



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

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 profit or loss and other comprehensive income for the Group

	4Q2013 RMB'000	4Q2012 RMB'000	% Change + / (-)	FY2013 RMB'000	FY2012 RMB'000	% Change + / (-)
Revenue	63,420	37,918	67.3	155,468	173,944	(10.6)
Cost of sales	(49,624)	(54,932)	(9.7)	(134,901)	(181,277)	(25.6)
Gross profit/(loss) (Note 1)	13,796	(17,014)	N/A	20,567	(7,333)	N/A
Other income (Note 2)	11,668	853	1267.9	12,963	2,486	421.4
Selling and distribution expenses	(1,741)	6,344	N/A	(5,738)	(6,005)	(4.4)
Administrative expenses	(6,691)	(6,728)	(0.6)	(20,788)	(32,464)	(36.0)
Other operating expenses (Note 3)	(16,229)	(49,696)	(67.3)	(424,580)	(49,696)	754.3
Finance costs	(460)	(692)	(33.5)	(2,155)	(2,500)	(13.8)
Profit/(Loss) before taxation	343	(66,933)	N/A	(419,731)	(95,512)	339.4
Income tax expense	(1,228)	-	N/A	(1,228)	(136)	802.9
Loss for the year attributable to equity holder of the parent	(885)	(66,933)	(99.9)	(420,959)	(95,648)	340.1
Other comprehensive income	-	-	N/A	-	-	
Total loss and comprehensive loss for the period/year	(885)	(66,933)	(99.9)	(420,959)	(95,648)	340.1

*NA = Not applicable



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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):

	4Q2013 RMB'000	4Q2012 RMB'000	FY2013 RMB'000	FY2012 RMB'000
Interest income	(48)	(470)	(1,088)	(1,904)
Amortization of land use rights	45	45	181	181
Depreciation of property, plant and equipment	1,319	2,920	8,327	11,683
Impairment loss on property, plant and equipment	-	22,500	-	22,500
Loss on disposal of property, plant and equipment	-	-	-	158
Inventory written off	-	11,673	-	11,673
Interest expense	460	692	2,155	2,500
Foreign exchange (gain)/loss - net	130	(400)	68	(436)
Provision for compensation to distributors	-	21,850	-	21,850
Provision for compensation to customers	-	-	424,580	-
Provision for minimum guaranteed royalty	-	5,346	-	5,346
Reversal of provision for minimum guaranteed royalty written back	4,667	-	-	-
Provision for compensation to distributors written back	-	-	(11,562)	-

Note:

1. Gross loss for FY2012 was due to the following reasons:
 - i. the compensation of RMB8.0 million paid to the claims from customers, for supplies of sub-quality fabrics in late 2011, had been wrongly included in selling and distribution expenses in 1Q2012. The compensation paid had been reclassified to cost of sales as sales discount in 4Q2012; and
 - ii. written off of inventory amounting to RMB11.7 million arose due to termination of the partnership with Goodyear Inc..
2. Other income were mainly made up of:
 - i. interest income amounting to approximately RMB1.1 million (FY2012: RMB1.9 million);
 - ii. sales of scrap material amounting to approximately RMB214,000 (FY2012: RMB218,000);
 - iii. exchange gain amounting to approximately RMB86,000 (FY2012: RMB363,000), and
 - iv. provision for compensation written back of approximately RMB11.6 million.
3. Other expenses were made up of:

FY2013

 - i. provision for compensation to customers of approximately RMB424.6 million, of which RMB300 million has been paid during the year.

FY2012

 - i. provision for compensation amounting to approximately RMB21.9 million;
 - ii. provision for minimum guaranteed royalty amounting to approximately RMB5.3 million; and
 - iii. impairment loss on property, plant and equipment amounting to approximately RMB22.5 million.



