

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

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**UPDATE ON AGREED UPON PROCEDURES ON CASH AND BANK BALANCES**

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**1. RELEASE OF PWC REPORT**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcements on 28 March 2014 and 31 March 2014 (the “**Announcements**”), where the Company had disclosed that as part of the Company’s effort to enhance its corporate governance, the Company had on 25 October 2013 engaged PricewaterhouseCoopers LLP (“**PwC**”) to review the cash and bank balances of the Company’s key subsidiaries, namely, Fujian Jiamei Textile Co., Ltd. (“**Jiamei**”) and Fujian Qianfeng Textile Technology Co. Ltd. (formerly known as Fuzhou Jimei Dyeing and Weaving Co. Ltd.) (“**Qianfeng**”) (collectively, the “**Key Subsidiaries**”), both incorporated in the People’s Republic of China (“**PRC**”), for the nine months period ended 30 September 2013 (“**Review Period**”).

Further to the above announcements, the Company would like to announce that it has received the final report from PwC (the “**PwC Report**”). PwC has also issued the PwC Report to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

A copy of the PwC Report is attached to this announcement as “Annex A”.

The Board noted PwC’s findings that its various attempts to independently obtain bank statements of the Key Subsidiaries from certain PRC banks, namely, China Construction Bank, Fuqing Branch (“**CCB**”) and Industrial Bank, Fuqing Branch (“**IB**”), are unsatisfactory. The Board had since taken steps to cease the banking relationships with CCB and IB as appropriate. The balances from CCB and IB have also been transferred to a different bank, namely Shanghai Pudong Development Bank, Fuqing Branch (“**SPDB**”). The Board noted that PwC had verified the balance with SPDB as at 23 December 2013 after such transfer. The Board has also taken steps to safeguard the assets of the Company and its subsidiaries, as further elaborated below.

**2. OTHER MEASURES TAKEN BY THE BOARD**

In addition to the above, the Board has also taken the following measures to strengthen the corporate governance, financial controls, and safeguard the assets of the Company and its subsidiaries (the “**Group**”):

- (a) The Board has strengthened the corporate governance of the Company by taking steps to ensure that the Executive Chairman and the CEO are separate persons. As announced by the Company on 27 December 2013, Mr. Neo Chee Beng has been appointed as the new Executive Chairman of the Board, replacing Mr. Lin as the Executive Chairman of the Board.
- (b) Mr. Ng Poh Khoo, who joined the Company as the Finance Director on 13 August 2013, was re-designated as the CFO of the Company on 1 January 2014, replacing Alfred Chan, who resigned from the Company on the same date. Mr. Ng has been tasked to strengthen the internal controls and to safeguard the assets of the Group.

- (c) Mr. Yuan Limin was appointed as a Non-Executive Director of the Company, replacing Mr. Su Chi-ho.
- (d) The Board has appointed additional new Independent Directors to enhance the corporate governance of the Group, namely Mr. Teo Kean Eek, appointed on 27 December 2013, and Mr. Kwok Wei Koon, appointed on 27 March 2014.
- (e) The Board has reviewed and implemented policies on handling significant payments and has set appropriate authorization limits for such payments. Management has also terminated the internet banking facilities with SPDB, and is in the process of terminating the remaining internet banking facilities with Hang Seng Bank, Fuzhou Branch.
- (f) The Board is reviewing the constitutional documents of the Key Subsidiaries ("**Constitution**") to effect amendments for the better control of the custodian(s) of the Finance Seal, the Legal Representative Seal, and the CEO's Personal Seal (collectively, the "**Seals**"), and the use of the Seals to effect transactions. The Board expects that its review will be completed by end May. The Company will also be engaging a PRC counsel to advise it on, *inter alia*, the timelines in respect of amendments to the Constitution to facilitate the change of the legal representative of the Key Subsidiaries.
- (g) The Board has implemented controls procedures and has set appropriate limits for the handling of petty cash.
- (h) The Board has implemented an on-going procedure to continually monitor and account for all interested persons transactions, and have implemented specified policies for the reporting of such transactions.
- (i) The Board is in discussions with professional firms with a view to commission an internal audit to continuously review and enhance the overall internal control of the Company and its subsidiaries.
- (j) As announced by the Company on 16 April 2014, the Board has engaged Dacheng Law Offices ("**Dacheng**"), an established law firm in the PRC to advise the Board on the risks relating to the settlement agreements and the arbitration rulings. Dacheng has since issued a legal opinion on 15 April 2014.

### 3. MOVING FORWARD

With the conclusion of the agreed upon procedures on cash and bank balances by PwC, the Board is now focusing on enhancing its shareholders' value. The Board will continue to obtain legal advice from a reputable law firm on the findings by PwC to determine its duties in light of such findings. The Board will consider taking necessary legal and other action as appropriate. The Board is also committed to continually enhance its governance and internal controls to safeguard the assets of the Company and its subsidiaries and comply with the listing requirements of the SGX-ST.

The Board is of the view that the Company is able to continue operating as going concern and that sufficient information has been provided to investors for the trading of the Company's shares to continue, for, *inter alia*, the following reasons:

- (a) The Company is able to ascertain and control the current cash and bank balances in the Group.
- (b) As announced by the Company on 24 April 2014, Mr. Lin has executed deeds governed by PRC law to provide financial support to the Company of an amount of up to RMB 100 million (“**Irrevocable Undertaking**”) and to mortgage four of his properties in Fuzhou which are estimated to be worth above an aggregate of above RMB 120 million (the “**Mortgaged Properties**”), as security for the Irrevocable Undertaking. In the event that Mr. Lin does not have adequate cash resources to fulfil his obligations under the Irrevocable Undertaking, the Company will then dispose of the Mortgaged Properties.

The Board will continue to keep the shareholders apprised of any material developments.

By Order of the Board

Lin Daoqin  
Executive Director and Chief Executive Officer  
8 May 2014