



# Asia Fashion Holdings Limited

(Company Registration No. 41195)  
(Incorporated in Bermuda)

## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (“3Q2014”)

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### Consolidated statement of comprehensive income for the Group

	3Q2014 RMB'000 (Unaudited)	3Q2013 RMB'000 (Unaudited)	% Change + / (-)	9M2014 RMB'000 (Unaudited)	9M2013 RMB'000 (Unaudited)	% Change + / (-)
Revenue	167,529	36,620	357.5	238,502	92,048	159.1
Cost of sales	(118,243)	(32,542)	263.3	(179,898)	(85,277)	111.0
<b>Gross profit</b>	<b>49,286</b>	<b>4,078</b>	<b>1108.6</b>	<b>58,604</b>	<b>6,771</b>	<b>765.5</b>
Other income	832	386	115.5	948	17,524	(94.6)
Selling and distribution expenses	(3,064)	(1,407)	117.8	(5,457)	(3,997)	36.5
Administrative expenses	(10,321)	(3,039)	239.6	(16,468)	(14,097)	16.8
Other operating expenses	-	36,920	N/A	-	(424,580)	N/A
<b>Profit/(Loss) from operations</b>	<b>36,733</b>	<b>36,938</b>	<b>(0.6)</b>	<b>37,627</b>	<b>(418,379)</b>	<b>N/A</b>
Finance costs	(3,458)	(530)	552.4	(3,758)	(1,695)	121.7
<b>Profit/(Loss) before taxation</b>	<b>33,275</b>	<b>36,408</b>	<b>(8.6)</b>	<b>33,869</b>	<b>(420,074)</b>	<b>N/A</b>
Income tax expense	(9,985)	-	100.0	(10,453)	-	100.0
<b>Profit/(Loss) after taxation</b>	<b>23,290</b>	<b>36,408</b>	<b>(36.0)</b>	<b>23,416</b>	<b>(420,074)</b>	<b>N/A</b>
Other comprehensive income	-	-	N/A	-	-	N/A
<b>Total comprehensive profit/(loss) for the period</b>	<b>23,290</b>	<b>36,408</b>	<b>(36.0)</b>	<b>23,416</b>	<b>(420,074)</b>	<b>N/A</b>
<b>Total comprehensive profit/(loss), net of tax, attributable to:</b>						
Equity holders of the company	8,080	36,408	(77.8)	8,206	(420,074)	N/A
Non-controlling interest	15,210	-	N/A	15,210	-	N/A
	<b>23,290</b>	<b>36,408</b>	<b>N/A</b>	<b>23,416</b>	<b>(420,074)</b>	<b>N/A</b>



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's loss before taxation is arrived at after charging/(crediting):

	3Q2014 RMB'000 (Unaudited)	3Q2013 RMB'000 (Unaudited)	9M2014 RMB'000 (Unaudited)	9M2013 RMB'000 (Unaudited)
Interest income				
- Fabric	-	(330)	(7)	(1,040)
- New material	(8)	-	(8)	-
Depreciation of property, plant and equipment:				
- Fabric	2,269	2,322	6,812	7,008
- New material	10,339	-	10,339	-
Amortization of land use rights:				
- Fabric	44	46	135	137
- New material	11	-	11	-
Interest expense				
- Fabric	20	530	320	1,695
- New material	3,438	-	3,438	-
Foreign exchange loss	-	(62)	-	38
Provision for compensation to customers	-	(36,920)	-	424,580
Provision for compensation written back	-	-	-	(11,562)
Provision for minimum guaranteed royalty written back	-	-	-	(4,667)



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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

