

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

**ANNOUNCEMENT PURSUANT TO RULE 704(6) OF THE LISTING MANUAL –
MATERIAL ADJUSTMENTS TO PRELIMINARY FULL YEAR RESULTS
ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the unaudited full year financial results announcement for the financial year ended 31 December 2014 made on 1 March 2015 (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board wishes to inform its shareholders (“**Shareholders**”) subsequent to the release of the Unaudited Financial Statements, material adjustments (“**Adjustments**”) had been made by the auditors of the Company, Foo Kon Tan LLP (“**Independent Auditor**”).

Upon completion of the audit of the financial statements of the Group and the Company by the Group’s Independent Auditors, there were variances noted between the Audited Financial Statements and Unaudited Financial Statements for the year ended 31 December 2014. The variances arose primarily from the difference in accounting treatment of the group comprising Rich Circles Enterprise Limited and its subsidiaries (the “**RC Group**”) under FRS 110. While the Company had classified the RC Group as a subsidiary in the 2014 Preliminary Results, the Independent Auditor had classified the RC Group as an associated company for the purposes of FRS 110. For the Company’s response to this classification, please refer to Section C on the announcement released by the Company on the Qualified Opinion by Independent Auditor on Financial Statements dated 15 June 2015.

Please refer to Annex A for details.

By Order of the Board

Mak Tin Sang
Executive Director and Chief Executive Officer
15 June 2015

A comparison of Audited Financial Statements and Unaudited Financial Statements for the year ended 31 December 2014 is set out below:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

INCOME

	The Group			
	Full Year Ended 31 December 2014			
	Audited RMB'000	Unaudited RMB'000	Variances RMB'000	Note
Continuing operations				
Revenue	-	446,031	(446,031)	1
Cost of sales	-	(331,732)	331,732	1
Gross profit	-	114,299		
Other income	1,851	425	(1,426)	2
Selling and distribution expenses	-	(2,012)	2,012	1
Administrative expenses	(9,635)	(19,905)	10,270	1
Profit/(Loss) from continuing operations	(7,784)	92,807		
Finance costs	(1,907)	(29,800)	27,893	1
Share of profit from associated company, net of tax	27,734	-	27,734	1
Profit before tax from continuing operations	17,763	63,007		
Taxation	-	(20,096)	20,096	1
Profit after taxation from continuing operation				
Other comprehensive income	-	1,224	(1,224)	3
Total comprehensive profit for the year ended from continuing operations	17,763	44,135		
Discontinued operations				
Profit/(Loss) from discontinued operations	40	40	-	
Total comprehensive profit/(loss) for the year	17,703	44,175		

Explanatory Notes:

1. The differences in Revenue, Cost of Sales, Other Income, Selling and Distribution Expenses, Administrative Expenses, Finance Costs, Share of Profit from Associated Company and Taxation were all due to the accounting treatment of the RC Group. The results of RC Group have been treated as an associated company by the auditor, while the management treats RC Group as a subsidiary and hence, consolidation was done previously.
2. Other Income amounting to RMB1.851 million represents the interest income receivable from the loan of RMB49 million provided to RC Group at an annual interest rate of 7%. This interest income has been eliminated as inter-group transaction when the results of RC Group had been consolidated previously.
3. Other Comprehensive Income relates to the written off of share option reserve in conjunction with the option granted to ex-CFO upon expiration. This was treated as a movement in reserves by the auditors while it was charged to Income Statement by the management previously.

Annex A (Cont'd)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RMB'000)	The Group			Note	The Company			Note
	31 December 2014				31 December 2014			
	Audited	Unaudited	Variance		Audited	Unaudited	Variance	
ASSETS								
Non-Current assets								
Property, plant and equipment	-	205,764	(205,764)	4	-	-	-	
Land use rights	-	769	(769)	4	-	-	-	
Subsidiaries					8	52,282	(52,274)	9
Associates	27,384	-	27,384	4	30	-	30	9
Loan to associated company	49,000	-	49,000	4	49,000	-	49,000	9
Interest receivable	1,851	-	1,851	4	1,851	-	1,851	4
	78,235	206,533			50,889	52,282		
Current assets								
Inventories	-	47,611	(47,611)	4	-	-	-	
Trade receivables	-	132,275	(132,275)	4	-	-	-	
Prepayments and other receivables	-	222,701	(222,701)	4	-	-	-	
Amount due from associated company	1,634	-	1,634	4	-	2,054	(2,054)	4
Cash and cash equivalents	131	23,025	(22,894)	4	131	130	(1)	
	1,816	425,612			131	2,184		
Assets of disposed group classified as held-for-sale	153,002	151,486	1,516	5	3,251	-	3,251	9
	154,818	577,098			3,382	2,184		
Total assets	233,053	783,631			54,271	54,466		
EQUITY								
Share capital	19,220	19,220	-		19,220	19,220	-	
Reserves	(3,276)	(2,080)	(1,196)	6	(57,323)	(58,305)	(982)	6
	15,944	17,140			(38,103)	(39,085)		
Non-controlling interest	-	32,834	(32,834)	4	-	-	-	
Total equity	15,944	49,974			(38,103)	(39,085)		
Current Liabilities								
Trade payables	-	58,365	(58,365)	4	-	-	-	
Accruals and other payables	32,178	174,220	(142,042)	4	40,087	40,015	72	10
Amount due to former director/shareholder	1,221	2,710	(1,489)	7	1,221	2,701	(1,480)	7/9
Tax payables	-	38,578	(38,578)	4	-	-	-	
	33,399	273,873			41,308	42,716		
Liabilities directly associated with disposed group classified as held-for-sale	132,644	138,940	(6,296)	5	-	-	-	
	166,043	412,813			41,308	42,716		

