



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 2015 ("3Q2015")

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

	3Q2015 RMB'000 (Unaudited)	3Q2014 RMB'000 (Unaudited)	% Change + / (-)	9M2015 RMB'000 (Unaudited)	9M2014 RMB'000 (Unaudited)	% Change + / (-)
Continuing operations						
Revenue	35,191	-	N/A	106,249	-	N/A
Cost of sales	(22,386)	-	N/A	(73,087)	-	N/A
Gross profit	12,805	-	N/A	33,162	-	N/A
Other operating income	-	-	N/A	-	3	N/A
Selling and distribution expenses	(1,882)	-	N/A	(5,711)	-	N/A
Administrative expenses	(3,576)	(1,832)	N/A	(8,132)	(2,471)	229%
Finance costs	(6,680)	-	N/A	(12,164)	-	N/A
	667	(1,832)	N/A	7,155	(2,468)	N/A
Loss on disposal of discontinued operation				(19,024)		
Share of profit from associates, net of tax	-	-	N/A	16,912	-	N/A
Profit/(Loss) before taxation from continuing operating	667	(1,832)	N/A	5,043	(2,468)	N/A
Income tax expense	(14)	-	N/A	(3,283)	-	N/A
Profit/(Loss) after taxation from continuing operating	653	(1,832)	N/A	1,760	(2,468)	N/A
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive profit/(loss) for the period from continuing operations	653	(1,832)	N/A	1,760	(2,468)	N/A
Profit from discontinued operation, net of tax	-	25,122	N/A	-	25,884	N/A
Total comprehensive profit net of tax	653	23,290	97%	1,760	23,416	92%
Total comprehensive profit/(loss), net of tax, attributable to:						
Equity holders of the company	(1,187)	23,290	100%	(2,865)	23,416	N/A
Non-controlling interest	1,840	-	N/A	4,625	-	N/A
	653	23,290	97%	1,760	23,416	92%



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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 Profit/(loss) before taxation is arrived at after charging/(crediting):

	3Q2015 RMB'000 (Unaudited)	3Q2014 RMB'000 (Unaudited)	9M2015 RMB'000 (Unaudited)	9M2014 RMB'000 (Unaudited)
Interest income				
- Fabric	-	-	-	(7)
- New Material	-	(8)	-	(8)
Depreciation				
- Fabric	-	2,269	-	4,543
- New Material	4,073	-	5,339	-
Amortization				
- Fabric	-	44	-	91
- New Material	5	-	7	-
Interest expenses				
- Fabric	-	20	-	320
- New Material	6,680	-	12,164	-

Note 1: Loss from discontinued operation, net of tax:

Further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February 2015 and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the proposed disposal ("**Proposed Disposal**") of 100% of the share capital of Qianfeng International Limited ("**QIL**") by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the sale and purchase agreement ("**SPA**") dated 18 September 2014 and entered into between the Company as vendor, Chengde Industrial Co., Limited as purchaser and Lin Daoqin as obligor.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng Textile Technology Co. Ltd. ("Fujian Qianfeng"), a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei Textile Company Limited ("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.



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The results of QIL and its subsidiaries for the quarter ended 30 September 2015 ("3Q2015") are as follows:-

	3Q2015	3Q2014	9M2015	9M2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	-	167,529	-	238,502
Cost of sales	-	(118,243)	-	(179,898)
Gross profit	-	49,286	-	58,604
Other income	-	832	-	945
Selling and distribution expenses	-	(3,064)	-	(5,457)
Administrative expenses	-	(8,489)	-	(13,997)
Loss from operations	-	38,565	-	40,095
Finance costs	-	(3,458)	-	(3,758)
Loss before taxation	-	35,107	-	36,337
Income tax expense	-	(9,985)	-	(10,453)
Loss after taxation	-	25,122	-	25,884
	-	25,122	-	25,884