### Statements of financial position

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	30 September 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 September 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Non-current assets</b>				
Property, plant and equipment	237,925	47,176	-	-
Intangible assets	8,472	7,831	-	-
Investments in subsidiaries	-	-	52,281	3,251
	<u>246,397</u>	<u>55,007</u>	<u>52,281</u>	<u>3,251</u>
<b>Current assets</b>				
Inventories	138,704	12,041	-	-
Trade receivables	209,546	67,637	-	-
Prepayments and other receivables	103,326	3,663	-	-
Cash and cash equivalents	25,137	9,986	295	137
	<u>476,713</u>	<u>93,327</u>	<u>295</u>	<u>137</u>
<b>Total assets</b>	<b>723,110</b>	<b>148,334</b>	<b>52,576</b>	<b>3,388</b>
<b>Current liabilities</b>				
Trade payables	119,097	24,496	-	-
Other payables and accruals	145,289	22,979	34,046	26,858
Compensation payable	17,400	17,400	-	-
Amount due to a shareholder	2,701	2,701	2,701	2,701
Bank loans	500	7,766	-	-
Tax payable	19,770	1,182	-	-
	<u>304,757</u>	<u>76,524</u>	<u>36,747</u>	<u>29,559</u>
<b>Net current assets/(liabilities)</b>	<b>171,956</b>	<b>16,803</b>	<b>(36,452)</b>	<b>(29,422)</b>
<b>Non current liabilities</b>				
Compensation payable	53,537	69,730	-	-
Bank loans	-	1,597	-	-
Bonds payable	231,000	-	-	-
Non-equity linked bonds	49,159	-	49,159	-
Other payables	28,612	-	-	-
	<u>667,065</u>	<u>147,851</u>	<u>85,906</u>	<u>29,559</u>
<b>Total liabilities</b>	<b>667,065</b>	<b>147,851</b>	<b>85,906</b>	<b>29,559</b>
<b>Net assets /(liabilities)</b>	<b>56,045</b>	<b>483</b>	<b>(33,330)</b>	<b>(26,171)</b>
<b>Equity</b>				
Share capital	19,220	19,220	19,220	19,220
Reserves	5,204	(18,737)	(52,550)	(45,391)
Total attributable to equity holders of the company	<u>24,424</u>	<u>483</u>	<u>(33,330)</u>	<u>(26,171)</u>
Non-controlling interest	31,621	-	-	-
<b>Total equity</b>	<b>56,045</b>	<b>483</b>	<b>(33,330)</b>	<b>(26,171)</b>



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#### (b)(ii) Aggregate amount of group’s borrowings and debt securities.

Amount repayable in one year or less, or on demand

RMB '000	As at 30 September 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	500	-	7,766	-

Amount repayable after one year

RMB '000	As at 30 September 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Bonds payable	-	231,000	-	-
Bank Loans	-	-	1,597	-

Bonds payable comprise of (1) Issuance of RMB180 million, 10% unsecured SME tradable bond, by our subsidiary, Xuzhou Zhongsen Tonghao New Board Co., Ltd, quoted on Shanghai Stock Exchange due 28 March 2016 and (2) a 7% unsecured bond of RMB51 million provided by Li Yuhuan, an independent third party PRC investor.

#### Details of any collateral

The Group’s bank loans are secured by the pledge of certain of the Group’s Fabric Business’s property, plant and equipment and guarantee provided by Mr Lin Daoqin.



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## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (“3Q2014”)

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Consolidated statement of cash flows for the Group

	3Q2014 RMB'000 (Unaudited)	3Q2013 RMB'000 (Unaudited)	9M2014 RMB'000 (Unaudited)	9M2013 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>				
Profit/(Loss) before taxation	33,275	36,408	33,869	(420,074)
Adjustments for:				
Amortization of land use rights	55	46	146	137
Depreciation of property, plant and equipment	12,608	2,322	17,151	7,008
Provision for compensation to customers	-	(36,920)	-	424,580
Provision for compensation written back	-	-	-	(11,562)
Provision for minimum guaranteed royalty written back	-	-	-	(4,667)
Interest income	(8)	(330)	(15)	(1,040)
Interest expense	3,458	530	3,758	1,695
Operating profit/(loss) before working capital changes	49,388	2,056	54,909	(3,923)
Decrease in inventories	14,845	4,543	18,343	5,991
(Increase)/decrease in trade receivables	24,045	(20,845)	17,864	7,920
(Increase)/decrease in prepayments and other receivables	(16,792)	(44)	(15,441)	488
Liability for compensation payables (Note A)	(5,300)	-	(16,193)	-
Increase/(decrease) in trade payables	(3,827)	8,370	(9,943)	(6,009)
Increase/(decrease) in accrued liabilities and other payables	(36,458)	(299,210)	(25,913)	(322,534)
Cash generated from/(used in) operations	25,901	(305,330)	23,626	(318,067)
Interest received	8	330	15	1,040
Interest paid	(3,458)	(530)	(3,758)	(1,695)
Income tax paid	(4,608)	-	(5,985)	-
<b>Net cash generated from/(used in) operating activities</b>	<b>17,843</b>	<b>(305,330)</b>	<b>13,898</b>	<b>(318,722)</b>
<b>Cash flows from investing activity</b>				
Acquisition of property, plant and equipment	-	-	-	(366)
Contribution by non-controlling interest	31	-	31	-
Net effect of cash flow on acquisition (Note B)	19,443	-	19,443	-
Acquisition of associated company	-	-	(30)	-
Loan advanced to associated company	-	-	(49,000)	-
<b>Net cash generated from/(used in) investing activities</b>	<b>19,474</b>	<b>-</b>	<b>(29,556)</b>	<b>(366)</b>
<b>Cash flows from financing activities</b>				
Proceed from issue of non-equity linked bonds	-	-	49,159	-
Repayment of bank loans (net)	(14,888)	(666)	(18,350)	(8,194)
<b>Net cash (used in)/generated from financing activities</b>	<b>(14,888)</b>	<b>(666)</b>	<b>30,809</b>	<b>(8,194)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,429</b>	<b>(304,664)</b>	<b>15,151</b>	<b>(327,282)</b>
Cash & cash equivalents at beginning of the financial period	2,708	356,625	9,986	379,243
<b>Cash &amp; cash equivalents at the end of the financial period</b>	<b>25,137</b>	<b>51,961</b>	<b>25,137</b>	<b>51,961</b>



