

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

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING  
LIMITED ON THE ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2014**

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The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”, and, together with its subsidiaries, collectively the “**Group**”) refers to its announcement on 15 June 2015 on the Annual Report of the Company for the financial year ended 31 December 2014 (“**2014 AR**”). In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 6 July 2015 (each, a “**SGX Query**”) as follows:

**SGX Query 1**

Pursuant to Rule 1207(20), please provide a status report on the use of proceeds from the Company’s following fundraising exercises:-

- (a) Placement of 58.8 million shares
- (b) Unsecured convertible bonds due 2017 of aggregate amount of S\$2.66 million.

Where the proceeds have been used for working capital purposes, please provide a breakdown with specific details on how the proceeds have been applied.

**Company’s Response to SGX Query 1(a)**

The Company had on 15 April 2015 announced the completion of the issuance and allotment of an aggregate of 58,800,000 new ordinary shares in the capital of the Company issued at S\$0.06 per placement share (the “**Placement**”).

Part of the estimated net proceeds of S\$3,200,000 from the Placement have been utilized by the Company as general working capital, in accordance with the intended use as set out below:

	<b>Amounts S\$('000)</b>
<b>NET PROCEEDS RAISED</b>	S\$3,200,000
<b>APPLICATION OF PROCEEDS</b>	
Repayment of interest to creditors	S\$700,000
<b>BALANCE</b>	S\$2,500,000

**Company’s Response to SGX Query 1(b)**

The Company had on 31 March 2015 announced the completion of the issuance of unsecured convertible bonds due 2017 of an aggregate principal amount of S\$2,660,000 (“**Convertible Bonds**”) which is convertible into up to 38,000,000 ordinary shares in the capital of the Company at the conversion price of S\$0.07 per ordinary share.

Part of the estimated net proceeds of S\$2,527,000 from the Convertible Bonds have been utilized by the Company as general working capital, in accordance with the intended use as set out below:

	<b>Amounts S\$('000)</b>
<b>NET PROCEEDS RAISED</b>	<b>S\$2,527,000</b>
<b>APPLICATION OF PROCEEDS</b>	
Settlement of FY2014 accrued operating expenses	S\$105,300
Settlement of directors' remuneration and staff salary	S\$208,600
Settlement of audit expenses	S\$250,000
Listing Expenses	S\$142,000
Rental Expenses	S\$112,000
Settlement of other professional expenses	S\$83,200
Settlement of other operating expenses	S\$156,000
Repayment of interest to creditors	S\$46,500
<b>BALANCE</b>	<b>S\$1,423,400</b>

### **SGX Query 2**

For the Exchange's consideration under Rule 1303(3)(c) and noting the Independent Auditor's findings on "Going concern", please provide the following information:-

- (a) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view.
- (b) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

### **Company's Response to SGX Query 2(a)**

As stated in Section B(5) of the Company's announcement on 15 June 2015 responding to the qualified opinion by its auditors on its financial statements for the financial year ended 31 December 2014 ("FY2014"), the Board believes that the Group and the Company have adequate resources to pay their debts as and when they fall due and continue to operate as going concerns within the next twelve months after the end of the reporting period for the following reasons:

- (1) Subsequent to 31 December 2014, the Company has completed two placement exercises and has raised additional capital of approximately S\$6.43 million, thereby substantially reducing the Company's deficit in shareholders' funds from RMB 38.1 million to RMB 8.1 million.
- (2) The Company is exploring the conversion of its convertible bonds into shares in the capital of the Company. This would further enable the Company to maintain a healthy positive capital position.
- (3) In respect of its cash operating fund, the Company has raised a total net proceeds of approximately RMB 42 million through the issuance of new shares and convertible bonds. As a result, the Company has kept a strong and healthy cash position subsequent to its financial year ended 31 December 2014.

- (4) In preparing the financial statements, the Board has taken into account all information currently available to them in relation to these uncertainties. The Board strongly believes that there is no significant uncertainty that financial support will continue be available to the Group and the Company.

**Company's Response to SGX Query 2(b)**

The Board confirms that all material disclosures have been provided for trading of the Company's shares to continue.

**SGX Query 3**

We note on page 30 of the Annual Report under the "Independent Auditor's Report" section that "the management recently understands from Chengde Industrial Co. Limited, that the books and records of certain entities in the Disposal Group have been retained by the PRC authorities for their review and examination". Please confirm if this was announced, if not, please explain why not.

**Company's Response to SGX Query 3**

The retention of the books and records (the "**Retention**") of certain entities in the group comprising Qianfeng International Limited and its subsidiaries (namely, Fujian Qianfeng Textile Technology Company Limited and Fujian Jiamei Textile Company Limited) (collectively the "**Disposed Group**") by the PRC authorities for their review and examination was not disclosed prior to the release of the 2014 AR, as the Retention had occurred after the disposal ("**Disposal**") of the Disposed Group on 3 February 2015 and Management was only informed about this during the audit process. Subsequent to the Disposal, this was not considered to be relevant for disclosure purposes as the Disposed Group was no longer part of the Group.

By Order of the Board

Mak Tin Sang  
Executive Director and Chief Executive Officer  
7 July 2015