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

THE PROPOSED DISPOSAL OF 100% OF THE SHARE CAPITAL OF QIANFENG INTERNATIONAL LIMITED

A. INTRODUCTION

The Board of Directors (the "**Board**") of Asia Fashion Holdings Limited (the "**Company**") wishes to announce that the Company has entered into a sale and purchase agreement (the "**SPA**") 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 (the "**Proposed Disposal**") of 10,000 fully paid up ordinary shares (the "**Sale Shares**") in the share capital of Qianfeng International Limited ("**QIL**"), which represents 100% of the share capital of QIL.

The Proposed Disposal will be conditional upon approval by shareholders of the Company ("**Shareholders**") in a general meeting to be convened by the Company.

B. THE PROPOSED DISPOSAL

1. Information on QIL and the Proposed Disposal

QIL was incorporated on 28 August 2008 under the laws of Hong Kong. As at the Latest Practicable Date, QIL has a share capital of $10,000 divided into 10,000 ordinary shares of HK$1.00, which has been issued and fully paid-up. QIL is an investment holding company. Its sole shareholder is the Company and its directors are Lin Daoqin.

QIL is 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 People's Republic of China ("**PRC**"), and Fujian Jiamei Textile Company Limited. ("**Fujian Jiamei**"), a company incorporated on 29 April 2004 under the laws of the PRC.

Business and Products

The business of the group of companies comprising QIL and its subsidiaries (namely, Fujian Qianfeng and Fujian Jiamei) (the "**Disposed Group**") is as follows:

(i) QIL is an investment holding company with two wholly owned subsidiaries, Fujian Qianfeng and Fujian Jiamei.

(ii) Fujian Qianfeng, operates the business of manufacture and sale of synthetic knitted fabrics.

(iii) Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

The Disposed Group is located in Fujian Province, one of the largest fabrics producing provinces in the PRC, and is principally engaged in the knitting, dyeing and post-treatment of synthetic knitted fabrics.

The Disposed Group processes fabric products by imparting special functionalities such as water-resistance, fire-resistance, moisture wicking, UV-protection, anti-mildew and anti-bacterial into its fabric products. Fabrics that processed, produced and treated by the Disposed Group are used in a wide variety of products such as casual wear, sportswear and accessories, winter apparel, undergarments, wedding dresses, diving and swimwear, outdoor apparel, shoes, luggage and bags, sports and outdoor accessories, car upholstery, massage chairs, baby cots, toys and medical equipment.

The Disposed Group's synthetic knitted fabric and functional products may be broadly classified into the following categories:

(a) Garment and apparel fabrics

These fabrics are mainly used in the production of casual wear, sportswear, winter apparel, undergarments, swimwear and outdoor apparel, and consist of normal and functional fabrics. The functionalities of these fabrics include the following: anti-bacterial and anti-mildew, moisture-wicking, UV-protection, water-resistance and anti-chlorine.

(b) Shoe fabrics

These fabrics are used in the manufacture of sports shoes and typically have moisture-wicking functionality.

(c) Luggage and bag fabrics

These fabrics are used in the manufacture of bags such as sports bags and luggage bags. They are typically thicker, harder and more durable.

(d) Other fabrics

Other fabrics manufactured by the Disposed Group include fire-resistance fabric used mainly in the manufacture of car upholstery, baby cot, mattress, curtain, bed linen and medical equipment; and durable fabrics used in the production of toys and hats.

2. Information on the Purchaser

The Purchaser is a company incorporated on 14 November 2012 under the laws of Hong Kong. The Purchaser engages principally in the business of manufacturing and sale of textile and fabrics.

The Purchaser is wholly-owned by Fujian Xiangxing Group Co., Limited ("**Fujian Xiangxing**"), a company incorporated in the PRC engaging in the business of, *inter alia*, the manufacture and sale of luggage and bags, property development, and the operation of hotels and schools in the PRC. Fujian Xiangxing and its subsidiaries have been a customer of Fujian Qianfeng since 2009, and has sizeable operations and more than 20 years of track record in the business of the manufacture of luggage and bags. The Purchaser had acquired the Disposed Group to enhance and complement its existing textile and fabric business.

3. Remaining Business after the Proposed Disposal

On 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, a 49% owned associated company of the Company.

CCMH is the legal and beneficial owner of 100% of the registered capital of Zhongzhuang (Xuzhou) Construction Material Co., Ltd. ("**Xuzhou Zhongchuang**"), a company incorporated on 1 July 2013 under the laws of the 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. The principle activity of CCMH and its subsidiaries is the manufacture and sale of magnesium wooden-base panel, and through the composite aluminum or magnesium processing produce fire-proof panel, interior and exterior decorative panels.