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### Note A

	<i>RMB'000</i>
Liability for compensation expenses	424,580
Amount settled in cash	(300,000)
	<u>124,580</u>
Set-off against trade receivables in 4Q2013	(37,450)
Compensation payables as at 31 December 2013	87,130
Set-off against trade receivables in 1Q2014	(5,673)
Compensation payables as at 31 March 2014	81,457
Set-off against trade receivables in 2Q2014	(5,220)
Compensation payables as at 30 June 2014	76,237
Set-off against trade receivables in 3Q2014	(5,300)
Compensation payables as at 30 September 2014	<u>70,937</u>
<b>Disclosed as:</b>	
Current liabilities	17,400
Non-current liabilities	53,537
	<u>70,937</u>

### Note B

On 12 June 2014, 18 June 2014, 25 June 2014, 27 June 2014 and 3 July 2014, the Company announced the acquisition of China Construction Material (Hong Kong) Limited (“**CCMH**”) by Rich Circles Enterprise Limited (“**Rich Circles**”), a 49% owned associated company of the Company. CCMH is the legal and beneficial owner of 100% of the registered capital of Zhongchuang (Xuzhou) Construction Material Co., Ltd. (“**Xuzhou Zhongchuang**”), a company incorporated on 1 July 2013 under the laws of the People’s Republic of China (“**PRC**”). Xuzhou Zhongchuang is the legal and beneficial owner of 100% of the registered capital of Xuzhou Zhongsen Tonghao New Board Co., Ltd (“**Xuzhou Zhongsen**”), a company incorporated on 14 November 2007 under the laws of the PRC. On 7 August 2014, the Company announced a change to the board composition of CCMH and Xuzhou Zhongsen to enable the Company to have majority control over the operations of CCMH and Xuzhou Zhongsen. Therefore, it is deemed appropriate to consolidate the results of the group comprising Rich Circles, CCMH and its subsidiaries (the “**RC Group**”) into the Group’s financial statements.

The carrying value of the identifiable assets and liabilities of RC Group as at the date of acquisition are as follows:

	<i>RMB,000</i>
Property, plant and equipment	207,900
Intangible asset	788
Inventories	145,006
Trade and other receivable	246,997
Cash and cash equivalents	19,473
Trade and other payables	(245,635)
Tax payable	(24,573)
Other financial liabilities	(37,779)
Bond payables	(280,000)
	<u>32,177</u>
Less: Contribution from non-controlling interest	(31)
Net assets acquired attributable to equity holders of the company	<u>32,146</u>
<b>Net effect of cash flow on acquisitions</b>	
Consideration paid	(30)
Cash and cash equivalents acquired	19,473
Net cash inflow from acquisition	<u>19,443</u>



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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Statement of changes in equity for the Group and for the Company

