

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE
USE OF PROCEEDS FROM THE COMPANY'S FUND RAISING EXERCISES IN 2015/2016**

The Board of Directors (the "**Board**") of Asia Fashion Holdings Limited (the "**Company**") refers to its announcement ("**Results Announcement**") on 22 November 2016 on the Annual Report 2016 ("**AR 2016**"). Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Results Announcement. In this regard, the Board would like to respond to the following query ("**SGX Query**") raised by the Singapore Exchange Securities Trading Limited (the "**SGX**") as follows:

SGX Query 1

Please disclose use of proceeds from the Company's fund raising exercise(s) in 2015/2016.

Company's Response to SGX Query 1

In 2015 and 2016, the Company undertook the following fund raising exercises:

Fund Raising Exercises under Chapter 8 of the Listing Manual

1. Placement of an aggregate of 100,000,000 new ordinary shares in the capital of the Company at \$0.029 per placement share (the "**February 2015 Placement**") pursuant to the placement agreements entered into between the Company and each of Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi dated 15 August 2013;
2. Issuance of convertible bonds to Alternus Capital Holdings Limited on 31 March 2015 of an aggregate principal amount of S\$2,660,000 (the "**Alternus Convertible Bonds**");
3. Placement of an aggregate of 58,800,000 new ordinary shares in the capital of the Company at S\$0.06 per placement share (the "**March 2015 Placement**") pursuant to (1) the placement agreements entered into between the Company and each of Forest Education Foundation Limited, Grand Powerful Group Limited, Tsang Yuen Wai Samuel and Wong Yu Chiu Ben dated 25 March 2015 and (2) the placement agent agreement entered into between the Company and UOB Kay Hian Private Limited dated 25 March 2015;
4. Placement of an aggregate of 100,397,362 new ordinary shares in the capital of the Company at S\$0.06 per placement share (the "**September 2015 Placement**") pursuant to a placement agreement dated 30 September 2015 entered into with Ms Li Yu Huan, which was satisfied in full by way of the capitalisation of S\$6,023,841.72 of the amount outstanding (including the principal amount and all accrued and unpaid interest) under the bonds of the Company previously subscribed by Ms Li Yu Huan further to the Bond Subscription Agreement dated 9 June 2014 and entered into between Ms Li Yu Huan and the Company.
5. Proposed issuance of 7.0% convertible bonds to Dai Ji Zhou on 25 November 2016 of an aggregate principal amount of S\$2,100,000 (the "**November 2016 Convertible Bonds**")

Other Fund Raising Exercises

6. Issuance of 10% bond to Prime Pacific Investments Limited on 4 March 2015 of a principal amount of HK\$10 million (the "**Prime Pacific Bond**");

The breakdown of the use of proceeds from each of the above fund raising exercises is as follows: -

1. February 2015 Placement

As announced by the Company on 19 March 2015 and 27 March 2015, the breakdown of the use of proceeds are as follows:

	Amounts (S\$ '000)
NET PROCEEDS RAISED	2,750
APPLICATION OF PROCEEDS	
Salaries and directors' remuneration	285
Corporate and legal fees	438
Listing expenses	65
Office rental and deposit	725
Pre-acquisition due diligence and audit fees and related expenses	212
Special review fee and related expenses – PWC	615
Annual audit fee and related expenses	271
Other miscellaneous expenses	139

Total	2,750
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2. Alternus Convertible Bonds

As announced by the Company on 7 July 2015 and 2 September 2016, the breakdown of the use of proceeds are as follows:

	Amounts (S\$ '000)
NET PROCEEDS RAISED	2,527
APPLICATION OF PROCEEDS	
Settlement of FY2014 accrued operating expenses	105.3
Settlement of directors' remuneration and staff salary	208.6
Settlement of audit expenses	250
Listing Expenses	142
Rental Expenses	112
Settlement of other professional expenses	83.2
Settlement of other operating expenses	156
Repayment of interest to creditors	46.5
Settlement of FY2015 staff salaries and directors' remuneration	395
Settlement of FY2015 auditor's fees and related expenses	72
Settlement of remaining interest on 7% Coupon Bond to Ms. Li Yu Huan	58

Settlement of interest on 10% coupon bond to Prime Pacific	171
Settlement of FY2015 professional and other operating expenses	152.2
Settlement of corporate and legal fees	160
Settlement of FY2015 Listing Fees	80
Settlement of FY2015 office rental	181.2
Settlement of pre-acquisition due diligence, legal valuation and other related expenses	154
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Total	2,527
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3. March 2015 Placement

As announced by the Company on 7 July 2015 and 2 September 2016, the breakdown of the use of proceeds are as follows:

	Amounts (S\$ '000)
NET PROCEEDS RAISED	3,200
APPLICATION OF PROCEEDS	
Repayment of interest to creditors	700
Investment Loan to Rich Circles Enterprise Limited ("Rich Circles") in relation to the increase in the Company's shareholding in Rich Circles to 54.46% ¹	2,400
Settlement of FY2015 staff salaries and directors' remuneration	100
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Total	3,200
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Note:

¹ The Board refers to the Company's announcement dated 27 May 2015. With effect from 27 May 2015, the Company's shareholding in its subsidiary, Rich Circles, increased from 49% to 54.46% or 6,100 shares out of an expanded total number of 11,200 shares. The increase was a result of the subscription of 1,200 new ordinary shares in the capital of Rich Circles, which had a net tangible asset value of approximately US\$10,000, by the Company for a total subscription price of US\$1,200 in cash. The foregoing was pursuant to a fund-raising exercise for the Company to provide Rich Circles a new shareholders' loan of RMB 12,000,000 to fund the operational costs of its subsidiary, Xuzhou Zhongwei New Board Co., Ltd.. The source of funds for the Company to provide for the shareholders' loan came from the Placement Net Proceeds.

4. September 2015 Placement

As announced by the Company on 30 September 2015, the issue price was satisfied in full by way of the capitalisation of S\$6,023,841.72 of the amount outstanding (including the principal amount and all accrued and unpaid interest) under the bonds of the Company previously subscribed by Ms Li Yu Huan further to the Bond Subscription Agreement dated 9 June 2014 and entered into between Ms Li Yu Huan and the Company.

5. November 2016 Convertible Bonds

The November 2016 Convertible Bonds have not yet been issued as they are subject to approval of the SGX as well as the approval of shareholders at general meeting, both of which have not yet been obtained. As announced by the Company on 25 November 2016, the net proceeds will be fully used for working capital purposes.

The Company will make periodic announcements on the utilisation of the net proceeds as and when the funds 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. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

6. Prime Pacific Bond

	Amounts (RMB '000)
NET PROCEEDS RAISED	7,928
APPLICATION OF PROCEEDS	
Partial settlement of Ms. Li Yu Huan's S\$10 million Non-equity linked Bonds	7,928

Total	7,928
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By Order of the Board

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