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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		
	31 December 2013	31 December 2012	31 December 2013	31 December 2012 (Restated)	1 January 2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	47,176	55,018	-	-	-
Intangible assets	7,831	8,013	-	-	-
Investments in subsidiaries	-	-	3,251	62,339	62,339
Amount due from subsidiaries	-	-	-	151,724	151,954
	55,007	63,031	3,251	214,063	214,293
Current assets					
Inventories	12,041	15,874	-	-	-
Trade receivables	67,637	50,234	-	-	-
Prepayments and other receivables	3,663	3,101	-	-	-
Cash and cash equivalents	9,986	379,243	137	36	23
	93,327	448,452	137	36	23
Total assets	148,334	511,483	3,388	214,099	214,316
Current liabilities					
Trade payables	24,496	18,420	-	-	-
Other payables and accruals	24,192	33,856	29,559	36,548	6,394
Compensation payable – current portion	17,400	-	-	-	-
Amount due to shareholder/director	1,488	-	-	-	-
Bank loans	7,766	35,387	-	-	-
Tax payable	1,182	-	-	-	-
	76,524	87,663	29,559	36,548	6,394
Net current assets/(liabilities)	16,803	360,789	(29,422)	(36,512)	(6,371)
Non current liabilities					
Compensation payable	69,730	-	-	-	-
Bank loans	1,597	2,378	-	-	-
Total liabilities	147,851	90,041	29,559	36,547	6,394
Net assets	483	421,442	(26,171)	177,551	207,922
Equity					
Share capital	19,220	192,203	19,220	192,203	192,203
Reserve fund	(18,737)	229,239	(45,391)	(14,652)	15,719
Total equity	483	421,442	(26,171)	177,551	207,922



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Details of the impairment loss on the Group’s and Company’s non-current assets:

The management prepared a cash flow forecast (“Forecast”) to assess the carrying value of the Group’s and the Company’s assets. Concurrently the Board also commissioned Peak Vision Appraisals Limited, an independent valuer, which is a Registered Professional Surveyor and Registered Business Valuer, to review the management’s Forecast.

According to the Peak Vision Appraisals Limited’s preliminary valuation report, there was a shortfall of RMB210.8 million to the carrying value of the Company’s non-current assets (cost of investment in subsidiary and amount due from subsidiaries) and consequently an impairment loss of RMB210.8 million has been recognized in profit or loss in the financial statements of the Company for the year ended 31 December 2013. The value in use of the Group’s assets however, exceeds the carrying value of the Group’s non-current assets and therefore no impairment loss is recognized at the Group level.

The impairment loss at the Company level is a non-cash flow item and does not have any adverse impact on the operations of the Group.

The value of the impairment loss at the Company level ascribes to value in use (“VIU”) valuation basis. VIU is defined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit in accordance with the Singapore Financial Reporting Standards 36.

(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 31 December 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	7,766	-	35,387	-

Amount repayable after one year

RMB ‘000	As at 31 December 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	1,597	-	2,378	-

Details of any collateral

The Group’s interest-bearing bank borrowings are secured by the pledge of certain of the Group’s property, plant and equipment and guarantees provided by our Executive Director Mr Lin Daoqin.



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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.