	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total attributable to equity holders of the parents	Non-controlling interest	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	192,203	-	65,466	4,230	1,224	(64,889)	45,303	177,905	-	421,442	-	421,442
Total comprehensive loss for the period	-	-	-	-	-	-	-	(456,482)	-	(456,482)	-	(456,482)
Balance at 30 June 2013	192,203	-	65,466	4,230	1,224	(64,889)	45,303	(278,577)	-	(35,040)	-	(35,040)
Credit arising from the Capital Reorganization exercise undertaken by the Company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	35,523	-	35,523	-	35,523
<b>Balance at 31 December 2013 (Audited)</b>	<b>19,220</b>	<b>172,983</b>	<b>65,466</b>	<b>4,230</b>	<b>1,224</b>	<b>(64,889)</b>	<b>45,303</b>	<b>(243,054)</b>	<b>-</b>	<b>483</b>	<b>-</b>	<b>483</b>
Balance at 1 January 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(243,054)	-	483	-	483
Total comprehensive loss for the period	-	-	-	-	-	-	-	(638)	-	(638)	-	(638)
Balance at 31 March 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(243,692)	-	(155)	-	(155)
Total comprehensive income for the period	-	-	-	-	-	-	-	764	-	764	-	764
<b>Balance at 30 June 2014 – B/F</b>	<b>19,220</b>	<b>172,983</b>	<b>65,466</b>	<b>4,230</b>	<b>1,224</b>	<b>(64,889)</b>	<b>45,303</b>	<b>(242,928)</b>	<b>-</b>	<b>609</b>	<b>-</b>	<b>609</b>



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Group (Cont'd)	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total attributable to equity holders of the company	Non-controlling interest	Total Equity
Balance at 1 July 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(242,928)	-	609	-	609
Capital contribution	-	-	-	-	-	-	-	-	-	-	31	31
Negative goodwill arising from the acquisition of Rich Circle Enterprise Limited	-	-	-	-	-	-	-	-	15,735	15,735	16,380	32,115
Total comprehensive income for the period	-	-	-	-	-	-	-	8,080	-	8,080	15,210	23,290
<b>Balance at 30 September 2014 (Unaudited)</b>	<b>19,220</b>	<b>172,983</b>	<b>65,466</b>	<b>4,230</b>	<b>1,224</b>	<b>(64,889)</b>	<b>45,303</b>	<b>(234,848)</b>	<b>15,735</b>	<b>24,424</b>	<b>31,621</b>	<b>56,045</b>

Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Retained Earnings	Total Equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2013	192,203	-	51,500	3,014	1,224	(70,390)	177,551
Total comprehensive loss for the period	-	-	-	-	-	(214,124)	(214,124)
Balance at 30 June 2013	192,203	-	51,500	3,014	1,224	(284,514)	(36,573)
Credit arising from the Capital Reorganization exercise undertaken by the Company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	10,402	10,402
<b>Balance at 31 December 2013 (Audited)</b>	<b>19,220</b>	<b>172,983</b>	<b>51,500</b>	<b>3,014</b>	<b>1,224</b>	<b>(274,112)</b>	<b>(26,171)</b>





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Company(Cont'd)	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
Balance at 1 January 2014	19,220	172,983	51,500	3,014		1,224	(274,112)	(26,171)
Total comprehensive loss for the period	-	-	-	-	-	-	(636)	(636)
Balance at 31 March 2014	19,220	172,983	51,500	3,014		1,224	(274,748)	(26,807)
Total comprehensive income for the period	-	-	-	-	-	-	-	-
Balance at 30 June 2014	19,220	172,983	51,500	3,014		1,224	(274,748)	(26,807)
Total comprehensive income for the period	-	-	-	-	-	-	(6,523)	(6,523)
<b>Balance at 30 September 2014 (Unaudited)</b>	<b>19,220</b>	<b>172,983</b>	<b>51,500</b>	<b>3,014</b>		<b>1,224</b>	<b>(281,271)</b>	<b>(33,330)</b>



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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year is 548,802,638 ordinary shares.

The Company does not hold any treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial information for the third quarter ended 30 September 2014 has not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards (“FRS”) that are mandatory for financial year beginning on or after 1 January 2014.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2013.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.



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## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (“3Q2014”)

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3Q2014	3Q2013
<b>Basic earnings per share (RMB cents)</b>		
- Based on the weighted average number of ordinary shares in issue	1.50	6.63
- Fully diluted	1.50	6.63
<b>Number of shares</b>		
Current / weighted average number of ordinary shares in issue	548,802,638	548,802,638

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-  
(a) current financial period reported on; and  
(b) immediately preceding financial year.

