



# Asia Fashion Holdings Limited

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

## UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015 (“1Q2015”)

### 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 the Group

	1Q2015	1Q2014	% Change + / (-)
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
<b>Continuing operations</b>			
Revenue	176,925	-	N/A
Cost of sales	(125,405)	-	N/A
<b>Gross profit</b>	<b>51,520</b>	-	N/A
Other income	126	-	N/A
Selling and distribution expenses	(8,223)	-	N/A
Administrative expenses	(9,853)	-	N/A
Finance costs	(6,657)	-	N/A
<b>Profit from continued operations</b>	<b>26,913</b>	-	N/A
Income tax expense	(7,187)	-	N/A
<b>Profit before taxation from continued operations</b>	<b>19,726</b>	-	N/A
Other comprehensive income	-	-	N/A
<b>Total comprehensive profit for the period from continued operations</b>	<b>19,726</b>	-	N/A
Loss from discontinued operation, net of tax (Note 1)	-	(638)	N/A
	19,726	(638)	
Loss on disposal of discontinued operation	(19,024)	-	
<b>Total comprehensive profit/(loss) for the period</b>	<b>702</b>	<b>(638)</b>	684.8%
<b>Total comprehensive profit/(loss) attributable to:</b>			
Equity holders of the company			
- Profit from continuing operations, net to tax	8,938	-	
- Loss from discontinued operation, net of tax	(19,024)	(638)	
	(10,086)	(638)	
Non-controlling interest	10,788	-	
	<b>702</b>	<b>(638)</b>	

N/A – Not applicable



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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 is arrived at after charging/(crediting):

	1Q2015 RMB’000 (Unaudited)	1Q2014 RMB’000 (Unaudited)
Interest income	-	(7)
Depreciation of property, plant and equipment	4,627	2,269
Amortization of land use rights	5	46
Interest expense	6,657	161
Foreign exchange loss	182	16

**Note 1:**

Loss from discontinued operation, net of tax:

Further to the Company’s announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the proposed disposal (“**Proposed Disposal**”) of 100% of the share capital of Qianfeng International Limited (“**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 sale and purchase agreement (“**SPA**”) dated 18 September 2014 and entered into between the Company as vendor, Chengde Industrial Co., Limited as purchaser and Lin Daoqin as obligor.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng Textile Technology Co. Ltd. (“Fujian Qianfeng”), a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei Textile Company Limited (“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 results of QIL and its subsidiaries for the quarter ended 31 March 2015 (“1Q2015”) are as follows:-

	1Q2015 RMB’000 (Unaudited)	1Q2014 RMB’000 (Unaudited)
Revenue	-	34,071
Cost of sales	-	(29,760)
Gross profit	-	4,311
Other income	-	64
Selling and distribution expenses	-	(1,023)
Administrative expenses	-	(3,633)
Loss from operations	-	(281)
Finance costs	-	(161)
Loss before taxation	-	(442)
Income tax expense	-	(196)
Loss after taxation	-	(638)
Loss on disposal of discontinued operation	(19,024)	-
	(19,024)	(638)



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## UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015 (“1Q2015”)

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 March 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Unaudited)	31 March 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Unaudited)
<b>Non-current assets</b>				
Property, plant and equipment	201,137	205,764	-	-
Intangible assets	764	769	-	-
Investments in subsidiaries	-	-	49,030	52,282
	201,901	206,533	49,030	52,282
<b>Current assets</b>				
Inventories	53,626	47,611	-	-
Trade receivables	126,350	132,275	-	-
Prepayments and other receivables	213,804	222,701	1,900	-
Amounts due from subsidiaries	-	-	32,087	2,054
Cash and cash equivalents	52,715	23,025	71	130
	446,495	425,612	34,058	2,184
Disposed group classified as held-for-sale (Note A)	-	151,486	-	-
<b>Total assets</b>	<b>648,396</b>	<b>783,631</b>	<b>83,088</b>	<b>54,466</b>
<b>Current liabilities</b>				
Trade payables	79,931	58,365	-	-
Other payables and accruals	166,796	174,220	32,040	40,015
Amount due to ex-shareholder	-	2,701	-	2,701
Tax payable	3,816	38,578	-	-
	250,543	273,873	32,040	42,716
<b>Net current assets/(liabilities)</b>	<b>195,952</b>	<b>151,739</b>	<b>2,018</b>	<b>(40,532)</b>
<b>Non current liabilities</b>				
Bonds payable	238,928	231,000	7,928	-
Non-equity linked bonds	50,835	50,835	50,835	50,835
Convertible bonds	11,891	-	11,891	-
Other payables	32,326	39,009	-	-
	333,980	320,844	70,654	50,835
Liabilities directly associated with disposed group classified as held-for-sale (Note A)	-	138,940	-	-
<b>Net assets</b>	<b>63,873</b>	<b>49,974</b>	<b>(19,606)</b>	<b>(39,085)</b>
<b>Equity</b>				
Share capital	22,303	19,220	22,303	19,220
Reserves	(2,052)	(2,080)	(41,909)	(58,085)
Total attributable to equity holders of the company	20,251	17,140	(19,606)	(39,085)
Non-controlling interest	43,622	32,834	-	-
<b>Total equity</b>	<b>63,873</b>	<b>49,974</b>	<b>(19,606)</b>	<b>(26,171)</b>



