

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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Results Announcement (as defined below).

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement (the “**Results Announcement**”) on 29 August 2017 on the Unaudited Financial Statement and Dividend Announcement for the Financial Year ended 30 June 2017 (“**FY2017**”). In this regard, the Board would like to respond to the following queries (each, an “**SGX Query**”) raised by the Singapore Exchange Securities Trading Limited (the “**SGX**”) as follows:

SGX Query 1

We refer to Note (ii) on page 4 which states that “*The Company has made full settlement of the principal amount of HK\$10 million and all interest accrued to the date of settlement of the Straight Coupon Bonds to Prime Pacific Investments Limited in May 2017*”. The Company announced on 16 August 2017 that a substantial part of the proceeds from the issuance of 7.0% unsecured convertible bonds of an aggregate principal of S\$2.1 million to Mr. Dai Ji Zhou (“**DJZ Convertible Bonds**”) was used to settle the principal and accrued interest (which amounted to an aggregate of HK\$10.7 million) on the Straight Coupon Bonds to Prime Pacific Investments Limited.

- a) Please disclose how the proceeds from the HK\$10 million Straight Coupon Bonds to Prime Pacific Investments Limited was utilised. Please provide a breakdown.
- b) The Company had announced on 2 June 2017 that the DJZ Convertible Bonds were completed on the same day. Please explain the discrepancy between the settlement of the Straight Coupon Bonds (May 2017) with the issue date of the DJZ Convertible Bonds (2 June 2017).

Company’s Response to SGX Query 1(a)

As disclosed on page 50 of the 2017 Issuance and Placement Circular, the proceeds from the HK\$10 million Straight Coupon Bonds issued to Prime Pacific Investments Limited have been fully utilized in making partial settlement of Ms. Li Yu Huan’s S\$10 million Non-equity linked Bonds.

Company’s Response to SGX Query 1(b)

Mr. Dai Ji Zhou had remitted HK\$12 million (being the mutually-agreed equivalent of S\$2,100,000) as an advance payment to the Company on 4 May 2017, thereby enabling the Company to make the full settlement of HK\$10,700,000 (being the principal amount of the Straight Coupon Bonds of HK\$10,000,000 and the accrued interest thereon of HK\$700,000) to Prime Pacific Investments Limited upon the expiry of the extended maturity date of the Straight Coupon Bonds on 8 May 2017. Such advance payment was subsequently applied as the proceeds of the DJZ Convertible Bonds after shareholders’ approval was obtained in relation thereto at the special general meeting held on 26 May 2017, and after the certificate in respect of the DJZ Convertible Bonds was officially issued on 2 June 2017.

SGX Query 2

We refer to the disclosure on the “Proposed Placement” on page 9 of the Announcement. It was stated that *“After the completion of the FSL Share Placement, the total number of issued Shares of the Company has increased from 85,500,000 Shares to 230,500,000 Shares (excluding treasury shares)”*.

The statement above implies that the Proposed Placement has been completed. Please clarify that no new shares have been issued under the Proposed Placement to-date.

Company’s Response to SGX Query 2

This statement was made for the sole purpose of allowing the shareholders to have a clear picture of the impact to the number of issued share capital of the Company should the proposed FSL Share Placement be approved and the proposed 145,000,000 new ordinary shares be issued. The Company would like to clarify that no new shares have been issued under the Proposed FSL Share Placement to-date, and that the sentence should read as, *“After the completion of the FSL Share Placement, the total number of issued Shares of the Company ~~will have~~ increased from 85,500,000 Shares to 230,500,000 Shares (excluding treasury shares), subject to approval by the Singapore Exchange Securities Trading Limited and the shareholders of the Company”* instead for clarity.