RMB Cents	The Group		The Company	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Net (liabilities)/asset value per ordinary share	0.04	0.09	(6.07)	(4.77)

**Note:-**

Net asset value per ordinary share of the Group/Company was calculated based on the 548,802,638 shares in issue at the end of both periods.



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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

	3Q2014 RMB'000	3Q2013 RMB'000	% Change +/(–)	9M2014 RMB'000	9M2013 RMB'000	% Change +/(–)
<b>Revenue – Fabrics:</b>						
- Garment & apparel	10,289	14,301	(28.1)	36,896	42,742	(13.7)
- Shoe	8,154	7,680	6.2	21,494	14,151	51.9
- Luggage & bag	1,954	1,981	(1.4)	9,297	5,635	65.0
- Others	9,954	12,648	(21.3)	29,753	29,520	0.8
- Subcontract	2,861	-	N/A	6,745	-	N/A
Total	33,212	36,620	(9.3)	104,185	92,048	13.2
Gross profit	3,824	4,078	(6.2)	13,142	6,771	94.1
Gross profit margin	11.5%	11.1%		12.6%	7.4%	
<b>Revenue – New Materials:</b>						
- Magnesium multifunctional board	121,311			121,311		
- Decorative board	12,457			12,457		
- Floor and grainy board	549			549		
Total	134,317			134,317		
Gross profit	45,462			45,462		
Gross profit margin	33.8%			33.8%		
Total Revenue	167,529			238,502		
Total Gross Profit	49,286			58,604		

### Review of Financial Performance

#### Revenue

Fabric Business Operated by Qianfeng International Limited (“QIL”) and its Subsidiaries (“Fabric Business”):

Our revenue decreased by RMB3.4 million or 9.3% from RMB36.6 million in the third quarter of year 2013 (“3Q2013”) to RMB33.2 million in the third quarter of year 2014 (“3Q2014”).

The decrease in revenue for 3Q2014 was due mainly to the combination of decreased volumes and prices for garment & apparel and other segments.

- Revenue from the sales of garment & apparel fabrics decreased by RMB4.0 million or 28.1%, from RMB14.3 million in 3Q2013 to RMB10.3 million in 3Q2014;
- Revenue from the sales of shoe fabrics increased by RMB0.5 million or 6.2%, from RMB7.7 million in 3Q2013 to RMB8.2 million in 3Q2014 due mainly to increased volume;
- Revenue from the sales of luggage and bag fabrics remained fairly consistent at RMB2 million for both periods;
- Other segment’s revenue decreased by RMB2.7 million or 21.3%, from RMB12.6 million in 3Q2013 to RMB9.9 million in 3Q2014.
- Since 4Q2013, our subsidiary, Fujian Qianfeng Textile Technology Co., Ltd (“Fujian Qianfeng”) began to undertake subcontracting work in respect of dyeing works required by its customers, in order to utilise excess production capacity



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### New Materials Business Operated by the RC Group (“New Materials Business”):

(a) **Magnesium Multifunctional Board**

Magnesium Multifunctional Board is a basic and core Magnesium Chloride-based product which is used in the production of other products. Magnesium Multifunctional Board can be nailed, sawed, drilled, and planed while being environmental friendly, waterproof, fireproof, soundproof and not easy to deform with integration capabilities. Magnesium Multifunctional Board can be used in ceiling panels, wall panels, insulation board, fireproof board, and waterproof board. Magnesium Multifunctional Boards can be either directly sold to customers or further processed to produce other building and decoration materials.

(b) **Floor and grainy board**

Floor and grainy board is produced by further processing of the Magnesium Multifunctional Board. These include geothermal dedicated flooring and titanium flooring. Geothermal dedicated flooring has characteristics such as being environmental friendly, fire and water proof, not easy to deform, and able to withstand wear, scratch and stain. It is wear-proof in accordance with the relevant national standards in the PRC. Titanium flooring is fireproof, waterproof, resists deformation, and has comprehensive environmental characteristics. Its paint surface is able to withstand wear, scratch, stain and integration performance, and it can be used as decorative panels for, *inter alia*, home, hotels, and office floors.

