

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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement (“**Announcement**”) on 12 August 2014 in relation to the release of the unaudited second quarter financial statement and dividend announcement for the six months ended 30 June 2014 (“**Q2 2014**”). In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 August 2014 (each, a “**SGX Query**”) as follows:

SQX Query 1

It was disclosed on page 11 of the Announcement that in relation to the “compensations payables”, the remaining customer claims amounted to RMB161.5 million and 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 Statement of Financial Position, a current liability of RMB17.4 million and long term liability of RMB58.8 million for compensation payables amounted to RMB76.2 million. Please reconcile.

Company’s Response to SGX Query 1

The reconciliation of the compensation payables, as disclosed in the Note A to the Cash flow statement in the Announcement, is as follows:

Reconciliation of the compensation payables as at 30 June 2014:

	RMB’000
Liability for compensation expenses	424,580
Amounts settled in cash	(300,000)
	<hr/> 124,580
Set-off against trade receivables in 4Q2013	(37,450)
Compensation payables as at 31 December 2013	<hr/> 87,130
Set-off against trade receivables in 1Q2014	(5,673)
Compensation payables as at 31 March 2014	<hr/> 81,457
Set-off against trade receivables in 2Q2014	(5,220)
Compensation payables as at 30 June 2014	<hr/> 76,237 <hr/>
Disclosed as:	
Current liabilities	17,400
Non-current liabilities	58,837
	<hr/> 76,237 <hr/>

SGX Query 2

We refer to paragraph 9 of the Announcement. Please comment whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement.

Company's Response to SGX Query 2

The market conditions for the fabric business in China continue to deteriorate, and many garment factories and shoe manufacturers are down-sizing their operations. Despite the challenging market conditions, the Company and its subsidiaries (the "**Group**") have achieved a better financial performance for Q2 2014, with a net profit of RMB764,000, as compared to the net loss of RMB638,000 recorded for Q1 2014. The improved financial performance of the Group is a result of more stringent cost control measures which were implemented by the Group. The current results are in line with the Company's commentary on prospects or outlook in paragraph 10 of its previous quarterly results announcement.

SGX Query 3

It was disclosed on page 13 of the Announcement that the Company had on 18 June 2014 through its 49% owned associated company Rich Circles, completed the acquisition of 100% of the issued and paid up share capital of CCMH. Please provide a commentary on the performance of CCMH.

Company's Response to SGX Query 3

The Company had completed the acquisition of CCMH through its 49% owned associated company, Rich Circles. This acquisition provided an opportunity for the Company to diversify its earnings streams, and continued growth opportunities for the Group.

The principal activity of CCMH and its subsidiaries (the "**CCMH Group**") is the manufacture and sale of magnesium wooden-base panels, and the production of fire-proof panels, and interior and exterior decorative panels. Other than having fire and water proof properties, products of CCMH are environmentally friendly and can be used as a substitute to many existing building materials.

Following the acquisition, the performance of the CCMH Group has been in line with the Company's expectations. As the acquisition was completed on 27 June 2014, the financial results for the CCMH Group for the period from 28 June 2014 to 30 June 2014 were not incorporated into the consolidated financial statements of the Group for 2Q 2014 as the results for the 3-day period were not material to the financial results of the Group. The financial results of the CCMH Group for Q3 2014 will be consolidated into the Group's financial statements.

The operations of the CCMH Group have been profitable for the last three years. As a profitable new business division of the Group, the Board believes that the CCMH Group will contribute positively to the financial position of the Group.

By Order of the Board

Neo Chee Beng
Executive Chairman
28 August 2014