

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
(1) THE PROPOSED PLACEMENT (AS DEFINED BELOW); AND
(2) THE DISTRIBUTION AGREEMENT (AS DEFINED BELOW).**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to:

- (a) its announcement (“**Placement Announcement**”) on 8 August 2017 on the proposed placement of up to 145,000,000 new ordinary shares in the capital of the Company (the “**Proposed Placement**”); and
- (b) its announcement (the “**Distribution Agreement Announcement**”, and together with the Placement Announcement, the “**Announcements**”) on 13 June 2017 on the entry into an exclusive distribution agreement (the “**Distribution Agreement**”) by its wholly-owned subsidiary, Shanghai Daiyoulong New Materials Limited (上海戴优垄新材料有限公司) (“**SHDYL**”) with 烯美科技（深圳）有限公司 (“**Shenzhen Ximei**”), a Shenzhen manufacturer of nano-based health foods, in respect of a special branded product named “Jiajinyo” (the “**Product**”).

Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Announcements. In this regard, the Board would like to respond to the following queries (“**SGX Query**”) raised by the Singapore Exchange Securities Trading Limited as follows:

A. QUERIES ON THE PLACEMENT ANNOUNCEMENT

SGX Query 1

Please provide further details on the overseas placement agent, Freeman Securities Limited, including its expertise, background and track record.

Company’s Response to SGX Query 1

Freeman Securities Limited (“**FSL**” or the “**Overseas Placement Manager**”), a wholly-owned subsidiary of Freeman FinTech Corporation Limited (HK Stock Code: 0279), is licensed to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Cap. 571) (CE No. APR560) of Hong Kong and is an Exchange Participant of The Stock Exchange of Hong Kong Limited, with its head office located at Room 3801-3802, 38/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

FSL is principally engaged in securities brokerage, placing, underwriting, margin financing and trading of securities in Hong Kong. With extensive experience in securities placement for listed companies in Hong Kong, FSL has completed placements of significant size in the past years.

In addition, FSL is one of the major shareholders of Shengang Securities Company Limited (“**Shengang**”). Shengang, with registered capital of RMB3.5 billion, is the first full-licensed joint venture securities company set up in the Shanghai Pilot Free Trade Zone under the framework of the Closer Economic Partnership Arrangement between the Mainland of the People’s Republic of China (“**China**”) and Hong Kong.

SGX Query 2

It is noted that the Company is undertaking the Proposed Placement to (a) “increase the average daily market capitalization of the Company and assist the Company in meeting the market capitalization requirements of Listing Rule 1314(2) of the SGX-ST Listing Manual”; and (b) “raise working capital for the Company”.

- a. Please illustrate how the Proposed Placement is expected to increase the average daily market capitalization of the Company to meet the requirements of Listing Rule 1314(2).
- b. In the last 12 months, the Company had undertaken the following fundraising exercises where the net proceeds raised had been fully allocated for working capital purposes and to-date has not been utilized yet:
 - i. Placement of 35 million new shares to 4 placees which was completed on 5 June 2017 and which raised net proceeds of S\$3.75 million; and
 - ii. Issuance of 7% unsecured convertible bonds of an aggregate principal amount of S\$2.1 million to Mr. Dai Ji Zhou on 2 June 2017.

In view of the abovementioned fundraising exercises which raised an aggregate of S\$5.85 million for the Group’s working capital purposes, please provide the considerations and bases of the Board in arriving at its decision to undertake the Proposed Placement to raise an additional S\$22.2 million for working capital.

Company’s Response to SGX Query 2(a)

Assuming that the daily volume-weighted average price of the Shares remains at S\$0.172 per Share (being the volume-weighted average price of the Shares for trade done on 7 August 2017) after completion of the Proposed Placement and issue and allotment of the Placement Shares (on the basis that the Placement Shares are fully issued), the market capitalization of the Company will theoretically be increased from approximately S\$14.7 million (being 85,500,000 Shares x S\$0.172/Share) to approximately S\$39.6 million (being 230,500,000 Shares x S\$0.172/Share), thereby significantly assisting the Company to comply with the market capitalization requirements of Listing Rule 1314(2) of the SGX-ST Listing Manual so that it may be removed from the Watch-list and avoid the possibility of being delisted in the event of ultimate failure to comply with such requirement. The management considers this to be in the best interest of all shareholders (majority and minority alike) of the Company.

Company’s Response to SGX Query 2(b)

The Company has announced, on 16 August 2017, that the proceeds from:

- (i) the placement of 35,000,000 new shares to Hu Zhen, Li Zheng, Ng Wa Pang and Dai Ju Yun which was completed on 5 June 2017; and
- (ii) the issuance of 7% unsecured convertible bonds of an aggregate principal amount of S\$2.1 million to Mr. Dai Ji Zhou on 2 June 2017

have been fully utilised.