(c) **Decorative board**

Decorative boards are produced by processing the Magnesium Multifunctional Boards with various surfaces, such as by coating the surfaces of Magnesium Multifunctional Boards with aluminium or magnesium products. Decorative boards processed with certain metals may be aesthetically pleasing with vein lines and grains resembling marble, granite or wood. Such decorative boards are also environmentally friendly, waterproof, fireproof, and resistant to deformation, wear, scratches, and stains. Based on different surface treatments, decorative boards may be widely used for cabinets and other kinds of interior and exterior décor.

(d) **Aluminium products**

Aluminium products are aluminium plates with various customized designs and colors that are incorporated using printing technology. These products are produced with transfer printing technology, which can allow the final product to look like natural materials, such as marble and granite. Aluminium panels have fire safety, insulation, energy-saving, environmental-friendliness and other functions, and can be widely used in energy efficient building facades and wall decorations with a product life of up to 30 years. At the end of the product life cycle, after removal from buildings, through the separation and recycling technologies, the aluminium can be re-used, in the interests of the environment. Products made with nano-glaze aluminium coating are eco-friendly, non-toxic and able to withstand light, scratches, corrosion, and extreme temperatures. Aluminium products can be either sold as finished goods or used with Magnesium Multifunctional Boards to produce decorative boards.

Total sales increased by RMB130.9 million or 357.5% to RMB167.5 million in 3Q2014 from RMB36.6 million in 3Q2013 due to the consolidation of the results of the RC Group. Further to the Company's announcement on 7 August 2014, as the Company has majority control over the operations of CCMH and Xuzhou Zhongsen, it is deemed appropriate to consolidate the results of the RC Group into the Group's financial statements.



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**Gross profit** increased by approximately RMB45.2 million or 1108.6% from approximately RMB4.1 million in 3Q2013 to RMB49.3 million in 3Q2014. The gross margin for Fabric Business remained fairly consistent at 11.5% as compared to 11.1% for last corresponding period while the gross margin of 33.8% for New Materials Business is also consistent with our expected margin of 30% - 35%.

**Other income** increased by RMB0.4 million or 115.5% from RMB0.4 million in 3Q2013 to RMB0.8 million in 3Q2014. The increase was due primarily to the sales of scrap materials for the Fabric Business.

**Selling and distribution expenses** increased by RMB1.7 million or 117.8% from RMB1.4 million in 3Q2013 to RMB3.1 million for 3Q2014 due mainly to the inclusion of the result of RC Group.

**Administrative expenses** increased by RMB7.3 million or 239.6% from RMB3.0 million in 3Q2013 to RMB10.3 million in 3Q2014 due mainly to inclusion of the result of RC Group and accruals made in respect of the corporate and statutory expenses.

**Other operating expenses** incurred in 3Q2013 represent the write-back of excess compensation payable to customers, there was no such expenses in 3Q2014.

**Finance costs** increased by RMB2.9 million or 552.4% from RMB530,000 in 3Q2013 to RMB3.4 million in 3Q2014 due mainly to the inclusion of the result of RC Group.

There was **income tax expenses** amounting to RMB10.0 million incurred for 3Q2014 as compared to none in 3Q2013 due to (1) the tax arose from the profit earned for our subsidiary, Fujian Jiamei Textile Co., Ltd (“**Fujian Jiamei**”) as a result of the expiry of its tax incentive in 4Q2013 and the inclusion of the result of RC Group.

- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **Review of Financial Position**

**Property, plant and equipment** of RMB238 million as at 30 September 2014 comprises of RMB40.4 million (Fabric Business) and RMB197.6 million (New Materials Business). The decrease in property, plant and equipment of RMB6.8 million or 14.4% for Fabric Business from RMB47.2 million as at 31 December 2013 was due mainly to the depreciation charges over the period ended 30 September 2014.

**Investment in associated company** - As announced by the Company on 12 June 2014, 18 June 2014, 25 June 2014, 27 June 2014 and 3 July 2014, the Company had on 12 June 2014 acquired the 49% stake in its associated company, Rich Circles for US\$4,900, pursuant to a joint venture with Li Yaxin. Further to the acquisition of 100% in CCMH by Rich Circles on 18 June 2014, the Company had extended a loan of RMB49 million to Rich Circles. On 7 August 2014, the Company announced a change to the board composition of CCMH and Xuzhou Zhongsen to enable the Company to have majority control over the operations of CCMH and Xuzhou Zhongsen. Therefore, the results of RC Group have been consolidated into the Group’s financial statements.

