

ASIA FASHION HOLDINGS LIMITED

(Company Registration No. 41195)

(Incorporated in Bermuda)

INTERNAL AUDIT REPORT, LEGAL OPINION AND INITIATION OF POLICE INVESTIGATIONS

A. Introduction

The Board of Directors ("**Board**") of Asia Fashion Holdings Limited (the "**Company**") refers to the announcements by the Company dated 27 May 2014 and on 30 May 2014 ("**Announcements**"), where the Company had announced that the Company had appointed HLB Atrede LLP as its internal auditors to assess the effectiveness of the internal controls systems of the Company and its subsidiaries, addressing financial, operational, compliance and information technology risks as well as the risk management system, and had set out further additional controls and measures implemented by the Company further to the report issued by PricewaterhouseCoopers LLP dated 7 May 2014 ("**PwC Report**").

B. Internal Audit Report

Further to the Announcements, the Company wishes to announce that HLB Atrede LLP has on 11 August 2014 issued a report (the "**HLB Report**") in respect of its findings. A copy of the HLB Report is attached hereto as "**Annex A**".

C. Legal Opinion

The Company has also engaged Dacheng Law Offices ("**Dacheng**") to issue a legal opinion (the "**Dacheng Legal Opinion**") in respect of the issues identified in respect of the compensation claims and the PwC Report. A copy of the Dacheng Legal Opinion is attached hereto as "**Annex B**".

D. Police Investigations

The Board has made a police report in the People's Republic of China for investigations on possible impropriety on the issues highlighted in the PwC Report. Investigations are currently on going and the Board will keep the Singapore Exchange Securities Trading Limited updated on material developments.

E. Conclusion

The Board will release further announcements as and when there are any developments on the above.

By Order of the Board

Neo Chee Beng
Executive Chairman
14 August 2014