SGX Query 3

We refer to the disclosure in Paragraph 3 on page 11 of the Announcement that states that *“Despite the aforementioned negotiations with Mr. Huo Wei Sheng and Ms. Li Ya Xin on the Proposed Transaction, the local management of Xuzhou Zhongwei has also been in on-going negotiations with the SME Bondholders in hope of arriving at mutually acceptable commercial solution to the friendly settlement of the SME Bonds default issue”*.

Who is/are the “local management of Xuzhou Zhongwei” who is/are in negotiations with the SME Bondholders?

Company’s Response to SGX Query 3

The “local management of Xuzhou Zhongwei” refers to Mr. Huo Wei Sheng, who is also the sole representative of the Company (being the 54.46% ultimate shareholder of Xuzhou Zhongwei via the Company’s shareholding in Rich Circles).

SGX Query 4

It was disclosed on page 14 of the Announcement that *“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 (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”*.

The independent auditors of the Company, Foo Kon Tan LLP, had issued a disclaimer of opinion on the financial statements of the Group for the financial year ended 30 June 2016, citing *“unverified transactions of the associated company group, Rich Circles and its subsidiaries due to the fact that at that material time, no reasonable access was given to examine sufficiently the documentation that will adequately support certain transactions recorded in the accounting books of Rich Circles and its subsidiaries”* and the auditors *“were unable to obtain sufficient evidence to ascertain the recoverability of the two loans (to the Rich Circles Group) totalling RMB 61 million as at 30 June 2016”*.

In light of the auditors' disclaimer of opinion, please justify the Company's statement that the auditors had "performed all necessary audit reviews and tests on the books and accounts of Rich Circle for the financial period ended 30 June 2016 and concurred with the management's view and decision".

Company's Response to SGX Query 4

The Rich Circles Group as referred to on page 14 of the Results Announcement, and as shown on page 5 of the Company's published annual report for the 18 months' period ended 30 June 2016, consists of (A) Rich Circles (which is incorporated in the British Virgin Islands); (B) China Construction Material (Hong Kong) Limited ("**CCMHK**") (which is incorporated in Hong Kong), which is 100% owned by Rich Circles; (C) Xuzhou Zhongchuang (which is incorporated in the PRC) which is 100% owned by CCMHK; and (D) Xuzhou Zhongwei, which is 100% owned by Xuzhou Zhongchuang. Xuzhou Zhongwei is therefore indirectly 100% owned by Rich Circles.

When the Company's auditors, Foo Kon Tan LLP ("**FKT**"), cited in its qualified opinion "*unverified transactions of the associated company group, Rich Circles and its subsidiaries due to the fact that at that material time, no reasonable access was given to examine sufficiently the documentation that will adequately support certain transactions recorded in the accounting books of Rich Circles and its subsidiaries*" and the auditors "*were unable to obtain sufficient evidence to ascertain the recoverability of the two loans (to the Rich Circles Group) totalling RMB 61 million as at 30 June 2016*", such qualified opinion referred specifically only to the inaccessibility to the books and records of Xuzhou Zhongwei as a direct result of the default in the repayment of the SME Bonds to the SME Bondholders.

On the other hand, the Company's statement that the auditors had "*performed all necessary audit reviews and tests on the books and accounts of Rich Circle for the financial period ended 30 June 2016 and concurred with the management's view and decision*" has been made on the basis that complete books and records have been kept for Rich Circles, CCMHK and Xuzhou Zhongchuang whereby FKT has conducted a full and comprehensive audit on their books and records.

SGX Query 5

We refer to other operating income of RMB 543,000 in FY2017 which the Company had disclosed on page 15 that approximately RM 373,000 relates to interest income earned on the bank deposits and the return on investment in financial assets made by Shanghai Daiyoulong ("**SHDYL**").

- a) Please elaborate on the investments in financial assets which were made by SHDYL. Please provide details, including the type and size, of these investments.
- b) Please explain why SHDYL is investing in financial assets when its core business is in healthcare products.

