

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 Announcement as defined below.

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement on 15 May 2018 (the “**Announcement**”) on the unaudited third quarter financial statement and dividend announcement for the three months ended 31 March 2018 (“**3Q2018**”). In this regard, the Board would like to respond to the following queries (the “**SGX Query**”) raised by the SGX as follows:

SGX Query (a)

- (a) It was disclosed that administrative expenses amounted to RMB 6.02 million. Please provide a breakdown of the expenses and professional fees incurred.

Company’s Response to SGX Query (a)

	<u>2Q2018</u> RMB'000	<u>3Q2018</u> RMB'000
Hong Kong Office rental expenses	753	747
Shanghai Office rental expenses	213	213
Staff salary – HK-based	1,540	1,503
Staff salary – PRC-based	578	598
Depreciation on fixed assets	314	322
Professional fees	296	475
Provision for FY2018 Audit Fees	0	805
Business travel expenses	282	491
Other operating expenses	425	867
	<u>4,401</u>	<u>6,021</u>
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Notes:

1. The Hong Kong Office rental expenses has remained the same over the last two quarters. The slight variance shown was the result of different applicable exchange rates being used in the two quarters for reporting purposes as the rental expenses were denominated and paid in Hong Kong Dollars.

2. The Shanghai Office rental expenses has remained the same over the last two quarters.
3. The HK-based staff salary expenses decreased slightly by RMB 37,000 as a result different applicable exchange rates being used in the two quarters for reporting purposes as the salary expenses were denominated and paid in Hong Kong Dollars.
4. The PRC-based staff salary expenses basically remained stable over the last two quarters.
5. The depreciation expenses also basically remained stable as there were no major purchase or disposal of fixed assets over the last reporting quarter.
6. Major professional fees incurred included RMB 24K to MAAS Corporate Consultants & Services Ltd., RMB 20K to M & C Services Pte. Company, RMB 85K to SGX-ST, RMB 144K to Esthera Corporate Services HK Ltd., RMB 93K to Lee & Lee, RMB 9K to Appleby and RMB 100K to Deloitte HK.
7. The Company has made a general provision of RMB 805K (or an approximately equivalent of HK\$ 1 million) for FY2018 audit fees which is comparable with the audit fees incurred for FY2017 on the assumption that there will not be any substantial increase in audit work to be performed when compared to the FY2017 audit.
8. The business travelling expenses has increased by approximately RMB 209,000 as a result of increased number of business courtesy visits made by the Shanghai local management to selected important customers in China during the CNY period and the higher frequency in the business trips made by the listco management to our Shanghai office and the Shanghai senior officers to our Hong Kong office for business meetings.
9. The other operating expenses has substantially increased by RMB 442,000 solely as a result of tremendous amount of gifts our Shanghai subsidiary has bought and delivered to our PRC customers during the CNY period as thanksgiving for their past and continuous support to the Company's "Jiajingyou" products.

SGX Query (b)

- (b) It was disclosed that the amount due to third parties amounted to RMB 1.81 million. Please clarify who are these independent third parties. Please provide the nature of the transactions which resulted in the amount due, i.e., the terms of the loan advances.

Company's Response to SGX Query (b)

The amount of RMB 1.81 million due to independent third party refers to the outstanding loan amount due to China Natural Resources Development Limited whereby the Company has made full disclosure of this loan in Note 16 of page 64 of the Company's Annual Report 2017.

The Company has made further clarification about this loan in the Company's Response to SGX Query 10(a)(iii) in page 9 of the Company's announcement on the Response to SGX's Queries dated 20 September 2017 whereby the Company's has clarified that "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."

The outstanding loan due to China Natural Resources Development Limited is unsecured, interest-free and repayable on demand.

SGX Query (c)

- (c) Please clarify if any of the undertaking shareholders (Mr Hu Zhen, Mr Li Zheng, Ms Li Yu Huan and Ms Dai Ju Yun) has a relationship to Li Yaxin or Yuan Limin.

Company's Response to SGX Query (c)

On the basis of previous undertakings and declarations made by the undertaking shareholders, Ms Li Yaxin and Mr Yuan Limin respectively and to the best knowledge and understanding of the management and directors of the Company, the undertaking shareholders do not have a relationship to either Ms Li Yaxin or Mr Yuan Limin.

By Order of the Board

Wang Jie Yao, Airy
Executive Director and Chief Executive Officer
4 June 2018