Non-Current Liabilities								
Bond payables	-	231,000	(231,000)	4	-	-	-	
Non-equity linked bond	49,159	50,835	(1,676)	8	49,159	50,835	(1,676)	8
Interest payable	1,907		1,907	8	1,907	-	1,907	8
Other payables	-	39,009	(39,009)	4	-	-		
	51,066	320,844			51,066	50,835		
Total equity and liabilities	233,053	783,631			54,271	54,466		

Explanatory Notes:

4. The differences in Property, Plant and Equipment, Land Use Rights, Associates, Loans to Associated Company, Inventories, Trade Receivables, Prepayments and Other Receivables, Cash and Cash Equivalents, Trade Payables, Accruals and Other Payables, Tax Payables and Bond Payables were all due to the accounting treatment of the RC Group. The assets and liabilities of RC Group have been treated as an associated company by the auditor, while the management treats RC Group as a subsidiary and hence, consolidation was done previously.
5. The differences in the assets and liabilities held-for-sale were due to additional consolidation adjustments recognized in the audited financial statements.
6. The difference was due to adjustments passed by the Independent Auditor in the financial statements of the Company and the Group.
7. The difference was due to adjustments passed by the Independent Auditor to the expenses previously paid by ex-director/shareholder in the financial year ended 31 December 2013.
8. The differences in Non-equity Linked Bond ("NLB") and Interest Payable was due to (1) grouping of interest payable amounting to RMB1.676 million in the NLB for the Unaudited Financial Statements for the year ended 31 December 2014 and (2) additional adjustment of RMB231,000 of interest payable in the Audited Financial Statements for the year ended 31 December 2014.

9. The reconciliation as follows:

	RMB'000	Remarks
Amount per Unaudited Financial Statements	52,282	
Add/(Less):		
Loan to RC Group	(49,000)	This loan is recognized as associated company in Audited Financial Statements
Cost of investment in RC Group	(30)	This cost of investment is recognized as associated company in Audited Financial Statements
Cost of investment in Qianfeng International Limited and its subsidiaries, net of impairment losses	(3,251)	This cost of investment is classified as assets held-for-sale in Audited Financial Statements
Cost of investment in Qianfeng Energy Co., Ltd	8	This relates to prior year's adjustment, paid on behalf by ex-director/shareholder
Amount per Audited Financial Statement	8	

10. The difference was due to adjustments passed by Independent Auditor in the financial statements of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group			
	Full Year Ended 31 December 2014			
	Audited RMB'000	Unaudited RMB'000	Variances RMB'000	Note
Net cash used in operating activities	(5,010)	(5,594)	584	12
Net cash used in investing activities	(50,664)	(29,514)	80,178	12
Net cash generated from/(used in) financing activities	49,796	52,702	2,906	12
Net decrease in cash and cash equivalents	(5,878)	17,594		
Cash and cash equivalents at beginning of year	10,614	9,986	628	13
Cash and cash equivalents at end of year	4,736	27,580	(22,844)	
Cash and cash equivalents comprise:				
Cash and bank balances:				
- Continuing operations	182	23,026	(22,844)	
- Discontinued operations	4,554	4,554	-	
	4,736	27,580		

Explanatory Notes:

12. The differences in Net Cash Used in Operating and Investing Activities, and Net Cash Generated from Financing Activities were all due to the accounting treatment of the RC Group. The result, assets and liabilities of RC Group have been treated as an associated company by the auditor, while the management treats RC Group as a subsidiary and hence, consolidation was done previously.
13. The difference was due to the prior year's adjustment of consolidating cash and bank balance of Qianfeng Energy Co., Ltd.