



Asia Fashion Holdings Limited

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

Asia Fashion 3Q2014 sales jump 357.5% to RMB167.5 million on initial contribution from high-tech construction material business

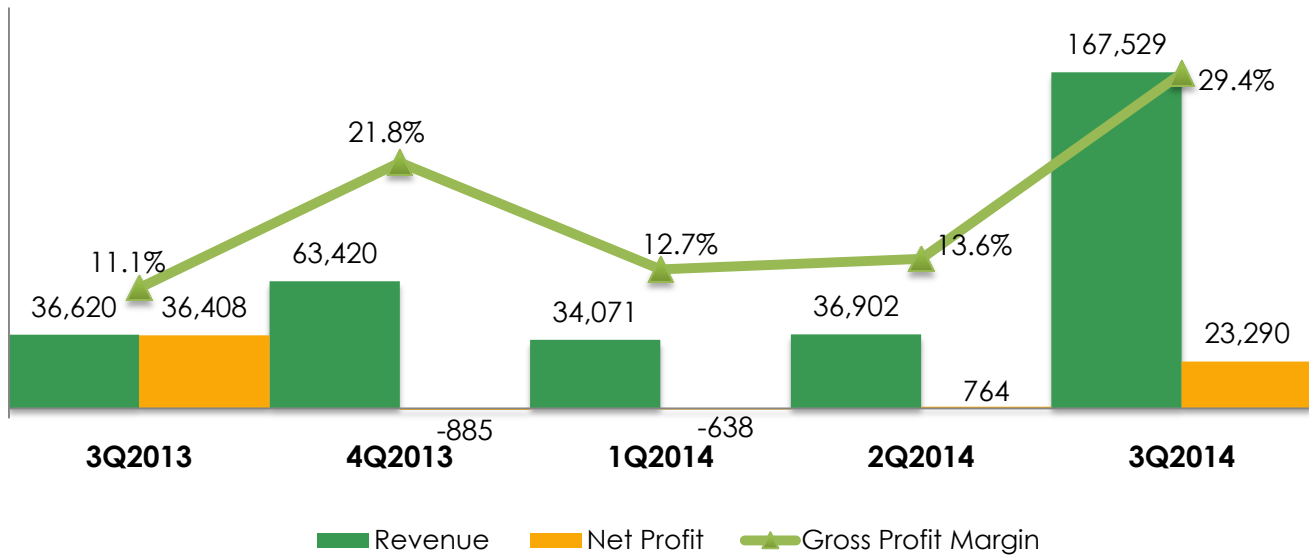
- Improvement in gross profit margin to 29.4% vs 11.1% previously
- Surge in core operating profit to RMB36.7 million vs RMB18,000 previously
- Proposed disposal of legacy fabric business on 19 September, in line with the Group's move into the high-growth, high-tech construction material business

Singapore – 12 November 2014, SGX Mainboard-listed Asia Fashion Holdings Limited (“Asia Fashion”, or “the Group”), a producer of high-tech and eco-friendly magnesium-based multifunctional construction board, has announced its financial results for the third quarter ended 30 September 2014 (“3Q2014”).

Financial Highlights

(RMB'000)	3Q2014	3Q2013	YOY % Change	2Q2014	QOQ % Change
Revenue	167,529	36,620	375.5	36,902	354.0
Gross Profit	49,286	4,078	1108.6	5,007	884.3
Gross Profit Margin (%)	29.4	11.1	+18.3 points	13.6	+15.8 points
Core Operating Profit	36,733	18	203972.2	1,175	3026.2
Profit /(Loss) After Tax	23,290	36,408	(36.0)	764	2948.4
Net Profit Margin (%)	13.9	99.4	-85.4 points	2.1	+11.9 points
Earnings /(Loss) per Share (RMB Cents)	1.50	6.63	(77.4)	0.02	7400.0
Net Asset Value per Share (RMB Cents)	0.04	0.25	(84.0)	0.11	(63.6)

QoQ and YoY Financial Highlights (RMB' 000)



With an initial three-month contribution of RMB134.3 million from its newly acquired high-tech, eco-friendly new material business, the Group's revenue surged 357.5% year-on-year (yoy) to RMB167.5 million in 3Q2014.

Showing significant improvement, gross profit increased 1108.6% yoy to RMB49.3 million. This was assisted by the higher gross profit margin of 33.8% for the new material business, while the gross profit margin for the fabric business remained consistent at 11.5%. Traditionally, on an average, the gross profit margins for the new material business and fabric business are 30.0% and 12.0% respectively.

The Group's various expenses increased yoy in 3Q2014 due to the inclusion of the new material business:

- Selling and distribution expenses increased 117.8% to RMB3.1 million;
- Administrative expenses increased 239.6% to RMB10.3 million mainly due to the added headcount, as well as accruals made in respect of the corporate and statutory expenses;
- Finance costs increased 552.4% to RMB3.5 million; and
- Income tax expense amounted to RMB10.0 million in 3Q2014 versus none in 3Q2013, mainly attributed to the inclusion of the new material business, as well as the taxation of profit for subsidiary, Fujian Jiamei Textile Co., Ltd as a result of the latter's tax incentive expiration in 4Q2013.

