

ASIA FASHION HOLDINGS LIMITED

(Company Registration No. 41195)

(Incorporated in Bermuda)

PROPOSED ISSUANCE OF 7.0% UNSECURED CONVERTIBLE BONDS OF AN AGGREGATE PRINCIPAL AMOUNT OF S\$2,100,000 (THE "PROPOSED ISSUANCE")

A. INTRODUCTION

The Board of Directors (the "**Board**") of Asia Fashion Holdings Limited (the "**Company**") wishes to announce that the Company has entered into a convertible bonds agreement dated 25 November 2016 (the "**Agreement**") with Mr. Dai Ji Zhou (the "**Investor**"), whereby the Investor has agreed to subscribe for S\$2,100,000 of convertible bonds ("**Bonds**"). The Investor was introduced by Mr. Chong Tin Yam, Alex ("**Mr. Chong**"), and no commission was paid to Mr. Chong. The Investor is an entrepreneur currently residing in Hong Kong and has been running his own technology and investment related businesses in various cities in China for more than 20 years. He has also been actively making private investments in the property and stock market in China, U.S.A., Hong Kong and selected overseas market in the last 15 years. The Investor has invested in the Bonds for private investment purposes.

The Investor has no connection (including business relationships) with the Company, its Directors and substantial shareholders. Under the terms of the Agreement, the Investor has represented, warranted and undertaken to and for the benefit of the Company, *inter alia*, that it is not acting in concert with any other investor shareholder of the Company in relation to the Bonds and/or the shares to be issued thereunder. The Investor will not be holding the Bonds in trust as a nominee for any entity or person.

There are no share borrowing arrangements to facilitate the Proposed Issuance.

B. PRINCIPAL TERMS

The principal terms and conditions of the Convertible Bonds are summarised below.

Issue Size : S\$2,100,000 in aggregate principal amount of Bonds.

Issue Price : 100% of the principal amount of the Bonds.

Interest : The Bonds will bear interest at the rate of 7.0% per annum, payable quarterly in arrears.

Maturity Date : The date that is three (3) years from the date of the issue of the Bonds (the "**Maturity Date**").

Early Redemption at the Option of the Company : The Company may, at any time within the period commencing the seventh (7th) month from the issue date up until the Maturity Date, (i) having served at least ten (10) days' prior written notice ("**Redemption Notice**") to the bondholder and (ii) having not received any conversion notice from the bondholder within fifteen (15) days after the date of receipt of the Company's Redemption Notice ("**Redemption Conversion Period**"), redeem all (and not some only) of the Bonds then outstanding at 103% of the principal amount, together with all accrued and unpaid

interest that was scheduled to be paid to (but excluding) the redemption date.

Purchase : The Company and/or any of its related corporations may at any time purchase Bonds from the bondholder at any price. All Bonds purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all Bonds redeemed by the Company, be cancelled forthwith.

Conversion Price : S\$0.35 for each ordinary share (the "**Conversion Price**")

Adjustments to the Conversion Price : No adjustments to the Conversion Price shall be made in respect of any issue of shares and/or convertible securities and/or warrants by the Company, and/or in the event of any rights, bonus or other capitalisation issues by the Company, save as follows:

- a. In the event that a share consolidation exercise of the Company occurs ("**Share Consolidation Exercise**"), the Conversion Price shall be adjusted in the following manner:-

$$\begin{array}{l} \text{New} \\ \text{Conversion} \\ \text{Price} \end{array} = \frac{\begin{array}{l} \text{Aggregate number of} \\ \text{issued and paid-up} \\ \text{Shares immediately} \\ \text{before such Share} \\ \text{Consolidation Exercise} \end{array}}{\begin{array}{l} \text{Aggregate number of} \\ \text{issued and fully paid-up} \\ \text{Shares immediately} \\ \text{after such Share} \\ \text{Consolidation Exercise} \end{array}} \times X$$

X = existing Conversion Price

Such adjustments will be effective from the close of the day (other than a Saturday or Sunday) on which SGX-ST is open for securities trading ("**Stock Exchange Business Day**") immediately preceding the date on which the consolidation becomes effective.

- b. The Company may also, in consultation with the bondholder, effect such other adjustments to the Conversion Price as may be required to comply with mandatory provisions of Singapore law and/or the requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Voluntary Conversion : The bondholder may convert all or part of the outstanding Bonds and any accrued and unpaid interest in respect of each Bond into new ordinary shares at the Conversion Price at any time within the period commencing three (3) months from the issue date up until the Maturity Date, Provided Always that (i) the bondholder shall not have a conversion right in the event that the Company serves a Redemption Notice and the Redemption Conversion Period has expired; and (ii) the minimum aggregate principal amount of Bonds to be converted in any single

conversion of Bonds shall be S\$700,000.