Consolidated statement of cash flows for the Group

	4Q2013 RMB'000	4Q2012 RMB'000	FY2013 RMB'000	FY2012 RMB'000
Cash flows from operating activities				
Profit/(Loss) before taxation	343	(66,933)	(419,731)	(95,512)
Adjustments for:				
Amortization of land use rights	45	45	181	181
Depreciation of property, plant and equipment	1,319	2,920	8,327	11,683
Impairment loss on property, plant and equipment	-	22,500	-	22,500
Loss on disposal of property, plant and machinery	-	-	-	158
Inventory written off	-	11,673	-	11,673
Provision for compensation to customers	-	-	424,580	-
Provision for compensation to distributors/(written back)	-	21,850	(11,562)	21,850
Provision for minimum guaranteed royalty	-	5,346	-	5,346
Reversal of provision of minimum guaranteed royalty written back	4,667	-	-	-
Interest income	(48)	(470)	(1,088)	(1,904)
Interest expense	460	692	2,155	2,500
Operating profit/(loss) before working capital changes	6,786	(2,377)	2,862	(21,525)
(Increase)/ decrease in inventories	(2,158)	4,183	3,833	(6,955)
(Increase)/decrease in trade receivables	(25,323)	(3,432)	(17,403)	77,825
(Increase).decrease in prepayments and other receivables	(1,050)	1,797	(562)	4,274
Increase/(decrease) in trade payables	12,085	1,621	6,076	(21,122)
(Decrease)/increase in accrued liabilities and other payables	286,970	4,020	(35,552)	(2,316)
Cash (used in)/generated from operations	277,310	5,812	(40,746)	30,181
Compensation paid	(300,00)	-	(300,000)	1,904
Interest received	48	470	1,088	1,904
Interest paid	(460)	(692)	(2,155)	(2,500)
Current tax paid	(45)	(189)	(45)	(5,636)
Net cash (used in)/generated from operating activities	(23,147)	5,401	(341,858)	23,949
Cash flows from investing activities				
Acquisition and construction of property, plant and equipment	(119)	(4,882)	(485)	(6,232)
Proceeds from disposal of property, plant and machinery	-	98	-	98
Net cash used in investing activities	(119)	(4,784)	(485)	(6,134)
Cash flows from financing activities				
Bank loans obtained	-	3,171	-	37,765
Repayment of bank loans	(20,197)	-	(28,402)	(23,000)
Amount due to a director/shareholder	1,488	-	1,488	-
Net cash (used in)/generated from financing activities	(18,709)	3,171	(26,914)	14,765
Net (decrease)/increase in cash and cash equivalents	(41,975)	3,788	(369,257)	32,580
Cash and cash equivalents at beginning of the financial	51,961	375,455	379,243	346,663
Cash and cash equivalents at the end of the financial period	9,986	379,243	9,986	379,243



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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

Group	Share Capital RMB '000	Contributed Surplus RMB '000	Share Premium RMB '000	Capital Reserve RMB '000	Share Option Reserve RMB '000	Merger Reserve RMB '000	Statutory Reserve RMB '000	Accumulated (Losses)/Profit RMB '000	Total Equity RMB '000
Balance at 1 January 2012	192,203	-	65,466	4,230	1,224	(64,889)	45,303	273,553	517,090
Total loss and comprehensive loss for the year	-	-	-	-	-	-	-	(95,648)	(95,648)
Balance at 31 December 2012	192,203	-	65,466	4,230	1,224	(64,889)	45,303	177,905	421,442
Balance at 1 January 2013	192,203	-	65,466	4,230	1,224	(64,889)	45,303	177,905	421,442
Credit arising from the Capital Reorganization exercise undertaken by the company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-	-	-
Total loss and comprehensive loss for the year	-	-	-	-	-	-	-	(420,959)	(420,959)
Balance at 31 December 2013	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(243,054)	483

Statement of changes in equity for the Company

Company	Share Capital RMB '000	Contributed Surplus RMB '000	Share Premium RMB '000	Capital Reserve RMB '000	Share Option Reserve RMB '000	Accumulated Losses RMB '000	Total Equity RMB '000
Balance at 1 January 2012	192,203	-	51,500	3,014	1,224	(40,019)	207,922
Total loss and comprehensive loss for the year	-	-	-	-	-	(30,371)	(30,371)
Balance at 31 December 2012	192,203	-	51,500	3,014	1,224	(70,390)	177,551
Balance at 1 January 2013	192,203	-	51,500	3,014	1,224	(70,390)	177,551
Credit arising from the Capital Reorganization exercise undertaken by the company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-
Total loss and comprehensive loss for the year	-	-	-	-	-	(203,722)	(203,722)
Balance at 31 December 2013	19,220	172,983	51,500	3,014	1,224	(274,112)	(26,171)



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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.