With the exclusion of the one-off write-back for excess compensation payable to customers amounting to RMB36.9 million in 3Q2013, the Group's core operating profit improved to RMB36.7 million in 3Q2014 from RMB18,000 in 3Q2013.

Overall, the Group achieved a net profit after tax of RMB23.3 million in 3Q2014.

Strengthening its balance sheet, the Group reduced its total bank borrowings by 94.7% to RMB0.5 million in 3Q2014 primarily due to substantial repayments made in the quarter. In addition during the same period, cash and cash equivalent increased 151.7% to RMB25.1 million.

With the 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")¹, the Group has recorded the following bond payables in 3Q2014:

- Issuance of RMB180 million, 10% unsecured SME tradable bond, by the Group's subsidiary, Xuzhou Zhongsen Tonghao New Board Co., Ltd, quoted on Shanghai Stock Exchange due 28 March 2016; and
- A 7% unsecured bond of RMB51 million provided by Li Yuhuan, an independent third PRC investor.

Mr Neo Chee Beng, Executive Chairman of Asia Fashion, said: "With the acquisition of our new material business, we have entered into a new era of growth. We are motivated with this set of improved results with the significant revenue contribution from our newly acquired new material business as it attested to our new growth strategy and business direction. Despite the increase in overheads which are essential to drive our future growth, the Group delivered a credible performance in the quarter. With our revolutionary, high-tech new material that possesses superior properties like no other in the market, we are highly positive of its potential to disrupt the construction material market and become an incomparable leader in the field. Buoyed by the encouraging results and optimistic outlook, we are confident of generating further growth and value for the Group. "

New Material Business and Overall Outlook

With the proposed disposal of our fabric business, which is currently pending SGX and shareholders' approval, the Group's new material business will play an integral role in driving the turnaround for the Group.

Redefining traditional materials, such as wood, wood-based and aluminum plastic composite materials, the new material business uses its proprietary technologies to create a whole new multi-functional interior and exterior material. Encompassing superior material properties as compared to existing products, the new material is eco-friendly, highly durable, fire-proof, water-proof and sound-proof. Despite the high-tech and high-quality features, the new material has low resource and energy consumption and is at a lower cost as compared to the existing popular materials in the market. With a production capacity of over 1.5 billion units from its 86,700 square metre manufacturing plant in China, the new material business supplies to strategic partners with large scale engineering projects, such as China's largest non-state owned petrochemical group, Ningxia Baota Petrochemical Group, and multinational clean energy company, Hanergy Holdings Group Ltd.

¹ Please refer to the announcement dated 9 June 2014.



Above: The high-tech and eco-friendly new material's wide variety of uses

Moving forward, the Group will be focusing on marketing efforts to increase the market penetration of the new material. With the new material's exceptional competitive advantages that address the weakness of the existing products in the market, the Group believes its breakthrough material has the ability to replace all the existing materials in the market. According to China Industrial Information Network, the total addressable market for the new material was RMB 1 trillion, as at the end of 2013.

Mr Neo Chee Beng, Executive Chairman of Asia Fashion, said: "The Group acquired the new material business as we see its potential in the RMB 1 trillion China market. We have set our sights to become the leading construction panel manufacturer and distributor in China and beyond. To that end, we will continue to focus efforts to leverage on strategic partnership for large scale engineering projects and increase our marketing drive through various local and overseas platforms to further penetrate the market in the near-to-mid-term."

Notwithstanding the above, the Group is cautiously optimistic of the positive contribution to the overall financial performance of the Group and its subsidiaries.

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About Asia Fashion

Founded in 2007, Asia Fashion Holdings Limited ("Asia Fashion" or "the Group") is a producer of high-tech and eco-friendly magnesium-based multifunctional construction board. Notable customers include Ningxia Baota Petrochemical Group Co., Ltd. , and Hanergy Holdings Group Limited. In line with its new focus, Asia Fashion's legacy business in the manufacturing of functional knitted fabrics had been divested in September 2014.

To tap on strong Chinese and global demand for construction materials, Asia Fashion acquired 100% of China Construction Material (Hong Kong) Limited ("CCMH") through its 49% owned associate, Rich Circles Enterprise Limited ("Rich Circles") on 27 June 2014.

As the pioneer and key player in China's construction material industry, CCMH and its subsidiaries ("CCMH Group") redefine traditional construction materials by using its proprietary technologies in magnesium oxide and magnesium chloride processing, to create multi-functional interior and exterior panels that are moldable, fire-proof, water-proof and sound-proof. According to China Industrial Information Network, the total addressable market for CCMH's products stood at RMB 1 trillion as at the end of 2013.

Asia Fashion's vision is to be a leader in the high-tech construction materials industry through continuous innovation to deliver world-class and high-value products to its Chinese and global customers. Led by a motivated and experienced management team, Asia Fashion is committed to creating shareholder value with this strategic direction.

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