

**ASIA FASHION HOLDINGS LIMITED**

(Company Registration No. 41195)

(Incorporated in Bermuda)

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**ARBITRATION PROCEEDINGS & AGREED UPON PROCEDURES ON CASH AND BANK  
BALANCES**

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The Board of Directors (“**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to the announcements by the Company dated 9 June 2013 and 25 September 2013 in relation to certain legal claims from its customers. The Board wishes to announce that the Company’s wholly-owned subsidiary, Fujian Qianfeng Textile Technology Co., Ltd (“**Fujian Qianfeng**”), was served with notices of arbitration on 10 March 2014 by Fuzhou Fule Shoe Material Co., Ltd, Fuqing Zhongliangxingye Shoe Material Co., Ltd, Haining Hanchen Textile Co., Ltd, Dongguan Jiarui Shoe Material Co., Ltd, Dongguan Jingfeng Fiber Technology Co., Ltd, Putian Xianglong Shoes and Clothes Co., Ltd, Jinjiang Xuri Textile Co., Ltd and Dongguan Yuanzhan Textile Co., Ltd (the “**Claimants**”). The arbitration was carried out by three arbitrators in the Fuzhou Arbitration Commission (the “**Arbitrators**”).

The dispute between Fujian Qianfeng and the Claimants arose in relation to the settlement agreements (“**Settlement Agreements**”) entered into by the Company with the Claimants, under which the remaining amount of compensation to the Claimants by way of the provision of products by Fujian Qianfeng to the Claimants. The Claimants had alleged that Fujian Qianfeng had breached the terms of the Settlement Agreements by not fulfilling their obligations in the provisions of products, which was intended to set-off against the aggregate amount of RMB86,500,952 otherwise payable to the Claimants.

On 13 March 2014, the Arbitrators 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 would like 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 Board has also taken active steps to seek suitable legal advice in respect of the Settlement Agreements and the arbitration proceedings.

In addition, as part of the Company’s effort to enhance its corporate governance, the Company had also engaged PricewaterhouseCoopers LLP to review the cash and bank balances of the Company’s key subsidiaries, namely, Fujian Jiamen Textile Co., Ltd. and Fujian Qianfeng Textile Technology Co. Ltd. (formerly known as Fuzhou Jimei Dyeing and Weaving Co. Ltd.), both incorporated in the People’s Republic of China, for the nine months period ended 30 September 2013. The Board will keep shareholders abreast of the outcome and release further announcements as and when there are any developments on the same.

By Order of the Board

Lin Daoqin  
Executive Director and Chief Executive Officer  
28 March 2014