Pursuant to the shareholders' circular dated 4 November 2013 (“**Circular**”) in relation to the capital reorganisation exercise of the Company, the following changes to the Company's share capital were approved by the shareholders of the Company on 27 November 2013, with effect from 28 November 2013:

- (a) the issued and paid-up share capital of the Company was reduced from US\$27,440,131.90 to US\$2,744,013.19 by cancelling the paid-up capital of the Company to the extent of US\$0.045 on each of the issued shares of par value US\$0.05 in the share capital of the Company, so that each issued share of US\$0.05 is treated as one fully paid up share of US\$0.005 (“**Capital Reduction**”);
- (b) subject to and forthwith upon the Capital Reduction taking effect, all the authorised but unissued shares of US\$0.05 each in the Company was cancelled and the authorised share capital of the Company of US\$40,000,000 was diminished by US\$37,255,986.81 representing the amount of shares so cancelled (“**Authorised Capital Diminution**”);
- (c) forthwith upon the Authorised Capital Diminution taking effect, the authorised share capital of the Company was increased from US\$2,744,013.19 divided into 548,802,638 shares of par value of US\$0.005 each to US\$40,000,000 divided into 8,000,000,000 of par value US\$0.005 each by the creation of 7,451,197,362 shares of US\$0.005 each; and
- (d) subject to and forthwith upon the Capital Reduction taking effect, the credit amount of US\$24,696,118.71 arising from the Capital Reduction was credited to the contributed surplus account of the Company ((a), (b), (c), and (d) collectively referred to as the “**Capital Reorganisation**”).

As reflected in the Circular, the impact of the Capital Reorganisation on the share capital of the Company is as follows:

	Before the Capital Reorganisation	After the Capital Reorganisation
Class of Shares		
Authorised Share Capital		
Number of Shares	800,000,000	8,000,000,000
Par Value (US\$)	0.05	0.005
Total (US\$)	40,000,000	40,000,000
Issued and Paid-up Capital		
Number of Shares	548,802,638	548,802,638
Par Value (US\$)	0.05	0.005
Total (US\$)	27,440,131.90	2,744,013.19



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As at 31 December 2013, the Company has a total issued share capital of RMB19,220,288 comprising of 548,802,638 ordinary shares. There was no change to the Company's share capital since 31 December 2012.

The Company does not have any treasury shares or outstanding convertibles as at 31 December 2013 and 31 December 2012.

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, excluding treasury shares as at 31 December 2013 was 548,802,638 (31 December 2012: 548,802,638 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 year ended 31 December 2013 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).

The figures have not been audited or reviewed by the auditors. In the course of their audit for the financial year ended 31 December 2013, the auditors have informed the Company that there may be qualifications and/or emphasis of matters in their audit report for the financial year ended 31 December 2013. As required under Rule 704(5) of the SGX-ST Listing Manual, the Company will be making the necessary announcements to inform Shareholders about any such qualifications or emphasis of matters as and when the audit report for the financial year ended 31 December 2013 is issued.

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 2013.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2012 except as stated in paragraph 5 below.

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.

The Group has adopted all new and revised Financial Reporting Standards (FRS) and Interpretations of FRS (INT FRS) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013. The adoption of these new/revised FRS and INT FRS does not result in substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements except for the amendment to FRS 1 – Presentation of Items of Other Comprehensive Income which is applicable for annual periods beginning on or after 1 July 2012. It requires items presented in other comprehensive income to be separated into two groups based on whether or not they may be recycled to profit or loss in the future.



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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.**

	FY2013	FY2012
Basic losses per share (RMB cents)		
- Based on the weighted average number of ordinary shares in issue	(76.71)	(17.43)
- Fully diluted	(76.71)	(17.43)
Number of shares		
Weighted average number of ordinary shares in issue	548,802,638	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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Net asset value per ordinary share	0.09	76.79	(4.77)	37.43

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 548,802,638 shares in issue at the end of both years.



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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

	4Q2013	4Q2012	% Change	FY2013	FY2012	% Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Revenue – Fabrics business						
Garment and apparel fabrics	26,592	14,928	78.1	69,333	95,422	(27.3)
Shoe fabrics	10,129	10,714	(5.5)	24,280	36,955	(34.3)
Luggage and bag fabrics	1,979	3,533	(44.0)	7,614	15,737	(51.6)
Other fabrics	24,720	4,512	447.9	54,241	19,848	173.3
Total	63,420	33,687	88.3	155,468	167,962	(7.4)
Gross Profit/(Loss)	13,796	(5,555)	N/A	20,567	4,013	401.3
Gross Profit/(Loss) Margin	21.8%	(16.5%)	N/A	13.2%	2.4%	10.5
Revenue – Garment business	-	4,231	N/A	-	5,982	N/A
Gross Loss	-	(11,459)	N/A	-	(11,346)	N/A
Gross Loss Margin	-	(270.8%)	N/A	-	(189.7%)	N/A

*NA = Not applicable

Review of Financial Performance

Our revenue increased by RMB29.7 million or 88.3% from RMB33.7 million in the last quarter of year 2012 (“4Q2012”) to RMB63.4 million in the fourth quarter of year 2013 (“4Q2013”). The increase in revenue for 4Q2013 was due mainly to the increases in our sales volume in garment and apparel, as well as other fabrics.