Mandatory Conversion : Upon the occurrence of the volume weighted average price for trades done on the shares of the Company on the SGX-ST remaining at S\$0.55, (“**Mandatory VWAP Price**”) and above for a consecutive period of fifteen (15) Stock Exchange Business Days on the SGX-ST (“**Mandatory Conversion Event**”) falling within the period commencing three (3) months from the issue date up until the Maturity Date (the “**Mandatory Conversion Period**”), the bondholder shall be required to convert (“**Conversion Requirement**”) all of the outstanding Bonds and any accrued and unpaid interest in respect of each Bond (if and where the bondholder waives its right for cash payment of such amount) into new Ordinary Shares at the Conversion Price.

Provided Always that:

- a. If trading is not available for a full Stock Exchange Business Day (“**No Available Trading**”), the volume weighted average price for trades done on the Shares of the Company on the SGX-ST for that particular Stock Exchange Business Day(s) shall be disregarded for the computation of the consecutive period of fifteen (15) Stock Exchange Business Days, and the consecutive period shall not be treated as being non-consecutive solely due to No Available Trading.
- b. In the event that a Share Consolidation Exercise occurs, the Mandatory VWAP Price shall be adjusted as follows:

$$\begin{array}{l} \text{New Mandatory} \\ \text{VWAP Price} \\ = \\ \text{Aggregate number of issued and} \\ \text{paid-up Shares immediately} \\ \text{before such Share Consolidation} \\ \text{Exercise} \\ \hline \text{Aggregate number of issued and} \\ \text{fully paid-up Shares immediately} \\ \text{after such Share Consolidation} \\ \text{Exercise} \end{array} \times A$$

A = existing Mandatory VWAP Price

Such adjustments will be effective from the close of Stock Exchange Business Day immediately preceding the date on which the consolidation becomes effective.

Status of the Convertible Bonds : The Bonds constitute unsecured, direct, subordinated and unconditional obligations of the Company which shall at all times rank *pari passu* and without any preference or priority among themselves.

Status of the Conversion Shares : The Bonds will be converted into ordinary shares in the capital of the Company, which have the rights set out in the Bye-laws. The new ordinary shares shall rank *pari passu* with ordinary shares in issue on the conversion date and shall carry the right to receive all dividends and other distributions declared after the conversion date.

Governing Law : Singapore law.

No application has been or is intended to be made to any listing authority, stock exchange or other market for the Bonds to be listed or otherwise traded. Listing will be sought for the underlying shares arising from the conversion of the Bonds on the SGX-ST.

Notice of the maturity of the Bonds will be sent at least one (1) month before the expiration date to the Investor.

Where required by the SGX-ST, any material alteration to the terms of Bonds after issue to the advantage of the holders of such Bonds will need to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue. There shall not be any extension of the exercise period or replacement of the Bonds and/or changing of the Conversion Price and/or ratio of the Bonds other than in compliance with the Listing Manual of the SGX-ST ("**Listing Manual**").

The conversion price of S\$0.35 for each ordinary share in the Company to be issued pursuant to the conversion of the Bonds ("**Conversion Share**") represents a premium of approximately 284.6% to the volume weighted average price of S\$0.91 for trades done on the ordinary shares in the capital ("**Shares**") of the Company on the SGX-ST for the full market day 25 November 2016 (being the market day on which the Agreement was signed).

Pursuant to the Proposed Issuance, up to 7,260,000 Conversion Shares may be issued in respect of both the principal amount and the full interest repayable under the Bonds.

When completed, on the assumption that the outstanding convertible bonds (the "**Alternus Convertible Bonds**") issued to Alternus Capital Holdings Limited ("**Alternus**") pursuant to the convertible bond agreement entered into between the Company and Alternus dated 5 March 2015 and as supplemented by the supplemental agreement dated 16 March 2016, are fully converted into conversion shares ("**Alternus Conversion Shares**"):

- (a) the issuance of the Conversion Shares (in respect of both the principal amount and the full interest repayable) will increase the issued and paid up share capital of the Company from 50,500,000 Shares to 60,135,000 Shares;
- (b) the Conversion Shares (in respect of both the principal amount and the full interest repayable) will represent approximately 14.376% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and
- (c) the Conversion Shares (in respect of both the principal amount and the full interest repayable) will represent approximately 12.073% of the enlarged issued and paid-up share capital of the Company after the issue of the Conversion Shares.