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. This would enable the Company to consolidate its accounts with CCMH.

Following completion of the Proposed Disposal, the Company will continue to operate the business carried on by CCMH and its subsidiaries.

4. Consideration payable pursuant to the Proposed Disposal

Pursuant to the SPA, the Company will dispose, and the Purchaser will acquire, the Sale Shares. Upon completion of the Proposed Disposal pursuant to the SPA ("**Completion**"), the Disposed Group will cease to be owned by the Company.

The aggregate consideration ("**Consideration**") for the purchase of the Sale Shares is the amount of S$2.4 million. The Consideration shall be satisfied in full by payment of cash.

Peak Vision Appraisals Limited (the "**Valuer**") was commissioned by the Company to conduct a valuation on the Sale Shares as at 30 June 2014, and its report dated 18 September 2014 ("**Valuation Report**") valued the Sale Shares to be of no commercial value (the "**Valuation**"). The Valuer, in arriving at the Valuation, took into account, *inter alia*, (i) the discounted projected income of the Disposed Group of (RMB 115,790,000); and (ii) the net liabilities of the Disposed Group of RMB 92,593,545.

The Consideration was arrived at on a willing-seller-willing-buyer basis after arms' length negotiations between the parties taking into account, inter alia, the financial performance of the Disposed Group, the Valuation, and the rationale for the Proposed Disposal set out in Section C(1).

The Consideration represents an excess of S$2.4 million over the book value, which stood at a negative RMB121.1 million, of the Disposed Group. In determining the book value of the Disposed Group, the Directors took into account the Valuation and the findings in the Valuation Report.

5. Material conditions of the SPA

The completion of the sale and purchase of the Sale Shares is conditional upon:

(i) a special general meeting of the shareholders of the Company having been convened and the approval of the shareholders of the Company at such general meeting having been obtained (if required) for the disposal of the Sale Shares by the Company to the Purchaser in accordance with the terms of the SPA;

(ii) Board meetings of the Company having been convened and the approval of the Board at such board meetings having been obtained for the sale of the Sale Shares by the Company to the Purchaser in accordance with the terms of the SPA;

(iii) the transfer of the Sale Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the SPA by any legislative, executive or regulatory body or authority which is applicable to the Company or the Purchaser;

(iv) the warranties given by the Company remaining true and not materially misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the SPA and Completion; and

(v) the Singapore Exchange Securities Trading Limited 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 Completion.

If the Company's obligations and/or the Purchaser's payment obligations are not complied with by either of the Company and/or the Purchaser on the completion date, the party not in default may defer Completion to a date not more than twenty-eight days after the completion date; effect Completion so far as practicable having regard to the defaults which have occurred (without prejudice to their rights hereunder); or rescind the SPA.

On Completion, the Purchaser shall release, remise and discharge the Company of and from any and all liabilities and claims which the Purchaser may have with respect to any breach or inaccuracies of any of the warranties and/or any default by the Company and/or the Obligor of any of their obligations under SPA.

The Obligor has also undertaken to keep the Company fully and effectively indemnified against any and all losses that the Company may incur or suffer in connection with or arising from (a) any default by the Obligor of any of his obligations under the SPA and/or (b) any proceeding against the Company brought by the Purchaser and/or any third party arising out of the SPA or any such breach or default referred to in (a) above.

6. Financial effects of the Proposed Disposal

The pro-forma financial effects of the Proposed Disposal is for illustration purposes only and do not reflect the actual financial results of the Company after Completion.

The following pro-forma financial effects have been prepared based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2013, and assuming that the Proposed Disposal had been completed on:

(i) 1 January 2013 for illustrating the financial effect on the consolidated earnings and earnings per share of the Group; and

(ii) 31 December 2013 for illustrating the financial effect on the consolidated net tangible assets and consolidated net asset value of the Group.