The increased in revenue generated from fabrics business comprise of the following:-

- Revenue from the sales of garment and apparel fabrics increased by RMB11.7 million or 78.1%, from RMB14.9 million in 4Q2012 to RMB26.6 million in 4Q2013. The increase in sales volume of 8.2% was mainly attributable to the increased domestic demand. There was a decrease of 2.5% in the average selling price of our garment fabrics. In addition, there was an increase in the subcontracting work for dyeing to customers, this helped to take up the excess capacity which resulted from other segments;
- Revenue from the sales of shoe fabrics decreased by RMB0.6 million or 5.5%, from RMB10.7 million in 4Q2012 to RMB10.1 million in 4Q2013 due mainly to the deteriorated market demand in our shoes fabrics. Despite an increase of 4.2% in average selling price of shoe fabrics, the effect was offset by a drop of 9.3% in sales volume in 4Q2013;
- Revenue from the sales of luggage and bag fabrics decreased by RMB1.5 million or 44%, from RMB3.5 million in 4Q2012 to RMB2.0 million in 4Q2013 due mainly to decrease in sales volume of 35% in 4Q2013. Average selling price of luggage and bag fabrics also decreased by 13.8% in 4Q2013;
- Revenue from the sales of other fabrics increased by RMB20.2 million or 447.9%, from RMB4.5 million in 4Q2012 to RMB24.7 million in 4Q2013. The increase in sales volume of 5 times in 4Q2013 caused by higher demand of fabrics for functionality fabrics from industrial customers and lower average selling price of other fabrics. Average selling price of other fabrics decreased by 10% in 4Q2013; and
- There was no revenue from the sales of other garment in 4Q2013 as this segment had been discontinued.



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The Company achieved a gross profit approximately RMB13.8 million in 4Q2013 as compared to a gross loss of RMB17 million in 4Q2012. The gross loss in 4Q2012 was due mainly to a compensation of RMB8 million paid was accounted as sales discount (reversed from selling and distribution expenses) and a write-off of inventory amounting to RMB11.7 million.

Other income increased by RMB10.8 million or 1267.9% from RMB0.9 million in 4Q2012 to RMB11.7 million in 4Q2013 was due to the reclassification of the provision for compensation to distributors amounting to RMB11.6 million written back which was previously recognized as "Other operating expenses", offset by lower interest income recognized during the year.

Selling and distribution expenses was of an income nature amounting to RMB6.3 million in 4Q2012 due mainly to a reversal of RMB8 million compensation to cost of sales. Should there be no such reversal, the selling and distribution expenses were remained constant with RMB1.7 million in 4Q2013.

Administrative expenses remained consistently at RMB6.7 million for both 4Q2013 and 4Q2012.

Other operating expenses were RMB49.7 million in 4Q2012 comprising of provisions for compensation and minimum guaranteed royalty amounting to RMB21.9 million and RMB5.3 million respectively, and an impairment loss provided for property, plant and equipment of RMB22.5 million. These provisions were made due to discontinuation of partnership with Goodyear Inc.. In 4Q2013, the company had reclassified the write-back of provision for compensation to distributors amounting to RMB11.6 million to "Other income" and had reversed the provision for minimum guaranteed royalty amounting to RMB4.7 million respectively, which was written back in 2Q2013.

Finance costs decreased by RMB0.2 million or 33.5% from RMB0.7 million in 4Q2012 to RMB0.3 million in 4Q2013 due mainly to lower loans as the Group repaid substantial loans during the year.