Company's Response to SGX Query 5(a)

The investment in financial assets made by SHDYL as disclosed on page 15 of the Results Announcement solely relates to short term investments in "100% principal guarantee investment" funds run and managed by reputable banks, being the China Construction Bank (中国建设银行) and the China Merchants Bank (中国招商银行). Each investment is in the range of RMB 5 million to RMB 10 million, and is typically of a one-month maturity period and renewable upon written confirmation from SHDYL. SHDYL has not made any investments with any other banks. Both the Company's and SHDYL's management have considered these to be almost risk-free investments which can nevertheless bring higher investment returns to the Group as compared to a bank savings account. The Company's management has been consistently and carefully monitoring these investments.

Company's Response to SGX Query 5(b)

As explained in the Company's Response to SGX Query 5(a) above, SHDYL intends to make full use of the deposit funds received from customers to bring the greatest possible financial returns to the Group while not taking any unreasonable financial risk. SHDYL has reduced such investment in financial assets with the banks in China to approximately RMB 6 million as at 30 June 2017, and no further investments in financial assets have been made subsequent thereto.

SGX Query 6

We refer to selling and distribution expenses of RMB 700,000 for FY2017 which the Company disclosed on page 15 "*mainly represented the expenses incurred by the Company in the participation and involvement in its entertainment projects in Hong Kong*".

- a) Please elaborate on the performance of each entertainment project which the Company had invested in Hong Kong to-date. Please disclose the (i) total investment amount; (ii) total expenses; and (iii) profit or loss, for each project.
- b) Please explain why selling and distribution expenses were incurred on its entertainment projects when no revenue was generated. Please reconcile this to the Company's statement that "*Revenue for the year ended 30 June 2017 of RMB 838K was exclusively the sales revenue generated from the distribution sales made by Shanghai Daiyoulong*".

Company's Response to SGX Query 6(a)

The Company, through its operating wholly owned subsidiary Asia Entertainment (Hong Kong) Limited ("**AEHK**"), has participated in the following entertainment-related projects in the financial year ended 30 June 2017:

- (a) An investment of HK\$750,000 (or approximately RMB 650,925) in a project to acquire a license for use of trade marks possessed by Focus Licensing Limited. As the Company has already commenced and decided to focus on its direct distribution sales business in China, the cooperative project with Focus Licensing Limited will likely be aborted by the Company, and the Company has therefore written off the full amount of such investment as "selling and distribution expenses" as disclosed in the Results Announcement;
- (b) An investment of HK\$301,379 (or approximately RMB 261,566) in a couple of cooperative concert events held by G Music (HK) Limited in late 2016, namely the 5th Anniversary Live Tour "Forever Memories" concert of W-inds in Hong Kong held on 5 November 2016 and the Camomile Acoustic Night – Emi Fujita Live in HK 2016 concert held on 28 and 29 November 2016. The Company expects to receive a fair share in the net profit contributions derived from such events and to receive both the principal amount of such investments and the fair share in net profit contributions before end of October 2017; as such, the investment amount has been classified under "prepayments and other receivables" as disclosed in the Results Announcement; and
- (c) An investment of HK\$405,000 (or approximately RMB 351,500) in a cooperative free-fight championship event organised together with Fight Factory Gym Limited in early 2017. The Company expects to achieve a break-even position in this event and to receive back the principal amount of such investment before end of November this year; similar to the case in paragraph (b) above, the investment amount has been classified under "prepayments and other receivables" as disclosed in the Results Announcement.

As the Company has decided to dedicate its efforts and resources and to focus on the development of the newly-commenced distribution sales business in China through SHDYL, the Company does not expect to make any further investment nor deploy any further human resources in the development of the media and entertainment business in Hong Kong.

Company's Response to SGX Query 6(b)

As explained in 6(a) above, the business activities carried on by the Company and Group mainly comprises the distribution sales business of the health food product "Jiajinyo" in China which was successfully commenced in mid-June 2017 and is currently being carried on as at time of this response. Therefore, in consideration of the sustainability of such business and in compliance with acceptable accounting standards, the Company has treated such sales revenue generated by the SHDYL distribution sales business as the main business income of the Company in FY2017 and reported as such in the Results Announcement.