**Inventories** were RMB138.7 million as at 30 June 2014 comprise of RMB8.4 million (Fabric Business) and RMB130.3 million (New Materials Business). The decrease of RMB3.6 million or 30% in Fabric Business was due to the effort to reduce working capital tied up in inventories. The average inventory turnover days has decreased to 21 days for 3Q2014 comparing to 38 days for the year ended 31 December 2013.



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**Trade receivables** were RMB209.5 million, comprising RMB69.4 million (Fabric Business) and RMB140.1 million (New Materials Business), as at 30 September 2014. Increase in trade receivables for Fabric Business of RMB1.8 million or 2.7% due mainly to the a 13.2% increase in sale activity for 3Q2014. The average trade receivables' turnover days was 179 days in 3Q2014 comparing to 138 days for the year ended 31 December 2013.

**Prepayment and other receivables** were RMB103.3 million, comprising RMB2.0 million (Fabric Business) and RMB101.3 million (New Materials Business), as at 30 September 2014. The decrease in Fabric Business of RMB1.7 million or 45.9% due mainly to lesser deposits placed with suppliers for purchases.

**Trade payables** were RMB119.1 million, comprising RMB27.9 million (Fabric Business) and RMB91.2 million (New Materials Business), as at 30 September 2014, The increase in Fabric Business of RMB3.4 million or 13.9% due mainly to the slower payments during the period. The average trade payables' turnover days was 80 days in 3Q2014 comparing to 58 days for the year ended 31 December 2013.

**Accruals and other payables** were RMB145.3 million, comprising RMB33.9 million (Fabric Business) and RMB111.4 million (New Materials Business), as at 30 September 2014. The increase of approximately RMB11.0 million or 48% was due mainly to accruals made in respect of the the corporate and statutory expenses for the Fabric Business for the period ended 30 September 2014.

**Compensations payables** - On 9 June 2013, 12 June 2013, 6 August 2013, 15 August 2013, 2 September 2013 and 25 September 2013, the Company announced that its wholly-owned subsidiary, Fujian Qianfeng has received claims amounting to RMB 517 million from several customers (“**Claimants**”) for delivered products that allegedly failed to meet customers' specified requirements. On 2 September 2013, the Company announced that it had on 30 August 2013 entered into settlement agreements (“**Settlement Agreements**”) with the Claimants, on substantially similar terms. According to the terms of the Settlement Agreements, the cash compensation will be reduced to RMB 300 million and had been settled in late September 2013. The remaining RMB 161.5 million will be utilised by the Claimants to deduct from future sales of fabric materials over the next five years, up till 31 July 2018. Pursuant to the terms of Settlement Agreements, the Claimants have also waived their rights to commence any litigation or other analogous proceedings against the Group, and will ensure that their customers will not commence any such proceedings against the Group (including for any alleged loss of profits).

On 28 March 2014, the Company announced the arbitration proceedings in respect of the Settlement Agreements, whereby the arbitrators had confirmed that the terms of the Settlement Agreements were valid and enforceable, and affirmed that Fujian Qianfeng was required to provide the compensation amounting to the aggregate of RMB86,500,952 to the Claimants by way of the provision of products over the period of sixty months. The Board wishes to confirm that the settlement amount payable has already been provided for in the financial statements of the Company, the affirmation of the terms of the Settlement Agreements will not result in any material impact on the financial position of the Company, and the amount of arbitration fees payable by Fujian Qianfeng is not considered material.

The cash compensation of RMB300 million was repaid to the Claimants ahead of schedule in September 2013, and the amount of compensation which remains unpaid is equivalent to RMB71.0 million (calculated based on the remaining RMB161.5 million less (i) the further 8% discount of RMB36.9 million received from the Claimants as reflected in the Company's third quarter financial results announced on 12 November 2013, and (ii) further partial settlements amounting to RMB RMB53.6 million (“**Partial Settlement Amounts**”), which were repaid by the Company through setting-off the Partial Settlement Amounts against trade receivables from the Claimants for sales made to the Claimants until 30 September 2014).

Please refer to the announcements referred to in the foregoing paragraphs for more details relating to the aforesaid claims and compensation.



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**Bank loans** decreased by RMB8.8 million due primarily to repayments during the period.