Tax expenses amounting to RMB1.2 million incurred for 4Q2013 was due to the tax arose from the profit earned for our subsidiary, Fujian Jaimei Textile Co., Ltd as a result of the expiry of it's tax incentive.

FY2013 vs FY2012

Total sales for FY2013 were RMB155.5 million, a decrease of RMB18.4 million or 10.6% as compared to FY2012's sales of RMB173.9 million. The decrease was due mainly to decling market condition.

The Group achieved a gross profit of RMB20.6 million in FY2013 as compared to a gross loss of RMB7.3 million in FY2012 for reasons as abovementioned.

Other income of RMB13.0 million comprises the write-back of provision for compensation to distributors amounting to RMB11.6 million, interest income of RMB1.1 million and other miscellaneous income amounting to RMB0.3 million. During the year, lesser interest income received as a result of lower cash balances.

Selling and distribution expenses decreased by RMB0.3 million or 4.4% from RMB6 million in FY2012 to RMB5.7 million in FY2013 due to lower sales for the year.

Administrative expenses were RMB20.8 million, a decrease of RMB11.7 million or 36% from RMB32.5 million in FY2012 due mainly to lesser travelling and office expenses as well as no licensing fee payable to Goodyear Inc. for current year.

Other operating expenses for FY2013 relate solely RMB424.5 million of compensation arising from claims from several customers as a result of delivered products that allegedly failed to meet customers' specified requirements.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

Total interest expenses declined by RMB0.3 million or 13.8% from RMB2.5 million in FY2012 to RMB2.2 million in FY2013 due to repayments of loans in 4Q2013.

The Group suffered a substantial loss before taxation of RMB419.7 million due principally to compensation payable to customers as above.

- (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 were RMB47.2 million and RMB55.0 million as at 31 December 2013 and 31 December 2012 respectively. A decrease of RMB7.8 million or 14.2% due mainly to depreciation of property, plant and equipment approximately RMB8.2 million, offset by approximately RMB0.4 million of acquisition of plant and equipment.

Inventories decreased by RMB3.9 million or 24.1% to RMB12 million as at 31 December 2013 from RMB15.9 million as at 31 December 2012 due mainly to higher sales activities in 4Q2013. The average inventory turnover days remained consistently at 38 days in FY2013 comparing to 37 days in FY2012.

Trade receivables increased by RMB17.4 million or 34.6% from RMB50.2 million as at 31 December 2012 to RMB67.6 million as at 31 December 2013 due to higher sales activities in 4Q2013. The average trade receivables' turnover days were 138 and 187 days in FY2013 and FY2012 respectively.

Prepayment and other receivables were RMB3.7 million as at 31 December 2013 as compared to RMB3.1 million as at 31 December 2012, an increase of RMB0.6 million or 18.1% due to higher prepayment received from customers.

Trade payables were RMB24.5 million as at 31 December 2013 increased by RMB6.1 million or 33% as compared to RMB18.4 million as at 31 December 2012. This was due mainly to the higher sales activities in 4Q2013. The average trade payables' turnover days was 58 days in FY2013 comparing to 61 days for the year ended 31 December 2012.

Accruals and other payables were RMB24.2 million as at 31 December 2013 as compared to RMB33.9 million as at 31 December 2012 due mainly to lesser accrued operating expenses made.

Amount due to a director/shareholder relates to expenses paid on behalf for the Company.

Bank loans decreased by RMB28.4 million or 75.2% due primarily to repayments during the year.

Compensations payables - 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 Textile Technology Co., Ltd (“**Fujian Qianfeng**”) has received claims amounting to RMB 517 million 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 (“**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 million and had been settled in late September 2013. The remaining RMB 161.5 million will be utilised by the Claimants to deduct from future sales of fabric materials over the next five years, up till 31 July 2018. Pursuant to the terms of Settlement Agreements, the Claimants have also waived their rights to commence any litigation or other analogous proceedings against the Group, and will ensure that their customers will not commence any such proceedings against the Group (including for any alleged loss of profits).