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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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 September 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets				
Property, plant and equipment	194,083	-	-	-
Land use rights	754	-	-	-
Investments in subsidiaries	-	-	46	8
Investments in associates	-	27,384	-	30
Loan to associates	-	49,000	61,000	49,000
Interest receivables	-	1,851	5,349	1,851
	194,837	78,235	66,395	50,889
Current assets				
Inventories	164,217	-	-	-
Trade receivables	198,807	-	-	-
Prepayments and other receivables	191,715	-	9,398	-
Amount due from a subsidiary	-	-	29,208	-
Amount due to associates	-	1,685	-	-
Cash and cash equivalents	20,105	131	-	131
	574,844	1,816	38,606	131
Assets of disposed group held-for-sale	-	153,002	-	3,251
Total assets	769,681	233,053	105,001	54,271
Current liabilities				
Trade payables	172,190	-	-	-
Other payables and accruals	178,866	32,178	18,845	40,087
Bonds payable	180,000	-	-	-
Amount due to a subsidiary	-	-	39,648	-
Amount due to former director/ shareholder	-	1,221	-	1,221
Tax payable	-	-	-	-
	531,056	33,399	58,493	41,308
Liabilities directly associated with disposed group classified as held-for-sale	-	132,644	-	-
	531,056	166,043	58,493	41,308
Net current assets/(liabilities)	43,788	(11,225)	(19,877)	(37,926)
Non current liabilities				
Bonds payable	58,928	-	7,928	-
Non-equity linked bond	29,613	49,159	29,613	49,159
Other payable	38,302	-	-	-
Interest payable	-	1,907	-	1,907
Convertible bonds	11,891	-	11,891	-



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Total liabilities	669,790	217,109	107,925	92,374
Net assets /(liabilities)	99,891	15,944	(2,924)	(38,103)

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	30 September 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 September 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Equity				
Share capital	24,094	19,220	24,094	19,220
Reserves	26,569	(3,276)	(27,018)	(57,323)
Total attributable to equity holders of the company	50,663	15,944	(2,924)	(38,103)
Non-controlling interest	49,228	-	-	-
Total equity	99,891	15,944	(2,924)	(38,103)

(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 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	-	-	10,000	-

Amount repayable after one year

RMB '000	As at 30 September 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Bonds payable(i)	-	238,928	-	-
Non-equity linked bond(ii)	-	29,613	-	49,159
Convertible bond(iii)	-	11,891	-	-

(i) Bonds payable comprise of:

(1) Our subsidiary, Xuzhou Zhongwei New Board Co., Ltd, prior to the acquisition by the Company, had on 28 March 2013 successfully issued a private RMB180 million SME Bond ("**SME Bond**") listed on Shanghai Stock Exchange. The SME Bond bears an interest of 10% per annum, and was arranged by Huarong Securities Co., Ltd and guaranteed by Sino-Capital Guaranty Trust. The SME Bond is repayable in full on 28 March 2016.

(2) RMB51 million relates to indebtedness incurred by Rich Circles Enterprise Limited ("**Rich Circles**"), a subsidiary of the Company, pursuant to the drawdown of RMB51 million on 18 June 2014 pursuant to a loan letter dated 18 June 2014 and entered into between Rich Circles as borrower and Li Yaxin as lender.

The loan has an interest rate of 7% per annum. The loan and the intrerest chargeable thereon was initially repayable on 19 June 2016. but subsequently agreed to extend by an additional 12 months to 19 June 2017. The loan was provided by Li Yaxin, the joint venture partner of the Company in respect of the identification of potential business and development opportunities in China, in connection with the acquisition of China Construction Material (Hong Kong) Limited ("**CCMH**") by Rich Circles, as announced by the Company on 18 June 2014, 25 June 2014, 27 June 2014 and 3 July 2014.



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(3) The balance of RMB7.928 million was incurred due to a bond subscription agreement, dated 4 March 2015 entered into between the Company and Prime Pacific Investments Limited for the subscription by Prime Pacific Investments Limited of a two-year 10% coupon bond for a principal amount of HK\$10 million. Interest is payable half-yearly in arrears.

