

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING
LIMITED ON THE UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement (“**Results Announcement**”) on 15 May 2015 on the Unaudited First Quarter Financial Statement and Dividend Announcement for the Period Ended 31 March 2015 (“**Q1 2015**”). Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Results Announcement. 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 27 May 2015 (“**SGX Query**”) as follows:

SGX Query 1

We note that ‘Revenue’ amounted to RMB 176.925 million in 1QFY2015. However ‘Prepayments and other receivables’ of RMB 213.804 million exceeded total sales as well as cost of sales. In this respect, please provide the following information:-

- (a) Breakdown of the major items in ‘Prepayments and other receivables’ and explain the reason for the significant balance in the major items
- (b) Provide an aging analysis of the amounts in ‘Prepayments and other receivables’ and explain long outstanding prepayments made previously
- (c) Reasons why ‘Prepayments and other receivables’ were so significant and exceeded total 1QFY2015 sales.

Company’s Response to SGX Query 1(a) & (b)

The breakdown of the major items in ‘Prepayments and other receivables’ are as follows:

	<i>RMB’000</i>	<i>RMB’000</i>
Advances paid for:		
- Raw materials (Note 1)	53,728	
- Machineries and maintenance (Note 2)	46,757	
- Utilities (Note 3)	1,287	
- Others	463	
	<hr/>	102,235
Other receivables:		
- Advances paid for machineries (Note 2)	31,115	
- Loans to business associates (Note 4)	38,422	
- Advances to management staff (Note 5)	7,082	
- Receivables in respect of divestment (Note 6)	9,120	
- Others (Note 7)	23,568	
	<hr/>	109,307
Net proceeds receivable from the divestment of Fabrics Business on 3 February 2015 (Note 8)		1,900
Rental deposit		362
		<hr/> <hr/>
		213,804

Note 1: These were advances to suppliers for the supply of raw materials. The ageing analysis for these advances is within 365 days.

Note 2: These were advances provided to suppliers for the construction/customization of production lines which will be transferred to fixed assets upon the completion of installation and testing.

Note 3: This comprised of a deposit placed with the relevant government body for the supply of utilities.

Note 4: Included in these amounts were 2-years interest-free loans, amounting to RMB36.6 million, to 2 business associates extended in July 2014.

Note 5: These amounts were revolving advances made to management staff primarily for operational purposes.

Note 6: This amount relates to the receivable from the divestment of Guangzhou Zhongsen Tonghao New Material Co., Ltd to third parties, prior to the acquisition of China Construction Material (Hong Kong) Limited by the Group.

Note 7: Others include receivables, amounting to RMB19.7 million, from appointed distributors for the products &/or other incentives extended to them for selling our products. These amounts will be repaid once these distributors sold our products. Most of these amounts was within 365 days.

Note 8: This receivable relates to the sale proceed arose from the disposal of Qianfeng International Limited and its subsidiaries (the "Disposed Group"), after netting off the amounts due to the Disposed Group. This amount is expected to be settled on or before 30 June 2015.

Company's Response to SGX Query 1(c)

The Prepayments and other receivables were in line with industry practice and substantially comprised of (i) prepayments to suppliers for raw materials to secure supplies; (ii) advances to machinery suppliers which will increase the production capacity and benefit future sale activities, increasing profitability; and (iii) loans that were extended to business associates, to enhance business relationships and potentially increase forthcoming orders from these parties.

SGX Query 2

We note that 'Other payables and accruals' amounted to RMB 166.796 million. Please provide the following information:-

- (a) Breakdown and explain material items
- (b) Provide aging analysis and elaborate on nature of the transactions which resulted in the amounts outstanding.

Company's Response to SGX Query 2

The breakdown of Other payables and accruals' are as follows:

	<i>RMB'000</i>	<i>RMB'000</i>
Other payables:		
- Due to ex-shareholder of Xuzhou Zhongwei New Board Co., Ltd (Note 1)	100,000	
- Monies received from the placement exercise (Note 2)	11,823	
		111,823

Accruals and provision:

- Provision made to distributors in respect of the termination of Goodyear's co-operation (Note 3)	13,915	
- Accrued operating expenses (Note 4)	8,802	
		22,717
Deposits paid (Note 5)		32,256
		166,796

Note 1: The amount due to ex-shareholder of Xuzhou Zhongwei New Board Co., Ltd was an existing debt which became payable by the Group when China Construction Material (Hong Kong) Limited acquired Zhongwei New Board Co., Ltd through the acquisition of, *inter alia*, Zhongchuang (Xuzhou) Construction Co., Ltd in 27 June 2013.

Note 2: These were monies received on 30 March 2015 and relate to partial proceeds from the placement exercise to place out 58,800,000 shares in the capital of the Company further to the Company's announcements dated 25 March 2015, 6 April 2015, 7 April 2015 and 8 April 2015 and 15 April 2015.

Note 3: These provisions were made for the financial year ended 31 December 2012 in relation to the distributors appointed and terminated pursuant to the early termination of the business co-operation with Goodyear Inc. for the discontinued Fabrics Business. These provisions will be assessed and written back, if appropriate.

Note 4: These were accrued expenses, relating to both operational costs and the head office and are generally payable in less than a year.

Note 5: These were deposits received from customers for the supply of our products.

SGX Query 3

We refer to paragraph 9 of the Results Announcement. Please note that this is applicable and comment on whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement and if there is a variance, to explain why.

Company's Response to SGX Query 3

The Company had made the following disclosure in paragraph 10 of the unaudited fourth quarter financial statement and dividend announcement for the full year ended 31 December 2014:

"Acquisition of the CCMH Group

The Company had on 18 June 2014 through its 49% owned associated company Rich Circles Enterprise Limited, completed the acquisition of 100% of the issued and paid up share capital of CCMH. As announced by the Company on 7 August 2014, the Company had on 6 August 2014 appointed Neo Chee Beng and Yuan Limin to the Board of CCMH and its 100% owned operating unit Xuzhou Zhongsen, and has the majority control of the Board of both CCMH and Xuzhou Zhongsen. The appointments have enabled the Company to have greater control over the operations of the newly acquired business. The financial performance of this newly acquired New Materials Business, had contributed significantly to the Group's improved financial performance in Q3 2014.

We are cautiously optimistic that this new business will continue to contribute positively to the financial position of the Company and its subsidiaries.

Proposed Disposal

Pursuant to the shareholders' circular dated 9 January 2015 in relation to the sale and purchase agreement dated 19 September 2014 entered into between the Company, the Purchaser and Lin Daoqin in relation to the disposal of 100% of the share capital of Qianfeng International Limited by the Company to Chengde Industrial Co., Limited (the "Purchaser") (the "Proposed Disposal") for an aggregate consideration of S\$2.4 million. The Proposed Disposal was approved by the shareholders of the Company on 2 February 2015, with effect from 3 February 2015.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng, operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

With the disposal of the existing Fabric Business, the Company will concentrate and continue operating with the New Materials Business of the RC Group acquired in June 2014.

The Company will continue to undertake a strategic review to examine the options regarding the restructuring of its business."

The current results are in line with the Company's commentary above.

By Order of the Board

Mak Ting Sang
Executive Director and Chief Executive Officer
29 May 2015