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

On 28 March 2014, the Company announced the arbitration proceedings in respect of the Settlement Agreements, whereby the arbitrators had 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 wishes 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 cash compensation of RMB300 million was repaid to the Claimants ahead of schedule in September 2013, and the amount of compensation which remains unpaid is equivalent to RMB87.2 million (calculated based on the remaining RMB161.5 million less (i) the further 8% discount of RMB36.9 million received from the Claimants as reflected in the Company's third quarter financial results announced on 12 November 2013, and (ii) further partial settlements amounting to RMB37.4 million (“**Partial Settlement Amounts**”), which were repaid by the Company through setting-off the Partial Settlement Amounts against trade receivables from the Claimants for sales made to the Claimants until 31 December 2013).

Please refer to the announcements referred to in the foregoing paragraphs for more details relating to the aforesaid claims and compensation.

Review of Cash Flow

Net cash generated from operating activities

The Group incurred losses before tax of RMB419.7 million (2012: RMB95.5 million) and negative cash flow from operating activities of RMB340.9 million (2012: RMB23.9 million positive cash flows) for the financial year ended 31 December 2013.

Notwithstanding the above, the management are of the opinion that the Group is able to meet its obligations for the next financial year as and when they fall due having regard to the sufficiency of cash flows estimated by the management. Based on the cash flow forecast, which includes the undertaking provided by Mr Lin Daoqin of loans up to RMB100 million, prepared by management for the next twelve months from the end of the reporting period, the management have estimated that adequate liquidity exists to finance the working capital requirements of the Group for the next financial year.

In reviewing the cash flow forecasts, the directors believe that the Group will have sufficient cash resources to satisfy its working capital requirements for at least the next financial year. Accordingly, the management considers it is appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

The management have considered the cash requirements of the Group as well as other key factors, including the potential acquisition as announced on 6 January 2014, remaining compensations payable and ability of the Group to generate sufficient revenue to satisfy the Group's future working capital needs, which may impact the operations of the Group during the next financial year. The management, with the undertaking provided by Mr Lin Daoqin of loan up to RMB100 million, on demand by the Company to support the financial position of the Company, is of the opinion that assumptions which are included in the cash flow forecasts are reasonable.

We had net cash used in operating activities of RMB23.1 million in 4Q2013. The cash outflows for investing and financing activities amounting to RMB0.1 million and RMB18.7 million respectively.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

The net decreases in cash and cash equivalents were RMB41.9 million and RMB369.2 million in 4Q2013 and FY2013 respectively.

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.

In view of the deteriorated market situation, the Group will be very prudent in further business development including proceeding cautiously with its downstream business.

The Group had released an announcement on 6 January 2014 that Company has entered into a sale and purchase agreement between the Company as purchaser and China Construction Material Holdings Limited (“CCMH”) as vendor on 3 January 2014 in connection with the acquisition (the “Proposed Acquisition”) of 100% of the share capital of CCMH.

CCMH is the legal and beneficial owner of 100% of the registered capital of Zhongzhuang (Xuzhou) Construction Material Co., Ltd which in turn holds 100% of the registered capital of Xuzhou Zhongsen Tonghao New Board Co., Ltd (“Xuzhou Zhongsen”), incorporated under the laws of the PRC. The principal activities of Xuzhou Zhongsen are the manufacture and sale of decorative boards, based material boards and aluminium products used in the renovation and construction industry.

The Proposed Acquisition will be conditional upon the approval by shareholders of the Company in a general meeting to be convened by the Company.

Please refer to the announcement referred to in the foregoing paragraphs for more details relating to the aforesaid acquisition.

The Company will continue to undertake a strategic review to examine the options regarding the restructuring of its 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.



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended.

13. Interested person transactions

As announced on 25 September 2013, Mr Lin Daoqin has provided an undertaking to the Company to provide, on demand by the Company, loan of up to RMB100 million to support the financial position of the Company.

Save as disclosed in paragraph 1(b)(ii) and above, the joint and several guarantees provided by our Executive Director Mr Lin Daoqin to our Group, there are no any other interested person transactions.