Earnings / (Losses) per Share

	Earnings / (Losses) attributable to Shareholders (RMB'000)	**Weighted average number of Shares**	**Earnings / (Losses) per Share** (RMB cents)
Before the Proposed Disposal	(420,959)	548,802,638	(76.71)
After the Proposed Disposal	(455,268)	548,802,638	(82.96)

NTA

	NTA (RMB'000)	**Number of Shares as at 31 December 2013**	**NTA per Share** (RMB cents)
Before the Proposed Disposal	483	548,802,638	0.09
After the Proposed Disposal	(29,423)	548,802,638	(5.36)

7. Relative figures under Rule 1006 applicable to the Proposed Disposal

Based on the latest announced consolidated results of the Group for 2Q2014, the relative figures applicable to the Proposed Disposal computed on the bases pursuant to Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST are as follows:

Listing Rule	Basis	Relative figures (%)
Rule 1006(a)	Net asset value of assets being disposed of, as compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not meaningful as the Disposed Group has a negative net asset value[(1)]
Rule 1006(b)	Net profits attributable to the Sale Shares, compared with the net profits of the Group.	605%[(2)]
Rule 1006(c)	Aggregate value of consideration received for the disposal of the Sale Shares, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	9.1%
Rule 1006(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as this is not an acquisition.
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable.

Notes:

1. As at 30 June 2014, the net assets of the Group before the disposal is RMB 609,000 and the net assets of the Disposed Group is RMB (121.1) million.
2. Based on the 2Q2014 results, the net profit of the Group before the Proposed Disposal is RMB 126,000, and the net profit of the Disposed Group is RMB762,000. The discrepancy is due to the operational costs of the Company incurred on behalf of the Group, which the Company bears on behalf of all its subsidiaries.

A circular containing the information required under Chapter 10 of the Listing Manual of the SGX-ST will be sent to all Shareholders in due course.

C. OTHER INFORMATION

1. Rationale

In the Company's annual report for the financial year ended 31 December 2012, the Company announced a total loss of RMB 95.6 million before taxation, of which 97.4% was contributed by the Disposed Group. On 7 August 2013, the Company released a profit warning to inform the shareholders that the Group is expected to record a significant drop in its revenue and report an operating loss for the Group's unaudited financial results for the second quarter ended 30 June 2013 ("**2Q2013**"). On 12 August 2013, the Company released the results for 2Q2013, reflecting RMB 451.5 million in total comprehensive losses, of which RMB 465.1 million was contributed by the Disposed Group.

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 517,034,640 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 with the Claimants, on substantially similar terms. According to the terms of the settlement agreements, the cash compensation will be reduced to RMB 300,000,000 and had been settled in late September 2013. The remaining RMB 161,500,000 will be utilised by the Claimants to deduct from future sales of fabric materials over the next five years, up till 31 July 2018.

In the Company's annual report for the financial year ended 31 December 2013, the Company announced a further loss of RMB 421,000,000, of which a loss of RMB 428,100,000 was contributed by the Disposed Group. On 15 May 2014, the Company released the results for 1Q2014, reflecting RMB 638,000 in total comprehensive losses, of which 0.3% was contributed by the Disposed Group. On 12 August 2014, the Company released the results for 2Q2014, reflecting RMB764,000 in total comprehensive profits, of which 99.7% was contributed by the Disposed Group.

Rule 1311 of the Listing Manual provides as follows:

"The Exchange will place an issuer on the watch-list, if it records:—

(1) pre-tax losses for the three (3) most recently completed consecutive financial years (based on the latest announced full year consolidated accounts, excluding exceptional or non-recurrent income and extraordinary items); and

(2) an average daily market capitalisation of less than $40 million over the last 120 market days on which trading was not suspended or halted. For the purpose of this rule, trading is deemed to be suspended or halted if trading is ceased for a full market day."

The Company may be placed on the Watch-List if it continues to record pre-tax losses for the next financial year.

The Directors of the Company note that a large portion of the losses of the Group for FY2012, FY2013 and the first quarter of 2014 was attributed to the Disposed Group. For these reasons, the Directors of the Company consider the Proposed Disposal to be in the interests of the Company and the shareholders.

2. Interests of Directors or Controlling Shareholders

Save as set out in this Circular, none of the Directors, and to the best knowledge of the Directors, none of the controlling shareholders of the Company, save for their respective shareholdings and Lin Daoqin's obligations as an obligor under the SPA, has any interest, direct or indirect, in the Proposed Disposal.

The Purchaser is not related to Lin Daoqin or any of the directors or controlling shareholders of the Company. Lin Daoqin will not be deriving any benefit from the Group as an obligor under the SPA.

There are no directors proposed to be appointed to the Company in connection with the Proposed Disposal.

3. Use of Proceeds

The proceeds for the Proposed Disposal will be utilized for general working capital purposes.

4. Documents for inspection

Copies of the SPA and the Valuation Report are available for inspection during normal business hours at the Company's registered office for 3 months from the date of this announcement.

BY THE ORDER OF THE BOARD

Neo Chee Beng
Executive Chairman
19 September 2014