily market capitalization of S\$40 million or more over the last 6 months.

The Shares have been trading between approximately S\$0.073 and approximately S\$0.45 with a volume weighted average price of approximately S\$0.2156 during the six (6) months prior to 8 August 2017. However, the trading price of the Shares is currently below S\$0.20.

The market capitalization of the Company has been between approximately S\$3.94 million and approximately S\$21.21 million with an average daily market capitalisation of approximately S\$13.20 million during the six (6) months prior to 8 August 2017. As such, the average daily market capitalisation of the Company has been well below S\$40 million.

The Proposed Placement should increase the average daily market capitalisation of the Company, and should assist the Company in meeting the market capitalisation requirements of Listing Rule 1314(2) of the SGX-ST Listing Manual.

#### Raising of Working Capital

The Company wishes to undertake the Proposed Placement to raise working capital for the Company.

The estimated net maximum proceeds from the Proposed Placement, after deducting estimated expenses pertaining to the Proposed Placement of HK\$3,000,000, will be HK\$127,500,000 (approximately S\$22,210,500, based on the exchange rate of HK\$1 = S\$0.1742). The net proceeds will be fully used for working capital purposes.

The Company will make periodic announcements on the utilisation of the net proceeds from the Proposed Placement as and when the funds from the Proposed Placement are materially disbursed and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

#### **D. FINANCIAL EFFECTS**

For illustration purposes only, the table below sets out the financial effects of the Proposed Placement based on the following bases and assumptions:-

- (a) The audited consolidated financial statements of the Company for the 18 months' period ended 30 June 2016 (where the 35,000,000 Shares in connection with the placement of Shares to each of Hu Zhen, Li Zheng, Ng Wa Pang and Dai Ju Yun as completed on 5 June 2017 had not yet been issued and allotted);
- (b) The financial impact on the consolidated net tangible assets ("**NTA**") per Share of the Company is computed based on the assumption that the Proposed Placement was completed on 30 June 2016 and in relation to the Company's consolidated earnings / (loss) per Share ("**EPS**"), computed based on the assumption that the Proposed Placement was completed on 1 January 2015; and
- (c) None of the outstanding Convertible Bonds are converted into Conversion Shares.

	<b>Before the Proposed Placement</b>	<b>After the Proposed Placement</b>
<b>Share Capital</b>		
- Issued and paid up share capital (US\$)	4,040,000	15,640,000
- Number of shares	50,500,000	195,500,000
<b>NTA (RMB'000)</b>	27,802	137,031
<b>NTA per Share (RMB cents)</b>	55.05	70.09
<b>EPS / (Loss PS) (RMB cents) <sup>(1)</sup></b>	(61.71)	(14.86)
<b>Earnings / (Loss) attributable to equity holders of the Company (RMB'000)</b>	(28,393)	(28,393)
<b>Weighted average number of shares used to calculate diluted earnings ('000)</b>	46,012,400	191,012,400

Note: <sup>(1)</sup> EPS is calculated by dividing the Company's consolidated net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares.

The financial effects of the Proposed Placement on the Company and the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Company and the Group after Completion.

## E. RULE 812 AND INTERESTED PERSONS

None of the Placees fall within the persons or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the SGX-ST Listing Manual or are interested persons under Chapter 9 of the SGX-ST Listing Manual.

## F. CHANGES IN SHAREHOLDING STRUCTURE

Based on the issued share capital of the Company as at the date hereof, the following table sets out the impact on the percentage shareholding of existing Shareholders following Completion (on the assumption that none of the Convertible Bonds have been converted into Conversion Shares):

	As at the date hereof						After the Placement (assuming that none of the Convertible Bonds have been converted into Conversion Shares)					
	Direct Interest		Deemed Interest		Total Interest		Direct Interest		Deemed Interest		Total Interest	
	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%
<b>Substantial Shareholders</b>												
Yong Tai Investment Company Limited	14,765,797	17.27	-	-	14,765,797	17.27	14,765,797	6.41	-	-	14,765,797	6.41
Yuan Li Min (Note 1)	-	-	14,765,797	17.27	14,765,797	17.27	-	-	14,765,797	6.41	14,765,797	6.41
Li Yu Huan	6,274,835	7.34	-	-	6,274,835	7.34	6,274,835	2.72	-	-	6,274,835	2.72
Link Profits Limited	5,328,571	6.23	-	-	5,328,571	6.23	5,328,571	2.31	-	-	5,328,571	2.31
Wang Chunzhi (Note 2)	-	-	5,328,571	6.23	5,328,571	6.23	-	-	5,328,571	2.31	5,328,571	2.31
Hu Zhen	12,000,000	14.03	-	-	12,000,000	14.03	12,000,000	5.21	-	-	12,000,000	5.21
Li Zheng	9,000,000	10.53	-	-	9,000,000	10.53	9,000,000	3.90	-	-	9,000,000	3.90
Ng Wa Pang	7,000,000	8.19	-	-	7,000,000	8.19	7,000,000	3.04	-	-	7,000,000	3.04
Dai Ju Yun	7,000,000	8.19	-	-	7,000,000	8.19	7,000,000	3.04	-	-	7,000,000	3.04
<b>Proposed Placement</b>												
Placees	-	-	-	-	-	-	145,000,000	62.91	-	-	145,000,000	62.91
<b>Other Shareholders</b>	24,130,797	28.22	-	-	24,130,797	28.22	24,130,797	10.47	-	-	24,130,797	10.47
<b>Total</b>					<b>85,500,000</b>	<b>100</b>					<b>230,500,000</b>	<b>100</b>
<b>Notes:-</b>												
(1) Mr. Yuan Li Min is deemed to be interested in 14,765,797 shares in the Company held by Yong Tai. Mr. Yuan Li Min is the sole shareholder of Yong Tai.												
(2) Ms. Wang Chunzhi is deemed to be interested in 5,328,571 shares in the Company held by Link Profits. Ms. Wang Chunzhi is the sole shareholder of Link Profits.												

## G. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as director or shareholders of the Company) has any interest, direct or indirect, in the Proposed Placement.

**Shareholders and potential investors should note that the Proposed Placement is subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Shareholders and potential investors are advised to exercise caution when trading in the shares of the Company. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.**

By Order of the Board

Chong Tin Yam, Alex  
Executive Director and Chief Executive Officer  
8 August 2017