The Company's auditors, FKT, have proposed for the accounting treatment of the investments in the entertainment projects set out under the Company's Response to SGX Query 6(a) to be prepayments in the financial statements. The Group has not yet received the sums representing the income in connection with these entertainment projects. When such sums are received, they will be set off against the abovementioned prepayments, and the resulting profit received by the Group will be treated as "other income" instead of "Revenue".

SGX Query 7

It was disclosed on pages 15 and 16 that prepayments and other receivables of RMB 29.51 million as at 30 June 2017 mainly represented the following:

- (i) *"A deposit made by Shanghai Daiyoulong to a business associate of RMB 23.75 million which has been fully settled and returned to Shanghai Daiyoulong in early July 2017". Please disclose the following:*
 - a) The identity of the business associate.
 - b) Reason(s) why the deposit was made to the business associate.
 - c) The terms and size of the contract underlying the abovementioned deposit.
 - d) How was the deposit amount derived at?
- (ii) *"A deposit of RMB 4.0 million made by Shanghai Daiyoulong to Shenzhen Ximei (燦美科技 (深圳) 有限公司) ...for the placement of orders for the product "Jiajinyo". Please disclose the following:*
 - a) What is the size and quantity of the placement order?
 - b) What are the terms of purchase?
 - c) Why was a deposit of RMB 4.0 million paid to Shenzhen Ximei when SHDYL recorded sales revenue of only RMB 838,000?
- (iii) *"Approximately RMB 0.61 million being prepayments made to cooperative business partners for the entertainment and amusement projects entered into by the Company's subsidiary Asia Entertainment (Hong Kong) Limited".*

Please disclose the reasons for the prepayments when there was no project revenue generated from the entertainment projects.

Company's Response to SGX Query 7(i)(a)

The name of the business associate is "上海青鷹科貿有限公司".

Company's Response to SGX Query 7(i)(b)

The main purpose of such deposit was to provide Shenzhen Ximei with proof of SHDYL's strong financial ability to fulfil the expected annual purchase order should Shenzhen Ximei finally decide to

grant the sole distributorship of “Jiajinyo” to SHDYL among a few competitors for such sole distributorship. 上海青鷹科貿有限公司 is a trusted business associate of Shenzhen Ximei.

The full amount of such deposit has been promptly refunded by 上海青鷹科貿有限公司 to SHDYL after SHDYL entered into the exclusive distribution agreement with Shenzhen Ximei and the first batch order of “Jiajinyo” was executed in late June and early July.

Company’s Response to SGX Query 7(i)(c)

As explained in the Company’s Response to SQX Query 7(i)(b) above, SHDYL has not entered into any business contract or sales agreement with 上海青鷹科貿有限公司.

Company’s Response to SGX Query 7(i)(d)

The deposit amount was arrived at following friendly discussions between SHDYL and 上海青鷹科貿有限公司.

Company’s Response to SGX Query 7(ii)(a)

The Company has placed an order of 600,000 units of “Jiajinyo”, which represents the annual minimum order commitment specified in the exclusive distribution agreement entered into between Shenzhen Ximei and SHDYL in June 2017.

The Company is unable to publicly disclose the size of the placement order and the resulting unit cost information due to commercial and confidentiality reasons.

Company’s Response to SGX Query 7(ii)(b)

The general terms of the purchase order is for SHDYL to pay a deposit which represents a certain percentage of the total amount of the purchase order upon confirmation of such purchase order. The balance of the amount of the purchase order in relation to each delivery batch is to be made after receipt and examination of such batch of the “Jiajinyo” product by SHDYL.