**Bond payables** comprise of (1) Issuance of RMB180 million, 10% unsecured SME tradable bond, by our subsidiary, Xuzhou Zhongsen Tonghao New Board Co., Ltd, quoted on Shanghai Stock Exchange due 28 March 2016 and (2) a 7% unsecured bond of RMB51 million provided by Li Yuhuan, an independent third party PRC investor.

Pursuant to the Company’s announcement dated 9 June 2014, the Company had entered into a bond subscription agreement with a third party subscriber for the issuance of S\$10 million, 7% **unsecured non-equity linked bonds**, due 2016 (the “**Bonds**”). The subscriber had also on 9 June 2014 subscribed for the Bonds at the aggregate subscription price of S\$10 million.

**Other payable** relates to a sale-and-leaseback arrangement with a local bank.

#### Review of Cash Flow

##### **Net cash generated from operating activities**

The Group achieved profit before tax of RMB33.3 million (3Q2013: RMB36.4 million) and positive cash flow from operating activities of RMB17.8 million (3Q2013: cash outflow of RMB305.3 million) for the quarter ended 30 September 2014.

The Group’s cash inflow from investing activities, relating mainly to net effect of cash flow on acquisition of RC Group, amounting to RMB19.4 million (3Q2013: none) and cash outflow from financing activities of RMB14.9 million due primarily to repayments of loans during the quarter (3Q2013: cash outflow of RMB0.7 million).

The net increases in cash and cash equivalents were RMB22.4 million and RMB15.2 million, in 3Q2014 and 9M2014, respectively.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

#### 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 has 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.





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#### Proposed Disposal

On 19 September 2014, the Company announced that the Company has entered into the sale and purchase agreement dated 18 September 2014 between the Company as vendor, Chengde Industrial Co., Limited as purchaser (the “**Purchaser**”) and Lin Daoqin as obligor (the “**Obligor**”) on 18 September 2014 in connection with the disposal of the 10,000 fully paid up ordinary shares in the share capital of Qianfeng International Limited (“**QIL**”), which represents 100% of the share capital of QIL. QIL is an investment holding company. Its sole shareholder is the Company and its directors are Lin Daoqin.

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.

The decision to dispose this business was taken after the review of the performance of its existing Fabric Business unit, taking into consideration the continuing deteriorating business environment of fabric industry. The disposal mark the Company’s exit from Fabric Business. This disposal is subject to conditions precedent including, *inter alia*, the SGX-ST and/or any other applicable legislative, executive or regulatory body or authority confirming that the Company will not be deemed to be a cash company after the Disposal Completion.

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.

#### Placement

On 15 August 2013, the Company announced, *inter alia*, that it had entered into Placement Agreements with each of Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi (the “**Placees**”), pursuant to which the Company has agreed to issue, and the Placees have agreed to subscribe for the 100,000,000 Shares proposed to be allotted and issued by the Company to the Placees (“**Placement Shares**”) pursuant to the proposed placement (“**Proposed Placement**”) at the issue price of S\$0.029 per Placement Share.

On 11 September 2014, the Company announced that it had on 10 September 2014 received the in-principle approval from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST subject to the following conditions:

- (a) Compliance with the SGX-ST’s listing requirements;
- (b) Shareholders’ approval for the Proposed Placement;
- (c) Submission of:
  - (i) A written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the proposed placement of units and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on use of proceeds and in the annual report;



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- (i) A written undertaking from the Company that it will comply with Rule 803; and
- (ii) A written confirmation from the Company that it will not issue the Placement Shares to persons prohibited under Rule 812(1) of the Listing Manual.

As the in-principle approval of the SGX-ST for the Proposed Placement is conditional on obtaining Shareholders' approval, the Company will convene a Special General Meeting to seek the approval of its Shareholders for the Proposed Placement.

#### 11. Dividend

##### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

##### (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

##### (c) Date payable

Not applicable.

##### (d) Books closure date

Not applicable.

#### 12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended during the period.

#### 13. Interested person transactions

Save as disclosed in paragraph 1(b)(ii) above, the joint and several guarantees provided by Mr Lin Daoqin to our Group, there are no any other interested person transactions.

#### 14. Confirmation by the Board pursuant to Listing Rule 705(5) of SGX Listing Manual

The Directors confirmed that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company and of the Group for the third quarter ended 30 September 2014 to be false or misleading in any material respect.



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BY ORDER OF THE BOARD

Neo Chee Beng  
Executive Chairman  
12 November 2014