(ii) Non-equity linked bonds

As announced by the Company on 9 June 2014, the Company had on 9 June 2014 entered into a bond subscription agreement ("**Bond Subscription Agreement**") with Li YuHuan (the "**Subscriber**") for the issuance of seven (7) per cent. unsecured non-equity-linked bonds with an aggregate principal amount of S\$10,000,000.00 (the "**Bonds**") and in the denomination of S\$200,000.00. The Subscriber had on 9 June 2014 subscribed for Bonds at the aggregate subscription price of S\$10,000,000.00 in accordance with the terms of the Bond Subscription Agreement.

The Company announced on 30 September 2015 that it has entered into a placement agreement on 30 September 2015 with Ms. Li Yu Huan (the "Subscriber") for early settlement of the above-mentioned bonds in form of issue of placement shares and cash payment. In pursuant to the placement agreement, the Company has settled the principal amount of S\$3,976,158.28 to the Subscriber, thereby leaving an unsettled principal amount of S\$6,023,841.72 in anticipation for contra settlement against the expected share placement proceed to exactly the same amounts as soon as the approval from SGX-ST is being granted.

The total number of placement shares is 100,397,362 and the issue price is S\$0.06 for each placement share, representing total amount of S\$6,023,841.72 (approximately RMB29,163,000) which is exactly the same amount outstanding under the bonds as at 30 September 2015.

Subsequently, The Company announced on 14 October 2015 that the SGX-ST has granted its approval in principle of the placement of 100,397,362 new ordinary shares to Ms Li Yu Huan for settlement of the outstanding principal amount of the bond in totality.

(iii) Convertible bonds

In connection with the Company's announcements dated 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015, the Company had on 31 March 2015 completed the issuance of 7.0% unsecured convertible bonds ("**Convertible Bonds**") due 2017 of an aggregate principal amount of S\$2,660,000 to Alternus Capital Holdings Limited (the "**Investor**") pursuant to a convertible bonds agreement dated 5 March 2015 entered into between the Company and the Investor (as supplemented by the supplemental agreement dated 16 March 2015 entered into between the Company and the Investor) (collectively, the "**CBA**"). The Convertible Bonds bear an interest rate of 7%, interest per annum, which is payable quarterly in arrears. The maturity date of the Convertible Bonds is two years from the date of the issue of the Bonds (the "**Maturity Date**"). The Investor may, in accordance with the terms and conditions of the CBA, at any time within the period commencing the 3 months from the issue date up to the Maturity Date convert all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$0.07 per share.

Details of any collateral

* The Group's interest-bearing bank borrowings amounting to RMB10 million for the year ended 31 December 2014, which has been included in liabilities held-for-sale, are secured by the pledge of certain of the Group's property, plant and equipment and guarantees provided by Mr Lin Daoqin.

Note A: Assets and liabilities held-for-sale



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As stated in Note 1 to Section 1(a)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of WIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the SPA.

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.

As at 31 December 2014, substantially all of the assets and liabilities in QIL and its subsidiaries were reclassified to assets and liabilities held-for-sale which comprises as follows:-

	<i><u>RMB,000</u></i>
Assets reclassified as held-for-sale:	
- Property, plant and equipment	37,633
- Intangible assets	7,649
- Inventories	11,043
- Trade receivables	88,016
- Prepayments & other receivables	4,107
- Cash and cash equivalents	4,554
	<u>153,002</u>
Liabilities reclassified as held-for-sale:	
- Trade payables	42,024
- Other payables and accruals	9,905
- Compensation payables – current portion	17,400
- Bank loans	10,000
- Compensation payables	53,315
	<u>132,644</u>



