

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

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

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*Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Announcement as defined below.*

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its “Resignation of Independent and Non-executive Directors” announcement released via SGXNet on 07 November 2018 (the “**Announcement**”) on the resignation of Mr. Lee Ka Shao and Mr. Kwok Wei Woon on 07 November 2018. In this regard, the Board would like to respond to the following queries (the “**SGX Query**”) raised by the SGX as follows:

**SGX Query (a)**

a. It was disclosed that Kwok Wei Woon (Joseph Kwok) ceased to be Independent Director of the Company with effect from 6 November 2018. Joseph Kwok had cited “personal reasons” as well as “outstanding director’s fees” which were owing since 1 July 2017. In response to the question “Is there any matter in relation to the cessation that needs to be brought to the attention of the shareholders of the listed issuer?” Joseph Kwok answered “Yes”. Please state specifically what are the matters relating to the “personal reasons” that needs to be brought to the attention of the shareholders of the listed issuer which led to the resignation.

**Company’s Response to SGX Query (a)**

As per the resignation letter from Mr. Kwok, his full time job has been demanding in 2018, and 2019 will be another intensive year. After consideration, he felt that he would not be able to devote the time and effort to his role with the Company.

**SGX Query (b)**

b. Please quantify how much were the outstanding director’s fees which were owing to Joseph Kwok since 1 July 2017. Please provide a breakdown on a monthly basis (from 1 July 2017 onwards) how much were owing to him.

**Company’s Response to SGX Query (b)**

Up to 7 November 2018, a total amount of 15 months director’s fee, which equals to SG\$62,500, were owing to Mr. Kwok from 1 July 2017 to 31 October 2018. The yearly director’s fee of Mr. Kwok was SG\$50,000 which equals to approximately SG\$4,167/month.

#### **SGX Query (c)**

c. Please explain why the company had not paid his director's fees since 1 July 2017 when it had cash amounting to a significant RMB109 million as at 30 September 2017.

#### **Company's Response to SGX Query (c)**

As explained in all the previous announcements, the RMB109 million was kept at the local bank account of the SHDYL, a WOFE in Shanghai incorporated by the Company. And it was not able to be transferred to the Company's Hong Kong bank account legally according to the foreign exchange control by mainland China. Thus the Company could only rely on corporate actions (such as overseas placement and right issue) to raise fund overseas to support the daily operation cost including the payment of director's fee. After the certain corporate actions were rejected by SGX, the Company was regretted but still not able to settle the payment to Mr. Kwok.

#### **SGX Query (d)**

d. Please refer to the Company's announcement on 16 August 2017 on the "Use of Proceeds". In the announcement, all fees to the Independent Directors were fully paid for July 2017. Please reconcile this disclosure to Joseph Kwok's claim that fees were not paid to him since 1 July 2017.

#### **Company's Response to SGX Query (d)**

The director's fee to Mr. Kwok from 1 July 2016 to 31 Mar 2017 and from 1 April 2017 to 30 June 2017 were settled respectively after the completion of the Placement on 7 December 2016 and the issuance of Convertible Bond on 2 June 2017. That was the reason why the Company announced that all the accrued salary and ID fees were paid in July 2017 and the director's fee from 1 July 2017 was not included at that time.

#### **SGX Query (e)**

e. It is noted in the Company's Financial Statement for FY2018 announced on 29 August 2018 which disclosed the Statement of Financial Position as at 30 June 2018, there were no amounts owing to Independent Directors for any fees, remuneration or for any transactions and all amounts owing to directors/former directors/shareholders were fully disclosed with details. Please reconcile this with Joseph Kwok's claims that amounts were owing to him since 1 July 2017.

#### **Company's Response to SGX Query (e)**

The outstanding director's fee to Mr. Kwok was included into the item of "other payables and accruals" in the Company's Financial Statement for FY2018 announced on 29 August 2018.

#### **SGX Query (f)**

f. It was disclosed that both Lee Ka Shao and Joseph Kwok have ceased to be Independent Directors of the Company with effect from 6 November 2018. Please justify how both directors had acted in the best interest of the Company when both resigned on the same day, leaving the Company and the independent shareholders with no independent directors and no functioning Audit Committee.

**Company's Response to SGX Query (f)**

Both Mr. Lee and Mr. Kwok served as Independent Directors of the Company for many years and have brought value to the Company with their suggestions and experience. Especially after the overseas fund raising difficulties happened to the Company since the latter half of 2017, both of them were still willing to support the Company as what they did over the past years. Thus the Company fully respect the decision made by Mr. Lee and Mr. Kwok.

**SGX Query (g)**

g. Lee Ka Shao had cited "personal reasons" which led to his resignation. Please disclose specifically what were the "personal reasons" which led to his coincidental resignation on the same day as Joseph Kwok.

**Company's Response to SGX Query (g)**

According to the resignation letter from Mr. Lee, he has been busy with his own business in 2018. In light of the increased workload from his business demand, he will not be able to continue with his role with the Company.

**SGX Query (h)**

h. To disclose the reason why Lee Ka Shao decided to and had to resign as the sole ID on the same day as Joseph Kwok.

**Company's Response to SGX Query (h)**

So far the Company only knew both of Mr. Lee and Mr. Kwok resigned due to their own fulltime business engagement, but no other reasons applied.

**SGX Query (i)**

i. As a result of the resignations of both Lee Ka Shao and Joseph Kwok, the current board composition comprises only Zhang Wei (Non-ED / Chairman) and Han Ye Gao (ED). It is noted that Zhang Wei is the sole member of the Audit, Nominating and Remuneration Committee. Has the Company identified anyone to replace the directors who have resigned? If yes, how has the process been conducted and had the candidate been reviewed by the Nominating Committee. Who are these individuals identified?

**Company's Response to SGX Query (i)**

The Company is identifying the suitable candidates actively and will keep SGX and shareholders posted once the new IDs are appointed.

**SGX Query (j)**

j. Please elaborate what the Company intends to do to appoint new independent directors to comply with listing rule requirements. Please provide a specific timeline.

**Company's Response to SGX Query (j)**

The Company will make its best endeavor to find new Independent directors within 2 months to comply with listing rules requirements.

By Order of the Board

Han Yue Gao  
Executive Director  
14 November 2018