Company’s Response to SGX Query 7(ii)(c)

As explained in the Company’s Response to SQX Query 7(ii)(b) above, such deposit relates to the overall purchase order (by SHDYL to Shenzhen Ximei) while the sales revenue relates to the actual number of units of products sold to our customers. In this regard, there is no direct financial relationship between these two figures.

Company’s Response to SGX Query 7(iii)

Please refer to the Company’s Response to SGX Query 6(a) above. Such prepayments represent the Company’s investments made in relation to the cooperative events entered into with G Music (RMB 0.26M) and with Fight Factory Gym (RMB 0.35M) respectively. As mentioned in pages 17 and 18 of the 2017 Issuance and Placement Circular, the Company had generated revenue from such events through its subsidiary AEHK.

SGX Query 8

It was disclosed on page 16 that “*Accruals and other payables of approximately RMB 143.24 million as of 30 June 2017 (compared with 6.31 million as of 30 June 2016) mainly represented customers’*”

deposits received of approximately RMB 136.9 million for purchase of the product “Jiajinyo” from Shanghai Daiyoulong”.

Please disclose the following:

- a) Identities and details of these customers, including their size of operations;
- b) When were the sales orders placed and when were the products delivered;
- c) Details of the (i) number of sale orders; (ii) selling price; and (iii) deposit as a percentage of selling price.
- d) Reason(s) for the payment of deposits amounting to RMB 136.9 million when revenue from the sales of “Jiajinyo” amounted to only RMB 838,000 in FY2017.

Company’s Response to SGX Query 8(a)

These customers comprise mostly PRC-incorporated companies and a few individuals. As the total number of customers is more than 800, it would be impracticable to disclose the identities and details of these customers as the Company would need to obtain consents for disclosure from more than 800 separate and independent customers.

Company’s Response to SGX Query 8(b)

Most of the sales orders were placed on or before 30 June 2017. Products will be delivered as and when made available for distribution, and have to be fully delivered to the customers within a twelve-month period from the date of order. Partial delivery is allowed. While the Company is unable to disclose the exact number of orders placed and products delivered, the Company wishes to highlight that the revenue of RMB 838,000 was recorded based on the products that have already been delivered to and accepted by the customers.

Company’s Response to SGX Query 8(c)

- (i) The total number of sales orders received is approximately 800.
- (ii) The selling price is considered by the Company to be highly commercially-sensitive information, the public disclosure of which may put the Company in under unfavourable competitive pressure and possibly have an adverse impact on the business operations of the Company.
- (iii) The customers has to pay a 100% deposit on the sales order amount upon confirmation of SHDYL’s acceptance of such customer’s order.

Company’s Response to SGX Query 8(d)

The deposits of RMB 136.9 million is in respect of the amount of deposit paid by the customers to SHDYL as a condition of acceptance and the processing of the sales orders. In contrast, the revenue of RMB 838,000 is in respect of the recognition of such sales orders after delivery and acceptance of the products have been legally and commercially completed. Practically, deposits and revenue do not have a direct financial relationship with each other from the accounting perspective.

SGX Query 9

It was disclosed on page 16 that “Cash and cash equivalents of RMB 104.84 million as of 30 June 2017 (compared with RMB 311K as of 30 June 2016) mainly represented by the bank deposits of approximately RMB 99.41 million in Shanghai Daiyoulong”.

- a) Please explain where these funds arose from;

- b) We note that SHDYL was incorporated in March 2017 with an issued and paid up capital of US\$30 million. Where is this amount reflected in the balance sheet? Please disclose all subsequent investments (the quantum and how it was funded) made in SHDYL to-date.

Company's Response to SGX Query 9(a)

These funds mainly arose from the customer deposits collected by SHDYL as explained in the Company's Responses to SGX Queries 8(c) and 8(d) above.