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

<u>Consolidated statement of cash flows for the Group</u>	3Q2015 RMB'000 (Unaudited)	3Q2014 RMB'000 (Unaudited)	9M2015 RMB'000 (Unaudited)	9M2014 RMB'000 (Unaudited)
Cash flows from operating activities				
Profit/(Loss) before taxation	653	33,275	1,760	33,869
Adjustments for:				
Amortization of land use rights	5	55	7	146
Depreciation of property, plant and equipment	4,073	12,608	5,339	17,151
Share of profits from associates	-	-	(16,912)	-
Loss on disposal	-	-	19,024	-
Interest income		(8)		(15)
Interest expense	6,680	3,458	12,164	3,758
Operating profit/(loss) before working capital changes	11,411	49,388	21,382	54,909
Decrease in inventories	6,348	14,845	34,518	18,343
(Increase)/decrease in trade receivables	7,076	24,045	17,123	17,864
(Increase)/decrease in prepayments and other receivables	5,412	(16,792)	(24,438)	(15,441)
Liability for compensation payables	-	(5,300)	-	(16,193)
(Decrease) in trade payables	(15,469)	(3,827)	(33,386)	(9,943)
(Decrease) in accrued liabilities and other payables	(11,616)	(36,458)	(33,914)	(25,913)
Cash generated from operations	3,162	25,901	(18,715)	23,626
Interest received		8		15
Interest paid	(6,680)	(3,458)	(12,164)	(3,758)
Income tax paid		(4,608)	(5,292)	(5,985)
Net cash generated from/(used in) operating activities	(3,518)	17,843	(36,171)	13,898
Cash flows from investing activity				
Contribution by non-controlling interest		31		31
Net effect of cash flow on disposal (Note A)		-	(4,554)	-
Net effect of cash flow on acquisition (Note B)		19,443	27,273	19,443
Acquisition of associated company		-		(30)
Loan advanced to associated company		-		(49,000)
Net cash generated from/(used in) investing activities		19,474	22,719	(29,556)
Cash flows from financing activities				
Proceed from issue of non-equity linked bonds	-	-		49,159
Process from issue of shares	-	-	28,548	
Process from issue of coupon bond	-	-	7,928	
Process from issue convertible bond	-	-	11,891	
Repayment of non-equity linked bonds	(19,546)	-	(19,546)	
Repayment of bank loans (net)	-	(14,888)	-	(18,350)
Net cash (used in)/generated from financing activities	(19,546)	(14,888)	28,821	30,809
Net increase/(decrease) in cash and cash equivalents	(23,064)	22,429	15,369	15,151
Cash & cash equivalents at beginning of the financial period	43,169	2,708	4,736	9,986
Cash & cash equivalents at the end of the financial period	20,105	25,137	20,105	25,137



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Note A

As stated in Note 1 to Section 1(a)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of QIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the SPA.

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 carrying value of the identifiable assets and liabilities of QIL Group as at the date of disposal are as follows:

	<u>RMB,000</u>
Property, plant and equipment	(37,633)
Land use rights	(7,649)
Inventories	(11,043)
Trade and other receivable	(90,606)
Cash and cash equivalents	(4,554)
Trade and other payables	111,540
Bond payables	10,000
	<u>(29,945)</u>
Less: Consideration receivable	10,921
Loss arising from the disposal of QIL Group	<u>(10,024)</u>
 <u>Net effect of cash flow on acquisitions</u>	
Consideration received	-
Cash and cash equivalents disposed	(4,554)
Net cash outflow from disposal	<u>(4,554)</u>

Note B

On 27 May 2015, the Company announced its shareholding in its subsidiary, Rich Circles Enterprise Limited ("Rich Circles") has been increased from 49% to 54.46%, or 6,100 shares out of an expanded total number of 11,200 shares. The increase is a result of the subscription of 1,200 new ordinary shares in the capital of Rich Circle. Therefore, the financial statements of Rich Circle and its subsidiaries ("RC Group") has been consolidated into the Group's financial statements with effect from 27 May 2015 ("date of acquisition").