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### (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 March 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Bank Loans		-	10,000*	-

Amount repayable after one year

RMB '000	As at 31 March 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Bonds payable (i)	-	238,928	-	231,000
Non-equity linked bonds (ii)	-	50,835	-	50,835
Convertible bond (iii)	-	11,891	-	-

(i) Bonds payable comprise of:

(1) Our subsidiary, Xuzhou Zhongwei New Board Co., Ltd (formerly known as Xuzhou Zhongsen New Board Co., Ltd), prior to the acquisition by the Company, had on 28 March 2013 successfully issued a private RMB180 million SME Bond (“**SME Bond**”) listed on Shanghai Stock Exchange. The SME Bond bears an interest of 10% per annum, and was arranged by Huarong Securities Co., Ltd and guaranteed by Sino-Capital Guaranty Trust. The SME Bond is repayable in full on 28 March 2016.

(2) RMB51 million relates to indebtedness incurred by Rich Circles Enterprise Limited (“**Rich Circles**”), a subsidiary of the Company, pursuant to the drawdown of RMB51 million on 18 June 2014 pursuant to a loan letter dated 18 June 2014 and entered into between Rich Circles as borrower and Li Yaxin as lender.

The loan has an interest rate of 7% per annum. The loan and the interest chargeable thereon is repayable on 19 June 2016. The loan was provided by Li Yaxin, the joint venture partner of the Company in respect of the identification of potential business and development opportunities in China, in connection with the acquisition of China Construction Material (Hong Kong) Limited (“**CCMH**”) by Rich Circles, as announced by the Company on 18 June 2014, 25 June 2014, 27 June 2014 and 3 July 2014.

(3) The balance of RMB7.928 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 principal amount of HK\$10 million. Interest is payable half-yearly in arrears.

(ii) Non-equity linked bonds

As announced by the Company on 9 June 2014, the Company had on 9 June 2014 entered into a bond subscription agreement (“**Bond Subscription Agreement**”) with Li YuHuan (the “**Subscriber**”) for the issuance of seven (7) per cent. unsecured non-equity-linked bonds with an aggregate principal amount of S\$10,000,000.00 (the “**Bonds**”) and in the denomination of S\$200,000.00. The Subscriber had on 9 June 2014 subscribed for Bonds at the aggregate subscription price of S\$10,000,000.00 in accordance with the terms of the Bond Subscription Agreement.

(iii) 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



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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\$0.07 per share.

#### Details of any collateral

\* The Group’s interest-bearing bank borrowings amounting to RMB10 million, which has been included in liabilities held-for-sale, are secured by the pledge of certain of the Group’s property, plant and equipment and guarantees provided by Mr Lin Daoqin.

#### Note A: Assets and liabilities held-for-sale

As stated in Note 1 to Section 1(a)(i) above, further to the Company’s announcements dated 19 September 2014, 2 February 2015 and 3 February 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 WIL 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.

