

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

MEMORANDUM OF UNDERSTANDING

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), wishes to announce that Asia Entertainment (Hong Kong) Limited (“**Asia Entertainment**”), a wholly-owned subsidiary of the Company, had on 15 October 2016 entered into a memorandum of understanding (“**MOU**”) with Xamax Development Limited (“**Xamax**”).

Xamax is a Hong Kong-based movie group with a major business in the development, production and distribution of theatrical and internet movies and TV programs for the Hong Kong, China and Hollywood markets. Xamax was founded by Mr. Gordon Fung and his son Mr. Peter Fung. Mr. Gordon Fung was one of the founders of both Cinema City Company Limited and Golden Princess Amusement Co. Ltd.

The MOU shall remain valid for a period of 60 days from the date of execution (or such further period as may be agreed by the parties thereto in writing) (the “**Validity Period**”). Under the MOU, Asia Entertainment and Xamax have agreed to negotiate in good faith and agree on the terms and conditions with respect to the development and production of a theatrical movie project (the “**Movie Project**”) with a view to entering into a definitive and legally binding agreement within the Validity Period of the MOU. If such agreement is entered into, Asia Entertainment and Xamax will be co-operating to invest, develop and produce the Movie Project with an objective to make a global box office success. Under the MOU, Asia Entertainment and Xamax may also use best endeavours to identify, introduce and secure other interested investors that can bring added value and contribution to the success of the Movie Project to participate in the Movie Project. It is intended for the Movie Project to provide a platform for Asia Entertainment to demonstrate its expertise in digital visual effects. It is proposed for the Movie Project to star a cast of award-winning actors and actresses from Hong Kong and China, with production to run throughout 2017 and the premiere date to be in early 2018.

Save for their respective interests in the share capital of the Company, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the transactions contemplated above.

As the MOU may or may not lead to the entry into any formalised agreements, shareholders and potential investors should exercise caution when trading in the securities of the Company. 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
17 October 2016