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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	197,617
Land use rights	759
Inventories	170,565
Trade and other receivable	468,920
Cash and cash equivalents	13,268
Trade and other payables	(377,237)
Tax payable	(56,707)
Bond payables	(280,000)
	<u>137,185</u>
Less: Contribution from non-controlling interest	(31)
Net assets acquired attributable to equity holders of the company	<u>137,154</u>
 <i><u>Net effect of cash flow on acquisitions</u></i>	
Consideration paid	(37)
Cash and cash equivalents acquired	13,268
Net cash inflow from acquisition	<u>13,231</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

Group	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 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(245,296)	-	(1,759)	-	(1,759)
Employee share option scheme – expired share option	-	-	-	-	(1,224)	-	-	1,224	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	17,703	-	17,703	-	17,703
Balance at 31 December 2014 (Audited)	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,369)	-	15,944	-	15,944
Balance at 1 January 2015	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,369)	-	15,944	-	15,944
Issue of shares pursuant to the placement approved on 2 Feb 2015/15 Apr 2015	4,874	-	23,674	-	-	-	-	-	-	28,548	-	28,548
Disposal of QIL group as approved on 2 February 2015	-	-	(13,966)	(1,216)	-	64,889	(45,303)	(4,404)	-	-	-	-
Acquisition of additional interest resulting in consolidation of RC Group	-	-	-	-	-	-	-	4,411	4,625	9,036	44,603	53,639
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,678)	-	(1,678)	2,785	1,107
Balance at 30 June 2015	24,094	172,983	75,174	3,014	-	-	-	(228,040)	4,625	51,850	47,388	99,238
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,187)	-	(1,187)	1,840	653
Balance at 30 September 2015 (Unaudited)	24,094	172,983	75,174	3,014	-	-	21,244	(227,930)	4,625	50,663	49,228	99,891



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Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Balance at 1 January 2014	19,220	172,983	51,500	3,014		1,224	(70,390)	177,551
Employee share option scheme – expired share option	-	-	-	-		(1,224)	1,224	-
Total comprehensive loss for the year	-	-	-	-		-	(215,654)	(215,654)
Balance at 31 December 2014 (Audited)	19,220	172,983	51,500	3,014		-	(284,820)	(38,103)
Balance at 1 January 2015	19,220	172,983	51,500	3,014		-	(284,820)	(38,103)
Issue of shares pursuant to the placement approved on 2 February/15 April 2015	4,874	-	23,674	-		-	-	28,548
Total comprehensive income for the period	-	-	-	-		-	4,833	4,833
Balance at 30 June 2015	24,094	172,983	75,174	3,014		-	(279,987)	(4,722)
Total comprehensive income for the period	-	-	-	-		-	1,798	1,798
Balance at 30 September 2015 (Unaudited)	24,094	172,983	75,174	3,014		-	(278,189)	(2,924)



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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.**

In connection with the Company's announcements dated 25 March 2015, 6 April 2015, 7 April 2015, 8 April 2015 and 15 April 2015 and had completed the placement of 58.8 million shares at an issue price of S\$0.06 per share to Grand Powerful Group Limited, Tsang Yuen Wai Samuel, Wong Yu Chiu Ben, Forrest Education Foundation, and UOB Kayhian ("Placement"). As a result, the total number of issued shares of the Company had increased from 648,802,638 ordinary shares to 707,602,638 ordinary shares, excluding treasury shares as at 30 September 2015.

In connection with the Company's announcements dated 5 March, 16 March 2015, 27 March 2015 and 31 March 2015 in respect of the issued and allotment of the Convertible Bonds to the investor, up to 38,000,000 shares may be issued to the Investor if the Investor converts all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$0.07 per share.

- 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 707,602,638 and 548,802,638 ordinary shares, respectively.

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 2015 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 2015.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2014.