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lin Xiujin	44	Wife of Lin Daoqin, Executive Director, Chief Executive Officer and substantial shareholder.	Executive Director and Chief Administration and Human Resources Officer since 2007. She is responsible for procurement, administration and human resources management of the Group.	Nil
Mu Guorong	44	Sister-in-law of Lin Xiujin, substantial shareholder.	Foreman since January 2009. She is responsible for the supervision of workers in the weaving factory.	Nil
Lin Yunzhu	45	Sister-in-law of Lin Daoqin, Executive Director, Chief Executive Officer and substantial shareholder.	Foreman since January 2009. She is working in the resource planning department for the daily operations.	Nil



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Business Segment

	Dyeing & post- processing of loom- state fabrics RMB'000	Weaving of loom- state fabrics RMB'000	Down- streaming & Others RMB'000	Elimination RMB'000	Total RMB'000
FY2013					
Turnover					
Sales to external parties	155,468	-	-	-	155,468
Inter-segment sales	-	46,996	-	(46,996)	-
Consolidated sales	155,468	46,996	-	(46,996)	155,468
Segment results	(427,816)	3,637	5,515	-	(418,664)
Interest income	880	208	-	-	1,088
Finance costs	(2,155)	-	-	-	(2,155)
Loss before income tax expense	(429,091)	3,845	5,515	-	(419,731)
Income tax expense	-	(1,228)	-	-	(1,228)
Loss for the year	(429,091)	2,617	5,515	-	(420,959)
Total segment assets	141,953	101,175	340,643	(435,437)	148,334
Total segment liabilities	200,421	15,909	171,805	(240,284)	147,851
Other information					
Capital expenditure	485	-	-	-	485
Depreciation	6,2229	2,098	-	-	8,327
Amortisation	122	59	-	-	181
Compensation payable (out of which RMB300 million was paid during the year)	424,580	-	-	-	424,580



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

Business Segment (Continued)

	Dyeing & post- processing of loom- state fabrics RMB'000	Weaving of loom- state fabrics RMB'000	Garment RMB'000	Down- streaming & Others RMB'000	Elimination RMB'000	Total RMB'000
FY2012						
Turnover						
Sales to external parties	167,962	-	5,982	-	-	173,944
Inter-segment sales	-	39,706	-	-	(39,706)	-
Consolidated sales	167,962	39,706	5,982	-	(39,706)	173,944
Segment results						
Interest income	1,556	348	-	-	-	1,904
Finance costs	(2,499)	-	-	(1)	-	(2,500)
Loss before income tax expense	(25,539)	(648)	(38,749)	(9,376)	-	(74,312)
Income tax expense	-	(136)	-	-	-	(136)
Loss for the year	(25,539)	(784)	(38,749)	(9,376)	-	(74,448)
Total segment assets	427,160	107,268	-	328,353	(351,300)	511,483
Total segment liabilities	57,365	13,302	27,196	155,885	(163,708)	90,041
Other information						
Capital expenditure	4,886	1,346	-	-	-	6,232
Depreciation	7,048	4,635	-	-	-	11,683
Amortisation	114	67	-	-	-	181
Loss on disposal of property, plant and equipment	-	158	-	-	-	158
Inventory written off	11,673	-	-	-	-	11,673
Impairment loss on property, plant and equipment	21,200	1,300	-	-	-	22,500
Impairment loss on intangible asset	1,681	-	-	-	-	1,681
Provision for compensation to distributors	21,850	-	-	-	-	21,850
Provision for minimum guaranteed royalty	5,346	-	-	-	-	5,346

Geographical Segment

As the business of the group is engaged entirely in PRC, including Hong Kong, a Special Administrative Region (SAR), no reporting by geographical location of operations is presented.

16. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FOURTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013 (“4Q2013”)

17. A breakdown of sales.

	FY2013	FY2012	Change
	RMB'000	RMB'000	%
(a) Sales reported for the 1st half year	55,428	92,156	(39.9)
(b) Operating loss after tax reported for the 1st half year	(456,482)	(26,015)	1,654.7
(c) Sales reported for the 2nd half year	100,040	81,788	22.3
(d) Operating profit/(loss) after tax reported for the 2nd half year	35,523	(69,633)	NA*

*NA = Not applicable

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

BY ORDER OF THE BOARD

Lin Daoqin
Executive Director and Chief Executive Officer

8 April 2014