When completed, on the assumption that none of the outstanding Alternus Convertible Bonds are converted into Alternus Conversion Shares:

- (a) the issuance of the Conversion Shares (in respect of both the principal amount and the full interest repayable) will increase the issued and paid up share capital of the Company from 50,500,000 Shares to 57,760,000 Shares;

- (b) the Conversion Shares (in respect of both the principal amount and the full interest repayable) will represent approximately 14.376% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and
- (c) the Conversion Shares (in respect of both the principal amount and the full interest repayable) will represent approximately 12.569% of the enlarged issued and paid-up share capital of the Company after the issue of the Conversion Shares.

The issuance of the Conversion Shares to the Investor will not result in a transfer of controlling interest.

The Conversion Shares when issued and fully paid will rank *pari passu* in all respects with the existing Shares of the Company.

The Proposed Issuance is being made in reliance on the exemption provided under Section 272B of the Securities and Futures Act (Chapter 289) (the "**SFA**"). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

The terms of the Proposed Issuance does not contravene any laws and regulations governing the Company and the Bye-Laws of the Company.

The Company intends to convene a special general meeting ("**SGM**") to seek the approval of Shareholders for the Proposed Issuance. A circular containing information on the Proposed Issuance, together with a notice of the SGM, will be despatched to Shareholders in due course. The Company will be applying to the SGX-ST for the dealing in, listing and quotation of the Conversion Shares on the Official List of the SGX-ST and will make the necessary announcements once the approval-in-principal of the listing and quotation of the Conversion Shares have been obtained from the SGX-ST.

C. CONDITIONS PRECEDENT

The Proposed Issuance is conditional upon, *inter alia*, the satisfaction of each of the following conditions precedent:

- (a) approval in-principle for the listing and quotation of the Conversion Shares on the SGX-ST being obtained from the SGX-ST and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Conversion Shares on the SGX-ST are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- (b) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by this Agreement;
- (c) each of the representations and warranties of the Investor set out in Clause 5 of the Agreement being true in on and as of the date of the completion of the Proposed Issuance (the "**Completion Date**");
- (d) each of the covenants required to be performed or complied with by the Investor on or prior to the Completion Date has been performed and complied with;

- (e) the approval of the Board and shareholders of the Company (where necessary) having been obtained in respect of the transactions contemplated by the Agreement including but not limited to the issue and allotment of the ordinary shares in connection with the Bonds, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the parties; and
- (f) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of the Investor contained or referred to in the Agreement deemed to be repeated on each day hereafter, down to the date of completion of the Proposed Issuance in all respects with reference to the facts and circumstances existing on each such day.

The Company may, and upon such terms it thinks fit, waive compliance with any and/or all of the above conditions and any such condition which is so waived, subject to any further conditions that may be imposed by the Company, shall be deemed to have been satisfied, provided always that any such waiver as aforesaid shall be without prejudice to its right to elect to treat any further or other breach, failure or event as releasing and discharging it from its obligations under this Agreement.

The Investor shall use its best endeavours to fulfil the conditions precedent set out above as soon as reasonably practicable and shall immediately notify the Company in writing and provide evidence of the fulfilment of such condition as the Company may reasonably require.

If any of the conditions set forth above is not satisfied on or before the 31st day of January 2017 (or such other later date as the parties may agree) after the date of the Agreement, the Agreement shall *ipso facto* cease and determine thereafter, without prejudice to any rights which the Company may have against the Investor with respect to his/its failure to fulfill any of the terms of the Agreement prior to termination.

D. RATIONALE AND PROCEEDS FROM PROPOSED ISSUANCE

The Company wishes to undertake the Proposed Issuance to raise working capital for the Company.

The estimated net proceeds from the Proposed Issuance, after deducting estimated expenses pertaining to the Proposed Issuance of S\$80,000, will be S\$2,020,000. The net proceeds will be fully used for working capital purposes.