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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.**

As announced on 7 October 2015, the Company has decided to the change of the Company's financial year end from 31 December to 30 June ("Change of Financial Period") for the following reasons:

- (1) To provide the Company's auditors with sufficient time and human resources to complete the Company's audit assignment during the peak audit work period in December. This is to avoid repeat delay in delivering audit results within set deadlines, previously resulting in repeated requests to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the granting of deadline extensions for the posting of the Company's audited results.
- (2) The former financial year end on 31 December has resulted in serious overlap between the peak audit work period of the Company and the prolonged Chinese New Year holidays in China, causing exceptional and repeated difficulties in securing the cooperation of the Company's PRC major operating subsidiaries' operational and financial staff in focusing on meeting tight audit deadlines.

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.**

	9M2015	9M2014
Basic earnings per share (RMB cents)		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	3.27	-
- Fully diluted	2.84	-
From discontinued operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	(2.84)	1.50
- Fully diluted	(2.69)	1.50
Number of shares		
Current / weighted average number of ordinary shares in issue	669,761,017	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 2015	31 December 2014	30 September 2015	31 December 2014
Net (liabilities)/asset value per ordinary share	7.15	2.91	(0.41)	(6.94)

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 707,602,638 and 548,802,638 shares in issue at the end of 30 September 2015 and 31 December 2014, respectively.



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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

	3Q2015 RMB'000	3Q2014 RMB'000	% Change + / (-)	9M2015 RMB'000	9M2014 RMB'000	% Change + / (-)
Revenue – New Materials:						
- Magnesium multifunctional board	4,927	-	N/A	15,586	-	N/A
- Decorative board	13,725	-	N/A	42,148	-	N/A
- Aluminum products	16,539	-	N/A	48,515	-	N/A
Total	35,191	-	N/A	106,249	-	N/A
Gross profit	12,805			33,162		
Gross profit margin	36%			31%		

* Above figures were for the period from 27 May 2015 (date of the acquisition) to 30 September 2015

Review of Financial Performance

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 aluminum 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.



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(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 for the period from the date of acquisition to 30 September 2015 achieved was approximately RMB106.2 million with detailed breakdown of various products as shown above.

Gross profit achieved was RMB33.2 million and gross profit margin was approximately 31.2%, consistent with our expected margin of 28% - 36%.

Selling and distribution expenses was approximately RMB5.7 million comprise of advertising & promotion and transportation expenses.

Administrative expenses was approximately RMB8.1 million which includes remuneration of directors and management staff, office, travelling expenses and professional fees incurred.

Finance costs was approximately RMB12.1 million relates to interest accrued for the Bonds payable, Convertible bond and Non-equity linked bond.

Share of profits from associates relating to the profit from 1 January 2015 to 27 May 2015 achieved by RC Group prior to the acquisition of additional interest resulting in the consolidation of its result from the date of acquisition to 30 September 2015.

Income tax expenses amounting to RMB3.3 million resulted from the profit made by our subsidiary, Xuzhou Zhongwei New Board Co., Ltd for the period from the date of acquisition to 30 September 2015.

(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 RMB194.0 million as at 30 September 2015 as compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015.

Land use rights of RMB0.8 million as at 30 September 2015 as compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015.

Investment in associates, Loan to associates and Interest receivables of RMB27.4 million, RMB49 million and RMB1.9 million, respectively, as of 31 December 2014 had been reversed and/or eliminated in the consolidation of RC Group following the acquisition of additional interest in RC Group dated 27 May 2015.



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Inventories were RMB164.2 million as at 30 September 2015 as compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015. The average inventory turnover say was 70 days for 9M2015 and the aged analysis is as follows.

