

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

PROPOSED PLACEMENT OF 35,000,000 NEW ORDINARY SHARES (“PROPOSED PLACEMENT”)

A. TERMS OF PLACEMENT

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) wishes to announce that the Company has entered into the following placement agreements dated 7 December 2016 (“**Placement Agreements**”) with the following persons (collectively, the “**Placees**”), whereby the Placees have agreed to subscribe for the following respective amounts of new ordinary shares in the capital of the Company (“**Placement Shares**”) (totalling 35,000,000 new Placement Shares) at the issue price of S\$0.11 per Placement Share, subject to and upon the terms of the Placement Agreements:

Name of Placee	Number of Placement Shares	Details on how the Placee was identified	Commission Payable	Background and rationale for the Placee’s subscription of the Placement Shares
Hu Zhen 胡臻	12,000,000	Mr. Hu was introduced to the Company by Mr. Chong Tin Yam, Alex, the current CEO & Executive Director of the Company.	No commission was payable in respect of the referrals	Mr. Hu is an entrepreneur running several metal factories in the Jiangsu Province. He has also been very active in making private investments in the property as well as stock market in China, Hong Kong and selected overseas markets in the past 16 years. Mr. Hu has not purchased any shares of the Company prior to the signing of his Placement Agreement and currently holds no shares in the Company. Mr. Hu has invested in the Company for investment purposes.
Li Zheng 李峥	9,000,000	Mr. Li was introduced to the Company by Mr. Yuan Limin, a past Non-Executive Director and a current major shareholder of the Company.	No commission was payable in respect of the referrals	Mr. Li runs a sizable family business principally engaged in leisure and entertainment business in Northern China. He has also been very active in making private investments in the stock market in China, Hong Kong and selected overseas markets in the past 12 years. Mr. Li has not purchased any shares of the Company prior to the signing of his Placement Agreement and currently holds no shares in the Company. Mr. Li has invested in the Company for investment purposes.
Ng Wah Pang 吴华鹏	7,000,000	Mr. Ng was introduced to the Company by Mr. Wang Huai Dong, the current Non-	No commission was payable in respect of the referrals	Mr. Ng has been running a securities company with several business partners in Huizhou, Guangdong for almost 18 years. He has been very knowledgeable

		Executive Chairman of the Company.		as well as experienced in making private investments in the stock and futures market in China, Hong Kong and selected overseas markets in the past 18 years. Mr. Ng has not purchased any shares of the Company prior to the signing of his Placement Agreement and currently holds no shares in the Company. Mr. Ng has invested in the Company for investment purposes.
Dai Ju Yun 戴菊云	7,000,000	Ms. Dai was introduced to the Company by Mr. Yuan Limin, a past non-executive Director and a current major shareholder of the Company. Mr. Yuan is a personal friend of Ms. Dai's husband and is neither a business partner nor relative of Ms. Dai.	No commission was payable in respect of the referrals	Ms. Dai has been working for a PRC-based investment company as a senior financial analyst for more than 15 years. She has also been active in making private investments in the stock market in China, Hong Kong and selected overseas markets in the past 10 years. Ms. Dai has not purchased any shares of the Company prior to the signing of her Placement Agreement and currently holds no shares in the Company. Ms. Dai has invested in the Company for investment purposes.

The issue price of S\$0.11 for each Placement Share represents a premium of approximately 37.5% to the volume weighted average price of S\$0.08 for trades done on the ordinary shares in the capital (“**Shares**”) of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the full market day on 7 December 2016 (being the market day on which the Placement Agreements were signed).

Each of the Placees have no connection (including business relationships) with the Company, its Directors and substantial shareholders. Under the terms of the Placement Agreements, each of the Placees have represented, warranted and undertaken to and for the benefit of the Company, *inter alia*, that it is not acting in concert with each other or any other investor or shareholder of the Company in relation to the Placement Shares to be issued thereunder. The Placees will not be holding any of the Placement Shares on trust as a nominee for any entity or person.

There are no share borrowing arrangements to facilitate the Proposed Placement.

The Placement Shares will collectively represent approximately 69.31% of the existing issued and paid-up share capital of the Company as at the date of this announcement.