As at 31 December 2014, substantially all of the assets and liabilities in QIL and its subsidiaries were reclassified to assets and liabilities held-for-sale which comprises as follows:-

	<i>RMB,000</i>
Assets reclassified as held-for-sale:	
- Property, plant and equipment	37,633
- Intangible assets	7,649
- Inventories	11,044
- Trade receivables	88,016
- Prepayments & other receivables	2,590
- Cash and cash equivalents	4,554
	<u>151,486</u>
Liabilities reclassified as held-for-sale:	
- Trade payables	42,024
- Other payables and accruals	16,201
- Compensation payables – current portion	17,400
- Bank loans	10,000
- Compensation payables	53,315
	<u>138,940</u>



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## UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015 (“1Q2015”)

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

### Consolidated statement of cash flows for the Group

	1Q2014 RMB'000 (Unaudited)	1Q2013 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit/(Loss) before taxation	26,913	(442)
Adjustments for:		
Amortization of land use rights	5	45
Depreciation of property, plant and equipment	4,627	2,269
Interest income	-	(8)
Interest expense	6,657	161
Operating profit before working capital changes	38,202	2,027
(Increase)/decrease in inventories	(6,015)	1,625
Decrease in trade receivables	16,846	15,909
Decrease in prepayments and other receivables	8,898	1,398
Increase/(Decrease) in trade payables	21,565	(17,419)
Decrease in accrued liabilities and other payables	(53,091)	(7,871)
Cash generated/(used in) from operations	26,405	(4,331)
Interest received	-	7
Interest paid	(2,157)	(161)
Income tax paid	(27,575)	(358)
Net cash used in from operating activities	(3,327)	(4,843)
<b>Cash flows from investing activities</b>		
Net effect of cash flow on disposal (Note A)	(4,554)	-
Net cash used in investing activities	(4,554)	-
<b>Cash flows from financing activities</b>		
Proceed from convertible bonds	11,891	-
Proceed from coupon bonds	7,928	-
Proceeds from issuance of shares	13,197	-
Repayment of bank loans	-	(196)
Net cash generated/(used in) financing activities	33,016	(196)
Net increase /(decrease) in cash and cash equivalents	25,135	(5,039)
Cash & cash equivalents at beginning of the financial period	27,580	9,986
Cash & cash equivalents at the end of the financial period	52,715	4,947



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### UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015 (“1Q2015”)

#### Note A

As stated in Note 1 to Section 1(a)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February 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 WIL 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)
Intangible asset	(7,649)
Inventories	(11,043)
Trade and other receivable	(90,606)
Cash and cash equivalents	(4,554)
Trade and other payables	111,540
Short-term loan	10,000
	<u>(29,945)</u>
Less: Consideration receivable	10,921
Loss arising from disposal	<u>(19,024)</u>
 <u>Net effect of cash flow on disposal</u>	
Consideration received	-
Cash and cash equivalents acquired	(4,554)
Net cash outflow from disposal	<u>(4,554)</u>





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**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

#### The 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 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(243,054)	-	483	-	483
Prior year's adjustment Restated	-	-	-	-	-	-	-	(1,984)	-	(1,984)	-	(1,984)
Capital contribution	-	-	-	-	-	-	-	(245,038)	-	(1,501)	-	(1,501)
Being written off of share option granted to ex-CFO upon expiration of option	-	-	-	-	(1,224)	-	-	-	-	(1,224)	-	(1,224)
Negative goodwill arising from the acquisition of Rich Circle Enterprise Limited	-	-	-	-	-	-	-	-	4,161	4,161	4,332	8,493
Total comprehensive income for the year	-	-	-	-	-	-	-	15,704	-	15,704	28,471	44,175
<b>Balance at 31 December 2014 (Unaudited)</b>	<b>19,220</b>	<b>172,983</b>	<b>65,466</b>	<b>4,230</b>	<b>-</b>	<b>(64,889)</b>	<b>45,303</b>	<b>(229,334)</b>	<b>4,161</b>	<b>17,140</b>	<b>32,834</b>	<b>49,974</b>
Balance at 1 January 2015	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(229,334)	4,161	17,140	32,834	49,974
Issue of shares pursuant to the placement approved on 2 February 2015	3,083	-	10,114	-	-	-	-	-	-	13,197	-	13,197
Disposal of QIL group as approved on 2 February 2015	-	-	(13,966)	(1,216)	-	64,889	(45,303)	(4,404)	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(10,086)	-	(10,086)	10,788	702
<b>Balance at 31 March 2015</b>	<b>22,303</b>	<b>172,983</b>	<b>61,614</b>	<b>3,014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(243,823)</b>	<b>4,161</b>	<b>20,251</b>	<b>43,622</b>	<b>63,873</b>





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### Statement of changes in equity for the Company

The Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January 2014</b>	19,220	172,983	51,500	3,014		1,224	(274,112)	(26,171)
Being written off of share option granted to ex-CFO upon expiration of option	-	-	-	-	-	(1,224)	-	(1,224)
Total comprehensive income for the year	-	-	-	-	-	-	(11,690)	(11,690)
<b>Balance at 31 December 2014 (Unaudited)</b>	<u>19,220</u>	<u>172,983</u>	<u>51,500</u>	<u>3,014</u>		-	<u>(285,802)</u>	<u>(39,085)</u>
<b>Balance at 1 January 2015</b>	19,220	172,983	51,500	3,014		-	(285,802)	(39,085)
Issue of shares pursuant to the placement approved on 2 February 2015	3,083	-	10,114	-	-	-	-	13,197
Total comprehensive income for the period	-	-	-	-	-	-	6,282	6,282
<b>Balance at 31 March 2015</b>	<u>22,303</u>	<u>172,983</u>	<u>61,614</u>	<u>3,014</u>		-	<u>(279,520)</u>	<u>(19,606)</u>



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- 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.**

In connection with the Company’s announcements dated 15 August 2013, 11 September 2014, 7 January 2015, 2 February 2015 and 11 February 2015, and the Circular dated 9 January 2015, the Company had obtained shareholders’ approval at the Special General Meeting on 2 February 2015 and had on 11 February 2015 completed the placement of 100 million shares at an issue price of \$0.029 per share to Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi (“**Placement**”). As a result, the total number of issued shares of the Company had increased from 548,802,638 ordinary shares to 648,802,638 ordinary shares (excluding treasury shares) as at 31 March 2015.

In connection with the Company’s announcements dated 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015 in respect of the issue and allotment of the Convertible Bonds to the Investor, up to 38,000,000 Shares may be issued to the Investor if the Investor converts all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$0.07 per share.

For the period ended 31 March 2014, there is no change to the share capital of the Company.

- 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 is 648,802,638 and 548,802,638 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 first quarter ended 31 March 2015 has not been audited or reviewed by the Company’s auditors.

As announced by the Company on 28 April 2015, the Company has received an extension of time till 30 June 2015 to comply with Rule 707(1) of the Listing Manual to hold its Annual General Meeting for its financial year ended 31 December 2014 (“**FY2014**”) due to, *inter alia*, delays in the audit process. As such, the Group’s financial statements for FY2014 have not been audited as at the date of this announcement. The Company may need to make further adjustments to its financial statements for 1Q2015 following the completion of the audit of the Group’s financial statements for FY2014.

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

Not applicable.



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## UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015 (“1Q2015”)

**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 year ended 31 December 2014.

**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.**

Not applicable.

**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.**

	1Q2015	1Q2014
<b>Basic earnings per share (RMB cents)</b>		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	1.48	-
- Fully diluted	1.39	-
From discontinued operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	(3.15)	(0.12)
- Fully diluted	(3.15)	(0.12)
Current weighted average number of ordinary shares in issue	603,247,082	548,802,638

**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 March 2015	31 December 2014	31 March 2015	31 December 2014
Net asset value per ordinary share	3.12	3.12	(3.02)	(7.12)

**Note:-**

Net asset value per ordinary share of the Group/Company was calculated based on the 648,802,638 and 548,802,638 shares in issue at the end of 31 March 2015 and 31 December 2014, respectively.



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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

	1Q2015 RMB'000 (A)	4Q2014 RMB'000 (B)	3Q2014 RMB'000 (C)	% Change + / (-) A vs B	% Change + / (-) B vs C
<b>Revenue</b>					
- Magnesium multifunctional board	106,155	291,310	121,860	(2,913.1)	1,218.6
- Decorative board	-	(12,100)	12,457	N/A	N/A
- Aluminium products	58,144	32,504	-	325.0	N/A
- Flooring and grany boards	12,626	-	-	N/A	
<b>Total</b>	<b>176,925</b>	<b>311,714</b>	<b>134,317</b>	<b>(43.2)</b>	<b>1,343.2</b>
Gross profit	51,520	68,836	45,462	(25.2)	454.6
Gross profit margin	29.12%	22.08%	33.84%	31.9	(34.8)

\*N/A = Not applicable

### Review of Financial Performance

#### New Materials Business

##### (a) **Magnesium Multifunctional Board**

Magnesium Multifunctional Board is a basic and core Magnesium Chloride-based product which is used in the production of other products. Magnesium Multifunctional Board can be nailed, sawed, drilled, and planed while being environmental friendly, waterproof, fireproof, soundproof and not easy to deform with integration capabilities. Magnesium Multifunctional Board can be used in ceiling panels, wall panels, insulation board, fireproof board, and waterproof board. Magnesium Multifunctional Boards can be either directly sold to customers or further processed to produce other building and decoration materials.