Company's Response to SGX Query 9(b)

SHDYL was incorporated in March 2017 in Shanghai. Its registered capital is US\$30 million but its paid up capital as at 30 June 2017 and as at the date of this response is US\$0. In accordance with SHDYL's Memorandum and Articles of Association (公司章程) and the applicable PRC Company Laws, the latest date allowed for the full injection of the registered capital of US\$30 million to be made by SHDYL's overseas 100% shareholders is 1 February 2037.

As such, the amount of investment in SHDYL as disclosed in the Company's balance sheet as at 30 June 2017 and to-date is RMB 0. The Company will consider the necessity as well as the timetable for the injection of the registered capital into SHDYL only after the distribution sales business in China proves to be profitable and sustainable over at least a twelve-month period. The quantum of such injection will also be discussed and determined on a phase-by-phase basis and will only be executed after obtaining appropriate Board and/or shareholders' approval as may be necessary.

SGX Query 10

We refer to (i) amount due to former director/shareholder of RMB 1.22 million as of 30 June 2017 which represented amount due to Mr. Lin Dao Qin; and (ii) amount due to director/shareholder of RMB 3.56 million as of 30 June 2017 which represented RMB 3.35 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang; and (iii) amount due to third parties of RMB 8.45 million as of 30 June 2017 which represented amount due to independent third parties, all of which are interest free and repayable on demand.

- a) Please disclose when the abovementioned loan agreements were entered into and the purpose of the loan proceeds.
- b) In respect to sub-paragraph (iii) above, please disclose the terms of the underlying contracts which resulted in amount due to third parties of RMB 8.45 million.

Company's Response to SGX Query 10(a)

- (i) The amount due to Mr. Lin Dao Qing of RMB 1.22 million was for payments made by Mr. Lin on behalf of the Company. Such payments were mainly for general operating expenses and professional expenses. The payment of such sum on the Company's behalf is unsecured, interest-free and has no repayment terms. Mr. Lin has not entered into any specific loan agreement with the Company.
- (ii) The amount due to Mr. Yuan Li Min of RMB 3.35 million represented numerous cash advances made by Mr. Yuan to the Company to enable the Company to settle its operating and professional expenses during the financial year ended 30 June 2017. Such cash advances from Mr. Yuan Li Min are unsecured, interest-free and has no repayment terms. Mr. Yuan has not entered into any specific loan agreement with the Company in respect thereof.

The amount due to Mr. Mak Tin Sang of RMB 0.21 million represented a cash advance made by Mr. Mak to the Company to enable the Company to settle its operating and professional expenses during the financial year ended 30 June 2017. Such cash advance from Mr. Mak is

unsecured, interest-free and has no repayment terms. Mr. Mak has not entered into any specific loan agreement with the Company in respect thereof.

- (iii) The amount due to independent third parties of RMB 8.45 million mainly related to two loan agreements signed with one independent third party on 20th January 2017 and 18th March 2017 respectively. The proceeds of such loans have been applied to the settlement of the Company's payroll, operating and professional expenses and the due payment of the interest accrued on the Alternus Convertible Bonds and Straight Coupon Bonds during the financial year ended 30 June 2017. Such loans are unsecured, interest-free and repayable on or before 18 September 2018 at the discretion of the Company.

Company's Response to SGX Query 10(b)

The major terms of the loan agreements entered into with the independent third party is that the loans are unsecured, interest-free and with the latest repayment date being on 18 September 2018.

SGX Query 11

It was disclosed on page 16 that "*Amount due to associates of RMB 6.40 million as of 30 June 2017 (compared with RMB 4.05 million as of 30 June 2016) was mainly due to the payment of costs and expenses by Rich Circles Group for and on behalf of the Company before the completion of the substantial fund raising exercises in June 2017*".

Company's Response to SGX Query 11

Please refer to the Company's Response to SGX Query 12 below.

SGX Query 12

Please disclose the following:

- a) What were the abovementioned costs and expenses in relation to?
- b) The default of the SME Bonds occurred on 28 March 2016. Where did Rich Circles Group obtain the funds to pay such costs and expenses on behalf of the Company?
- c) What were the terms of these loans/advances from the Rich Circles Group?