The Company will make periodic announcements on the utilisation of the net proceeds from the Proposed Issuance as and when the funds from the Proposed Issuance are materially disbursed and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

E. FINANCIAL EFFECTS OF THE PROPOSED ISSUANCE

For illustration purposes only, the table below sets out the financial effects of the Proposed Issuance based on the following bases and assumptions:-

- (a) The audited consolidated financial statements of the Company for the financial year ended 30 June 2016;
- (b) The financial impact on the consolidated net tangible assets (“**NTA**”) per Share of the Company is computed based on the assumption that the Proposed Issuance was completed on 30 June 2016 and in relation to the Company’s consolidated earnings per Share (“**EPS**”), computed based on the assumption that the Proposed Issuance was completed on 1 January 2015; and
- (c) None of the outstanding Alternus Convertible Bonds are converted into Alternus Conversion Shares.

	Before the Proposed Issuance	After the Proposed Issuance	After the issue and conversion of the Bonds
Share capital			
- Issued and paid up share capital (US\$)	4,040,000	4,040,000	4,520,000
- Number of Shares	50,500,000	50,500,000	56,500,000
NTA (RMB'000)	27,802	27,802	37,680
NTA per Share (RMB cents)	55.05	55.05	66.69
Earnings / (Loss) Per Share (RMB cents)⁽¹⁾	(0.62)	(0.62)	(0.55)
Earnings / (Loss) attributable to equity holders of the Company (RMB'000)	(28,393)	(28,393)	(28,393)
Weighted average number of shares used to calculate diluted earnings	46,012,400	46,012,400	52,012,400

Note: ⁽¹⁾ EPS is calculated by dividing the Company’s consolidated net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares.

The financial effects of the Proposed Issuance on the Company and its subsidiaries (the “Group”) are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Company and the Group after the completion of the Proposed Issuance.

F. RULE 812 AND INTERESTED PERSONS

The Investor does not fall within the persons or groups of persons disallowed by the SGX-ST as set out under Rule 812 of the Listing Manual or are interested persons under Chapter 9 of the Listing Manual.

G. CHANGES IN SHAREHOLDING STRUCTURE

Based on the issued share capital of the Company as at the date hereof, the following table sets out the impact on the percentage shareholding of existing shareholders following completion of the Proposed Issuance, and on the assumption that none of the outstanding Alternus Convertible Bonds are converted into Alternus Conversion Shares:

	As at the date hereof						Assuming the Bonds are fully converted into Shares at the initial Conversion Price					
	Direct Interest		Deemed Interest		Total Interest		Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽²⁾
Substantial Shareholders												
Yong Tai Investment Company Limited	14,765,797	29.24	-	-	14,765,797	29.24	14,765,797	25.56	-	-	14,756,797	25.56
Yuan Limin (Note 1)	-	-	14,765,797	29.24	14,765,797	29.24	-	-	14,765,797	25.56	14,765,797	25.56
Li Yu Huan	6,274,835	12.43	-	-	6,274,835	12.43	6,274,835	12.43	-	-	6,274,835	12.43
Link Profits Limited	5,328,571	10.55	-	-	5,328,571	10.55	5,328,571	9.23	-	-	5,328,571	9.23
Wang Chunzhi (Note 2)	-	-	5,328,571	10.55	5,328,571	10.55	-	-	5,328,571	9.23	5,328,571	9.23
Asia Brand Capital Pte. Ltd. (Note 3)	-	-	3,675,030	7.28	3,675,030	7.28	-	-	3,675,030	6.36	3,675,030	6.36
Liu Yanlong (Note 4)	-	-	3,675,030	7.28	3,675,030	7.28	-	-	3,675,030	6.36	3,675,030	6.36
Dai Jizhou	-	-	-	-	-	-	7,260,000	12.57	-	-	7,260,000	12.57
Notes:-												
(1) Mr. Yuan Limin is deemed to be interested in 14,765,797 shares in the Company held by Yong Tai Investment Company Limited (“Yong Tai”). Mr. Yuan Limin is the sole shareholder of Yong Tai.												
(2) Ms. Wang Chunzhi is deemed to be interested in 5,328,571 shares in the Company held by Link Profits Limited (“Link Profits”). Ms. Wang Chunzhi is the sole shareholder of Link Profits.												
(3) The shares held by Asia Brand Capital Pte. Ltd. (“Asia Brand”) are registered in the name of DBS Vickers Securities Nominees Pte. Ltd.												
(4) Mr. Liu Yanlong is deemed to be interested in 3,675,030 shares in the Company held by Asia Brand. Mr. Liu Yanlong is the sole shareholder of Asia Brand.												

H. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as director or shareholders of the Company) has any interest, direct or indirect, in the Proposed Issuance.

I. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Issuance, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

BY THE ORDER OF THE BOARD

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
25 November 2016