	RMB'000
Less than 365 days	159,269
1 year to less than 2 years	4,730
2 years and above	218
	<u>164,217</u>

Trade receivables were RMB198.8 million, as compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015. The average trade receivables' turnover days was 79 days for 9M2015 and the aged analysis is as follows-

	RMB'000
Less than 365 days	95,392
1 year to less than 2 years	79,192
2 years to less than 3 years	18,910
3 years and above	5,313
	<u>198,807</u>



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Prepayment and other receivables were RMB191.7 million as compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015

	RMB'000
Advances paid to	
-Raw Materials	52,746
-Machinery & Maintenance	42,139
-Distributors	25,148
-Others	7,527
Prepayments	18,072
Other receivables	
-Loans to business associates (Note 1)	35,693
-Advances to management staff (Note 2)	6,440
VAT receivable	2,023
Receivables in respect of divestment	1,326
Rental deposit	395
Others	206
	191,715

Note 1: These amounts were interest-free loans to business associates and are expected to be repaid in the current years

Note 2: There were advances made to management staff primarily for operational purposes.

There was no **Amount due from associates** as compared to RMB1.6 million as of 31 December 2014 due to the elimination of intra-group balances in the consolidation of RC Group following the acquisition of additional interest on 27 May 2015.

Trade payables were RMB172.1 million as at 30 September 2015 compared to Nil as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015. The average trade payable's turnover say was 68 days for 9M2015 and the aged analysis is as follows:-

	RMB'000
Less than 365 days	121,289
1 year to less than 2 years	3,320
2 years to less than 3 years	4,564
3 years and above	5,017
	134,190
Bills payables	38,000
	172,190



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Accruals and other payables were RMB178.9.0 million as at 30 September 2015 increased by RMB146.7million or 455.5% from RMB32.2 million as of 31 December 2014 was due to the consolidation of RC Group as a result of the acquisition of additional interest dated 27 May 2015. The details of the accruals and other payables are as follows:-

	RMB'000
Accruals for:	
-Operating expenses	5,648
-Interest	29,502
Provision for compensation to distributors/minimum guaranteed loyalty	13,916
Advances received from customers	12,356
Due to ex-shareholder of xuzhou Zhongwei New Board Co., Ltd (Note a)	100,000
Other payables	17,444
	178,866

There is no **Amount due to former director/shareholder** due to repayment in the current period.

Bonds payable were RMB238.9 million due to the consolidation of RC Group following the acquisition of additional interest on 27 May 2015 which comprise of (1) Issuance of RMB180 million, 10% unsecured SME tradable bond, by our subsidiary, Xuzhou Zhongwei 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. The balance of RMB7.9 million was due a HK\$10 million, two-year 10% coupon bond issued to Prime Pacific Investments Limited dated on 4 March 2015.

Interest payable relates to a interest accrued for the Non-equity linked bond which had been repaid during the current period.

The **Convertible bonds** relate to an issuance of an aggregate principal amount of S\$2.66 million convertible bonds which bear an interest rate of 7% per annum which is payable quarterly in arrears. The maturity date of the convertible bonds is two years from the date of the issue of the bonds. The agreed conversion price is S\$0.07 per share and the maximum number of shares that can be converted by the bondholder is 38,000,000.

Review of Cash Flow

Net cash generated from operating activities

The Group achieved profit before tax of RMB0.65 million (3Q2014: RMB1.0million) and negative cash flow from operating activities of RMB3.5 million (3Q2014: cash outflow of RMB17.8 million) for the quarter ended 30 September 2015 due to change in the working capitals and payment of interest.

The Group's cash outflow from financing activities related to Re-payment of non-equity linked bonds amounting 19.5 million which is partially early settlement of the non-equity linked bonds amounting 10million



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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.**

The financial performance of our New Material business for the first nine month of 2015 has been within the expectation of the management despite the fact that the profit contribution from this New Material business in the third quarter of FY2015 cannot fully recover all the normal operating expenses incurred in the listed company level and thereby resulting in a slight loss situation in the Group level. The management will continue closely monitor the Group performance and cost control procedures. We are cautiously optimistic that our New Material business will continue to contribute positively to the financial position of the Group.

The Company will continue to undertake strategic review to examine any business potential and options available to provide promising growth opportunity to our business.

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/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded 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.



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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 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Mak Tin Sang
Chief Executive Officer
12 November 2015