The Company is confident that the health food distribution business recently started up by SHDYL is a sustainable business which can make positive contribution to the Company’s revenue, profit and cash flow. The Company, in accordance with the initial set up of SHDYL, plans to inject RMB 8 million of working capital into SHDYL on or before 31 March 2018. As such, it would be both necessary and beneficial for the continuous healthy development and sustainability of this business that additional funding be raised for the timely working capital injection into SHDYL.

In addition to this, as reported above, the proceeds raised in the placement of 35,000,000 new shares and the issuance of 7% unsecured convertible bonds of an aggregate principal amount of S\$2.1 million to Mr. Dai Ji Zhou have been fully used up for their intended purposes, and as such, the Company requires further short to medium term additional working capital funding in order to meet its daily operating and listing expense outlays before our newly commenced business in health food distribution can generate positive cash flow sufficient enough to be channelled back to the Company and all its overseas operating subsidiaries.

SGX Query 3

We refer to the past announcements of the Company in relation to the following:

- a. Entry into two formal agreements on 20 October 2016 and 16 November 2016 between Asia Entertainment (Hong Kong) Limited ("**Asia Entertainment**") and **G Music (HK) Limited** to jointly organise and promote two concerts in Hong Kong;
- b. Entry into a formal agreement on 21 October 2016 between Asia Entertainment and **Fight Factory Gym Limited** to jointly invest, organize and promote a boxing championship;
- c. Entry into a MOU on 25 November 2016 between Asia Entertainment and **Emei Asia (Beijing) Culture Media Co., Ltd.** (环亚意美(北京)文化传媒有限公司) to negotiate in good faith and agree on the terms and conditions with respect to the development and production of a movie project The Cube Project;
- d. Entry into an exclusive distribution agreement on 13 June 2017 (the "**Distribution Agreement**") between a new subsidiary, 上海戴优垄新材料有限公司 ("**Shanghai Daiyoulong**"), with **烯美科技(深圳)有限公司** ("**Shenzhen Ximei**").

Please advise if there is any relationship between the Placees, its directors or shareholders (where applicable), with the abovementioned entities' (which are set in bold and underlined) directors or substantial shareholders or their respective associates.

Company's Response to SGX Query 3

While the Placees have not yet been identified by the Overseas Placement Manager, it is not intended for the Placement Shares to be placed to any party who has, or any party whose directors or shareholders (where applicable) have, any relation with the directors, substantial shareholders or respective associates of any of the following companies:

- a. G Music (HK) Limited;
- b. Fight Factory Gym Limited;
- c. Emei Asia (Beijing) Culture Media Co., Ltd.; and
- d. Shenzhen Ximei.

In this regard, the Company will be obtaining written confirmation from the Overseas Placement Manager that the Placement Shares will not be placed to any of the abovementioned parties.

B. QUERIES ON THE DISTRIBUTION AGREEMENT ANNOUNCEMENT

SGX Query 4

Please provide details of the track record of Shenzhen Ximei, its beneficial shareholders and directors. Please disclose the type of products manufactured and/or sold by Shenzhen Ximei.

Company's Response to SGX Query 4

Shenzhen Ximei's official name in English is "Apex Graphene Technology (Shenzhen) Co., Ltd.". Shenzhen Ximei was established in July 2013 as a wholly owned foreign subsidiary of "Tiger Global Investment Group Limited" ("TGIG").

TGIG is a company incorporated and currently 100% owned by "Apex Graphene Group, Inc.", which is ultimately beneficially owned by Mr. Hsu Pei Ching.

Shenzhen Ximei's main business focus is in the area of graphene applications, research and development and production of graphene-based products. It is an enterprise with a purpose and mission to develop environmentally sustainable technology, renewable energy, composite materials, and advancement in nutritional extraction.

Shenzhen Ximei engages in a wide range of products, the major ones of which include the following:

1. Fuel-Efficient Pills

Fuel-Efficient Pills has been designed to utilize graphene as a catalyst, and is aimed to help reduce energy consumption and the total amount of harmful pollutants. These fuel pills help provide an even or complete combustion of petrol or diesel applications, as well as reduce engines' wear and tear condition.

2. Graphene LED Chip

It is mainly used to address thermolytic problems, with high luminosity, low thermal resistance, long service life, needs no cooling fin or transformer, and can work for 50,000 hours non-stop.

3. Graphene Battery

This product can charge and be discharged quickly and can tolerate more charging cycles with a much larger energy storage capacity than that of a traditional battery. It also has a much smaller size. This product enables a longer service life due to the strength of graphene, and enhances the safety for customers by reducing unwanted overheating, and is environmentally friendly.