When completed, on the assumption that:

- (i) the outstanding convertible bonds (the “**Alternus Convertible Bonds**”) issued to Alternus Capital Holdings Limited (“**Alternus**”) pursuant to the convertible bond agreement entered into between the Company and Alternus dated 5 March 2015, and as supplemented by the supplemental agreement dated 16 March 2015, have been fully converted into conversion shares (“**Alternus Conversion Shares**”); and
- (ii) the convertible bonds proposed to be issued to Dai Ji Zhou (the “**DJZ Convertible Bonds**”) pursuant to the convertible bond agreement entered into between the Company and Dai Ji Zhou dated 25 November 2016 have been fully issued and fully converted into conversion shares (the “**DJZ Conversion Shares**”);

then

- (a) the Proposed Placement will increase the issued and paid up share capital of the Company to 95,135,000 shares; and
- (b) the Placement Shares will collectively represent approximately 36.79% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

When completed, on the assumption that:

- (i) none of the outstanding Alternus Convertible Bonds have been converted into Alternus Conversion Shares; and
- (ii) none of the DJZ Convertible Bonds have been issued and converted into the DJZ Conversion Shares:

then

- (a) the Proposed Placement will increase the issued and paid up share capital of the Company to 85,500,000 shares; and
- (b) the Placement Shares will collectively represent approximately 40.94% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

The issuance of the Placement Shares to the Placees will not result in a transfer of controlling interest. The Proposed Placement and issuance of the Placement Shares to the Placees would not result in adjustments to any of the Alternus Convertible Bonds and/or the DJZ Convertible Bonds (when issued).

The Placement Shares when issued and fully paid will rank *pari passu* in all respects with the existing Shares of the Company.

The Proposed Placement is being made in reliance on the exemption provided under Section 272B of the Securities and Futures Act (Chapter 289) (the "**SFA**"). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

The terms of the Proposed Placement does not contravene any laws and regulations governing the Company and/or the Bye-Laws of the Company.

The Company intends to convene a special general meeting ("**SGM**") to seek the approval of Shareholders for the Proposed Placement. A circular containing information on the Proposed Placement, together with a notice of the SGM, will be despatched to Shareholders in due course. The Company will be applying to the SGX-ST for the dealing in, listing and quotation of the Conversion Shares on the Official List of the SGX-ST and will make the necessary announcements once the approval-in-principal of the listing and quotation of the Placement Shares has been obtained from the SGX-ST.

B. CONDITIONS PRECEDENT

The Proposed Placement is conditional upon, *inter alia*, the satisfaction of each of the following conditions precedent under each of the Placement Agreements:

- (a) approval in-principle for the listing and quotation of the Placement Shares on the SGX-ST being obtained from the SGX-ST ("**Listing Approval**") and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Placement Shares on the SGX-ST are required to be fulfilled on or before the Completion Date, they are so fulfilled;

- (b) the approval of the Directors and shareholders of the Company (where necessary) being obtained in respect of the transactions contemplated by the Placement Agreements including but not limited to the issue and allotment of the Placement Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the parties;
- (c) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by the Placement Agreements;
- (d) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of the Placee(s) contained or referred to in the Placement Agreement(s) deemed to be repeated on each day thereafter, down to the date of completion of the Placement Agreement(s) in all respects with reference to the facts and circumstances existing on each such day; and
- (e) the subscription, issue and allotment, and offering (if any) of the Placement Shares being in compliance with the SFA in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore, Bermuda or elsewhere which is applicable to the Company and/or the Placee(s).

The Company may, and upon such terms it thinks fit, waive compliance with the any and/or all of the above conditions and any such condition which is so waived, subject to any further conditions that may be imposed by the Company, shall be deemed to have been satisfied, provided always that any such waiver as aforesaid shall be without prejudice to its right to elect to treat any further or other breach, failure or event as releasing and discharging it from its obligations under the relevant Placement Agreement.

If any of the conditions set forth above is not satisfied and/or waived (as the case may be) on or before 31 January 2017 (or such other later date as the parties may agree) after the date of the Placement Agreement(s), such Placement Agreement(s) shall *ipso facto* cease and determine thereafter, without prejudice to any rights which the Company may have against each of the Placees with respect to his failure to fulfill any of the terms of the relevant Placement Agreement(s) prior to termination.

C. RATIONALE AND PROCEEDS FROM PROPOSED PLACEMENT

The Company wishes to undertake the Proposed Placement to raise working capital for the Company.

The estimated net proceeds from the Proposed Placement, after deducting estimated expenses pertaining to the Proposed Placement of S\$100,000, will be S\$3,750,000. The net proceeds will be fully used for working capital purposes.

The Company will make periodic announcements on the utilisation of the net proceeds from the Proposed Placement as and when the funds from the Proposed Placement are materially disbursed 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 Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

D. FINANCIAL EFFECTS

For illustration purposes only, the table below sets out the financial effects of the Proposed Placement based on the following bases and assumptions:-

- (a) The audited consolidated financial statements of the Company for the 18 months' period ended 30 June 2016;
- (b) The financial impact on the consolidated net tangible assets ("**NTA**") per Share of the Company is computed based on the assumption that the Proposed Placement was completed on 30 June

2016 and in relation to the Company's consolidated earnings / (loss) per Share ("**EPS**"), computed based on the assumption that the Proposed Placement was completed on 1 January 2015; and

- (c) the DJZ Convertible Bonds have not been fully issued and paid up; and
- (d) None of the outstanding Alternus Convertible Bonds and the DJZ Convertible Bonds are converted into Alternus Conversion Shares and DJZ Conversion Shares respectively.