##### (b) **Floor and grainy board**

Floor and grainy board is produced by further processing of the Magnesium Multifunctional Board. These include geothermal dedicated flooring and titanium flooring. Geothermal dedicated flooring has characteristics such as being environmental friendly, fire and water proof, not easy to deform, and able to withstand wear, scratch and stain. It is wear-proof in accordance with the relevant national standards in the PRC. Titanium flooring is fireproof, waterproof, resists deformation, and has comprehensive environmental characteristics. Its paint surface is able to withstand wear, scratch, stain and integration performance, and it can be used as decorative panels for, *inter alia*, home, hotels, and office floors.

##### (c) **Decorative board**

Decorative boards are produced by processing the Magnesium Multifunctional Boards with various surfaces, such as by coating the surfaces of Magnesium Multifunctional Boards with aluminium or magnesium products. Decorative boards processed with certain metals may be aesthetically pleasing with vein lines and grains resembling marble, granite or wood. Such decorative boards are also environmentally friendly, waterproof, fireproof, and resistant to deformation, wear, scratches, and stains. Based on different surface treatments, decorative boards may be widely used for cabinets and other kinds of interior and exterior décor.



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### (d) *Aluminium products*

Aluminium products are aluminium plates with various customized designs and colors that are incorporated using printing technology. These products are produced with transfer printing technology, which can allow the final product to look like natural materials, such as marble and granite. Aluminium panels have fire safety, insulation, energy-saving, environmental-friendliness and other functions, and can be widely used in energy efficient building facades and wall decorations with a product life of up to 30 years. At the end of the product life cycle, after removal from buildings, through the separation and recycling technologies, the aluminium can be re-used, in the interests of the environment. Products made with nano-glaze aluminium coating are eco-friendly, non-toxic and able to withstand light, scratches, corrosion, and extreme temperatures. Aluminium products can be either sold as finished goods or used with Magnesium Multifunctional Boards to produce decorative boards.

The revenue for the New Material Business decreased by RMB134.8 million or 43.2% from RMB311.7 million in the last quarter of year 2014 (“4Q2014”) to RMB176.9 million in the first quarter of year 2015 (“1Q2015”). The main contributor to the decreased sales was due to the decline in sale of magnesium multifunctional board amounting to RMB185.2 million or 2,913.1% in the current quarter. This was due to increased deliveries in 4Q2014 due to the requirements of the by one of our major customers, Beijing Baota Petrochemical Company Limited (“Baota”) and a slowdown of business activities in 1Q2015 due to festive season in the PRC. For the current quarter, the Company did not make any sales to Baota as their projects will commence from the second quarter of the Group’s financial year for 2015.

The increased sales of aluminium products amounting to RMB25.6 million or 325% was due to a project currently in progress with a new customer sourced at the end of last year. The Group has also made sales of flooring and grainy board amounting to RMB12.6 million to our existing customers in 1Q2015, whereas the Group did not make any sale of such product in the last year.

Also, business activities in the construction industry in China is traditionally lower in the first quarter of the year due to seasonal fluctuation.

**Gross profit** decreased by RMB17.3 million or 25.5% to RMB51.5 million in current quarter from RMB68.8 million in the preceding quarter due to decreased sales as explained. **Gross profit margin** has increased from 22.08% to 29.12%, an absolute increase of 7.0%. The main reason was certain experimental improvements, such as including layers of mesh in the basic product without increasing the selling prices, in last quarter. The gross margin is normalized in the current quarter.

**Selling and distribution expenses** amounting to RMB18.2 million in the current quarter due mainly to significant investments were made in expanding the New Material Business by incurring costs in advertising and market promotion for the period ended 31 March 2015.

**Administrative expenses** amounting to RMB7.5 million relates mainly to management’s remuneration, travelling and office expenses.

**Finance costs** amounting to RMB6.6 million relates mainly to interest expenses accrued for the SME Bond and other financial expenses.