4. ApexLife™

Polysaccharides (Carbohydrates) in a powder form that energizes the immunity system to expel toxins, resist oxidation, regulate sleep cycles, and restore the balance of a healthy body.

5. ApexOne™

This is derived from a variety of natural precious Chinese herbal ingredients of the highest quality, boasting patented technology for extraction of the Chinese herbal essences, and the most unique and exclusive formulation.

SGX Query 5

Please disclose the track record of the Product “Jiajinyo” to-date and furnish additional details of the Product. Have the necessary approval(s) for the sale of the Product been obtained? If yes, which authority(ies) had given the approval(s)? Are there any patents or trademarks associated with the Product?

Company’s Response to SGX Query 5

SHDYL has obtained the relevant food distribution license granted by the Shanghai Changning District Market Supervision and Administration Bureau for its distribution sales of the Product. SHDYL has submitted an application for the registration of the “Jiajinyo” trademark pending approval and currently has no patents or other trademarks associated with the Product.

In respect of the track record of the Product, please see the Company’s response to SGX Query 7 below.

SGX Query 6

It was disclosed that “*for the first year, Shanghai Daiyoulong is required to achieve a purchase target of a minimum quantity of 600,000 units of the Product at mutually agreed price, after which such minimum purchase target shall be negotiated between the parties*”. Please provide the following:

- a. The bases and justifications for the minimum purchase target of 600,000 units of the Product for the first year.
- b. The cost of the distributorship and how this will be funded by the Company.
- c. The indicative selling price of the Product.
- d. The consequences if the minimum purchase target of 600,000 units is not met.
- e. The rationale and benefit to the Company and shareholders from the minimum purchase target of the Product.

Company’s Response to SGX Query 6

- a. SHDYL has received confirmed orders from the customers for an annual total consumption amount of no less than 620,000 units of the Product at the date of this response. Hence, the Company is highly confident in meeting the committed annual minimum purchase target of 600,000 units of the Product from Shenzhen Ximei as a condition of being awarded the sole distributorship of this Product in China.
- b. The purchase cost of the Product will be settled on an actual units upon-delivery basis and SHDYL is not required to pay any additional one-time distribution license fee of whatever nature nor in whatever form to Shenzhen Ximei for such exclusive distributorship. This purchase cost of the Product has been fully funded by the deposits being received by SHDYL from the customers upon confirmation of their purchase orders placed with SHDYL. Due to the sensitivity of the commercial secrets of and the strict confidentiality commitment made to Shenzhen Ximei, the Product cost information cannot be publicly released.
- c. The indicative selling price is set in the range of RMB1,500 to RMB2,500 Yuan for a pack of 20 units of the Product.

- d. The only consequence to SHDYL as a result of not being able to meet the annual minimum purchase target of 600,000 units is the termination of the exclusivity of the Product distribution right in China. There are no financial penalties set in relation to such failure to meet the annual minimum purchase target.
- e. The major benefit to the Company and our shareholders from the minimum purchase target of the Product is the exclusivity SHDYL enjoys in the distribution sales of the Product to its customers, free from competition from other similar distributors that would be faced in the absence of such exclusivity, and this allows SHDYL to maintain a stable and healthy Product pricing policy to safeguard reasonable margins to be attributed to the Company. Such exclusivity in Product distribution also enables SHDYL to achieve significant cost savings from having to run massive marketing campaigns and promotion programs if other distributors are allowed to compete with SHDYL on the distribution sales of the same product.

SGX Query 7

How reasonable is the minimum purchase target of 600,000 units? Please disclose the number of units sold by Shenzhen Ximei per annum in the past 3 years, where these sales had been achieved, and the selling prices of the units sold.

Company's Response to SGX Query 7

As mentioned in the response to SGX Query 6 above, SHDYL has received confirmed orders from the customers for an annual total consumption amount of no less than 620,000 units of the Product at the date of this response.

“Jiajinyo” is a specially branded product supplied exclusively to SHDYL which has not been previously sold by Shenzhen Ximei under the same Product branding and packaging.

SGX Query 8

The Company had disclosed that “*Barring any unforeseen circumstances, the Distribution Agreement is expected to contribute positively to the net tangible assets per share and earnings per share of the Group for the current financial year*”.

Please provide the Board's bases for this statement. Please substantiate with supporting details.

Company's Response to SGX Query 8

The Company is only able to confirm that the sales of this Product can bring reasonably healthy profit contribution and positive cash flow to the Company. Due to the commercial sensitivities of the full price/cost and profit margin information, the Company is not able to disclose such further information publicly as this may impact its competitiveness vis-a-vis potential market competitors and producers of replicate products.

Further information on the financial impact of the Distribution Agreement to the Company would be set out in the Company's financial results in the next few quarters moving forward.

Shareholders and potential investors are advised to exercise caution when trading in the shares of the Company. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
18 August 2017