	Before the Proposed Placement	After the Proposed Placement
Share Capital		
- Issued and paid up share capital (US\$)	4,040,000	6,840,000
- Number of shares	50,500,000	85,500,000
NTA (RMB'000)	27,802	46,140
NTA per Share (RMB cents)	55.05	53.96
EPS / (Loss PS) (RMB cents) ⁽¹⁾	(0.62)	(0.35)
Earnings / (Loss) attributable to equity holders of the Company (RMB'000)	(28,393)	(28,393)
Weighted average number of shares used to calculate diluted earnings ('000)	46,012,400	81,012,400

Note: ⁽¹⁾ EPS is calculated by dividing the Company's consolidated net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares.

The financial effects of the Proposed Placement on the Company and the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Company and the Group after the completion of the Proposed Placement.

E. RULE 812 AND INTERESTED PERSONS

None of the Placees fall within the persons or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the Listing Manual of the SGX-ST ("**SGX-ST Listing Manual**") or are interested persons under Chapter 9 of the SGX-ST Listing Manual.

F. CHANGES IN SHAREHOLDING STRUCTURE

Based on the issued share capital of the Company as at the date hereof, the following table sets out the impact on the percentage shareholding of existing Shareholders following completion of the Proposed Placement (on the assumption that none of the Alternus Convertible Bonds have been converted into Alternus Conversion Shares, and that none of the DJZ Convertible Bonds have been issued and converted into the DJZ Conversion Shares):

	As at the date hereof						After the Placement (assuming that none of the Alternus Convertible Bonds have been converted into Alternus Conversion Shares, and that none of the DJZ Convertible Bonds have been issued and converted into the DJZ Conversion Shares)					
	Direct Interest		Deemed Interest		Total Interest		Direct Interest		Deemed Interest		Total Interest	
	Number of shares	% ⁽¹⁾	Number of shares	% ⁽¹⁾	Number of shares	% ⁽¹⁾	Number of shares	% ⁽²⁾	Number of shares	% ⁽²⁾	Number of shares	% ⁽²⁾
Substantial Shareholders												
Yong Tai Investment Company Limited	14,765,797	29.24	-	-	14,765,797	29.24	14,765,797	17.27	-	-	14,765,797	17.27
Yuan Limin (Note 1)	-	-	14,765,797	29.24	14,765,797	29.24	-	-	14,765,797	17.27	14,765,797	17.27
Li Yu Huan	6,274,835	12.43	-	-	6,274,835	12.43	6,274,835	7.34	-	-	6,274,835	7.34
Link Profits Limited	5,328,571	10.55	-	-	5,328,571	10.55	5,328,571	6.23	-	-	5,328,571	6.2

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Wang Chunzhi (Note 2)	-	-	5,328,571	10.55	5,328,571	10.55	-	-	5,328,571	6.23	5,328,571	6.23
Asia Brand Capital Pte. Ltd. (Note 3)	-	-	3,675,030	7.28	3,675,030	7.28	-	-	3,675,030	4.30	3,675,030	4.30
Liu Yanlong (Note 4)	-	-	3,675,030	7.28	3,675,030	7.28	-	-	3,675,030	4.30	3,675,030	4.30
Placees												
Hu Zhen	-	-	-	-	-	-	12,000,000	14.03	-	-	12,000,000	14.03
Li Zhen	-	-	-	-	-	-	9,000,000	10.53	-	-	9,000,000	10.53
Wu Hua Peng	-	-	-	-	-	-	7,000,000	8.19	-	-	7,000,000	8.19
Dai Ju Yun	-	-	-	-	-	-	7,000,000	8.19	-	-	7,000,000	8.19
Other Shareholders	20,455,767	40.50	-	-	20,455,767	40.50	20,455,767	23.92	-	-	20,455,767	23.92
Total	-	-	-	-	50,500,000	100	-	-	-	-	85,500,000	100
Notes:-												
(1) Mr. Yuan Limin is deemed to be interested in 14,765,797 shares in the Company held by Yong Tai Investment Company Limited ("Yong Tai"). Mr. Yuan Limin is the sole shareholder of Yong Tai.												
(2) Ms. Wang Chunzhi is deemed to be interested in 5,328,571 shares in the Company held by Link Profits Limited ("Link Profits"). Ms Wang Chunzhi is the sole shareholder of Link Profits.												
(3) The shares held by Asia Brand Capital Pte. Ltd. ("Asia Brand") are registered in the name of DBS Vickers Securities Nominees Pte. Ltd.												
(4) Mr. Liu Yanlong is deemed to be interested in 3,675,030 shares in the Company held by Asia Brand. Mr. Liu Yanlong is the sole shareholder of Asia Brand.												

G. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as director or shareholders of the Company) have any interest, direct or indirect, in the Proposed Placement.

Shareholders and potential investors should note that the Proposed Placement is subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
7 December 2016