**Income tax expense** amounting to RMB7.2 million incurred was due to enterprise tax from the profit earned for 1Q2015 by our subsidiary, Xuzhou Zhongwei New Board Co., Ltd.



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- (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**

**Property, plant and equipment** decreased by RMB4.7 million or 2.3% to RMB201.1 million in 1Q2015 as compared to RMB205.8 million as of 31 December 2014 due mainly to the depreciation charge in 1Q2014.

**Inventories** as at 31 March 2015 were RMB53.6 million, increased by RMB6.0 million or 12.6% from RMB47.6 million as of 31 December 2014, due mainly to increased purchases during the period in anticipation of significant deliveries to be fulfilled in the forthcoming quarters. The average inventory turnover days has improved to 38 days in 1Q2015 from 68 days for the year ended 31 December 2014.

**Trade receivables** were RMB126.4 million as at 31 March 2015, decreased by RMB5.9 million or 4.5% from RMB132.3 million as of 31 December 2014, due mainly to lower sales activities in the current quarter as compared to that of 4Q2014. The average trade receivables' turnover days was 69 days in 1Q2015 comparing to 72 days for the year ended 31 December 2014.

**Prepayment and other receivables** were RMB213.8 million as at 31 March 2015, decreased by RMB8.9 million or 4.0% from RMB222.7 million as of 31 December 2014, due mainly to lesser deposits placed with suppliers.

**Trade payables** were RMB79.9 million and RMB58.4 million as at 31 March 2015 and 31 December 2014, respectively. A decrease of RMB21.5 million or 36.8% due mainly to more purchases made in the current quarter in anticipation of significant deliveries to be fulfilled in the forthcoming quarters. The average trade payables' turnover days was 51 days in 1Q2015 comparing to 88 days for the year ended 31 December 2014.

**Accruals and other payables** declined slightly by RMB7.2 million or 4.2% from RMB174.2 million as of 31 December 2014 to RMB166.8 million as at 31 March 2015 due to settlement of accrued expenses.

There is no **amount due to ex-shareholder** in 1Q2015 due to repayment in the current quarter.

The **tax payable** declined by RMB34.8 million or 90.2% from RMB38.6 million as of 31 December 2014 to RMB3.8 million as of 31 March 2015 due to settlement of tax liabilities to the authority.

**Bonds payable** increased by RMB7.9 million or 3.4% to RMB238.9 million as at 31 March 2015 from RMB231 million as of 31 December 2014 due to a HK\$10 million, two-year 10% coupon bond issued to Prime Pacific Investments Limited on 4 March 2015.

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 the **Convertible Bonds** due 2017 of an aggregate principal amount of S\$2,660,000 to the Investor pursuant to 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.

**Other payables** relates to a sale-and-leaseback arrangement with a local finance house.





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#### **Review of Cash Flow**

The Group achieved profit before tax of RMB21.0 million (1Q2014: a loss of RMB442,000) and negative cash flow from operating activities of RMB3.3 million (1Q2014: RMB4.8 million) for 1Q2015. This was due mainly to payment of government tax liabilities, including the profit tax, value added and other taxes for the financial year ended 31 December 2014.

The Group's cash outflow from investing activities of RMB4.6 million relates to the net cash effect from the completion of the Proposed Disposal on February 2015. There was no cash flow item from investing activities for 1Q2014.

The Group's cash inflow from financing activities of RMB33.0 million due primarily to proceeds from the issuance of the Convertible Bonds, the two-year 10% coupon bond and issuance of shares in respect of the the Placement completed on 11 February 2015, during the quarter (1Q2014: cash outflow of RMB196,000).

The net increases in cash and cash equivalents were RMB25.1 million in 1Q2015 and a net decrease in cash and cash equivalents of RMB5.0 million in 1Q2014.

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

Not applicable.

**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.**

As stated above, the Company had on 3 February 2015 completed the Proposed Disposal of its loss-making fabric business. Following the disposal, the Company will concentrate in the New Material Business acquired through the group comprising Rich Circles and its subsidiaries in June 2014.

The financial performance for 1Q2015 has been within the expectations of our Management team. We are cautiously optimistic that the New Material Business will continue to contribute positively to the financial position of the Company and its subsidiaries.

The Company will continue to undertake strategic review to examine any business potential and options available to further grow the business.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Date payable**

Not applicable.





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**(d) 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 are no 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 first quarter ended 31 March 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Neo Chee Beng  
Executive Chairman  
15 May 2015