Company's Response to SGX Query 12(a)

The abovementioned costs and expenses mainly relate to the payroll, operating, financial and other professional expenses incurred by the Company and its wholly-owned subsidiary Asia Fashion International Limited during their normal course of business and operations.

Company's Response to SGX Query 12(b)

The source of funds of Rich Circles Group to pay such costs and expenses on behalf of the Company to the sum of RMB 6.4 million primarily comes from the additional shareholders' loan of RMB 12 million extended by the Company to Rich Circles Group in May 2015 as a condition of and in line with the Company's increase in the Rich Circles Group's shareholding from 49% to 54.46%.

Company's Response to SGX Query 12(c)

These loans/advances from the Rich Circles Group are unsecured, interest-free and have no repayment terms.

SGX Query 13

We refer to Paragraph 13 of the Announcement where the Company disclosed that "There is no interested person transactions".

Please clarify this statement, as it is noted that there is an amount due to director/shareholder of RMB 3.56 million as of 30 June 2017 which represented RMB 3.35 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang, notwithstanding that these loans are interest-free.

Company's Response to SGX Query 13

The Company wishes to clarify that, in line with paragraph 13 of Appendix 7.2 of the SGX-ST Listing Manual, the disclosure should provide that "The Company has not obtained a general mandate from shareholders for interested person transactions."

In addition to the above, the amount due to director/shareholder of RMB 3.56 million as of 30 June 2017, which represented RMB 3.35 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang have not been disclosed specifically as "interested person transactions" primarily because such loans/advances made to the Company (i) are interest-free; (ii) unsecured; (iii) have no repayment terms; and (iv) have granted no other rights, commercial or otherwise, to the parties making the loans/advances for the sole benefits of the Company.

SGX Query 14

We refer to Paragraph 15 of the Announcement, which requires the segmented revenue and results for business or geographical segments of the Group to be disclosed.

Please provide the following:

- a) a breakdown for the Rich Circles Group's operations as this was the sole operating business of the Group;
- b) a review of the performance of Rich Circles Group as this is the most significant business of the Group, notwithstanding that it has been equity accounted.

Company's Response to SGX Query 14(a)

As fully explained and disclosed under, *inter alia*, section 3 (page 11) and section 8 (page 12 – page 14) of the Company's Result Announcement, the Company has treated the Rich Circles Group as an associated company and adopted the "equity" accounting basis for recording Rich Circles Group's financial performance for the financial year ended 30 June 2017, which is consistent with the Company's accounting treatment of the Rich Circles Group for the 18 months' period from 1 January 2015 to 30 June 2016 and the financial year ended 31 December 2014. As such, the Company is unable to present a breakdown for the Rich Circles Group's operations for the reporting financial year ended 30 June 2017.

Company's Response to SGX Query 14(b)

The Company is unable to present a review of the performance of the Rich Circles Group for the same reason as stated in the Company's Response to SGX Query 14(a) above. Any presentation made on

the basis of unaudited figures could be misleading to our shareholders and other readers of the announcement.

SGX Query 15

We refer to Paragraph 17 of the Announcement, which requires a breakdown of sales to be disclosed.

Please provide a breakdown in accordance with the requirements of the Listing Rules since the Group had recorded revenue in FY2017 from SHDYL's sales of "Jiajinyo".

Company's Response to SGX Query 15

The revenue of RMB 838,000 from sales as reported in the Company's consolidated income statement for the year ended 30 June 2017 solely represented the sales revenue generated by SHDYL from its distribution sales of "Jiajinyou" business in the PRC. Practically speaking, no further breakdown can be made on the Company's sales revenue as (i) it exclusively comes from a single type of sales; and (ii) it is generated from one single geographical area of China.

By Order of the Board

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
20 September 2017