



# Asia Fashion Holdings Limited

(Company Registration No. 41195)  
(Incorporated in Bermuda)

## UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017 (“2Q2018”)

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) **An income statement (for the Company and its subsidiaries (the “Group”)) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

#### Consolidated statement of comprehensive income for the Group

	2Q2018 RMB'000 (Unaudited)	2Q2017 RMB'000 (Unaudited)	6M2018 RMB'000 (Unaudited)	6M2017 RMB'000 (Unaudited)
<b>Continuing operations</b>				
<b>Revenue</b>	9,026	-	16,378	-
Cost of sales	(2,710)	-	(4,215)	-
<b>Gross profit</b>	6,316	-	12,163	-
Other operating income	165	336	454	336
Selling and distribution expenses	(362)	(313)	(630)	(313)
Administrative expenses	(4,401)	(1,768)	(8,821)	(3,422)
Finance costs	(182)	(448)	(364)	(889)
	<b>1,536</b>	<b>(2,193)</b>	<b>2,802</b>	<b>(4,288)</b>
Share of profit from associates, net of tax	-	-	-	-
<b>Profit/(Loss) before taxation from continuing operating</b>	<b>1,536</b>	<b>(2,193)</b>	<b>2,802</b>	<b>(4,288)</b>
Income tax expense	(1,252)	-	(2,396)	-
<b>Profit/(Loss) after taxation from continuing operating</b>	<b>284</b>	<b>(2,193)</b>	<b>406</b>	<b>(4,288)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive profit/(loss) net of tax</b>	<b>284</b>	<b>(2,193)</b>	<b>406</b>	<b>(4,288)</b>
<b>Total comprehensive profit/(loss), net of tax, attributable to:</b>				
Equity holders of the company	284	(2,193)	406	(4,288)
Non-controlling interest	-	-	-	-
	<b>284</b>	<b>(2,193)</b>	<b>406</b>	<b>(4,288)</b>



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- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's profit/(loss) before taxation is arrived at after charging/(crediting):

	2Q2018 RMB'000 (Unaudited)	2Q2017 RMB'000 (Unaudited)	6M2018 RMB'000 (Unaudited)	6M2017 RMB'000 (Unaudited)
Interest expenses on:				
- 7% Convertible Bond (S\$2.66M)	-	224	-	450
- 10% Straight Bond (HK\$10M)	-	224	-	439
- 7% Convertible Bond (S\$2.10M)	182	-	364	-
<b>Total Finance Costs</b>	<b>182</b>	<b>448</b>	<b>364</b>	<b>889</b>

Note :

- 1) The 7% Convertible Bond payable to Alternus Capital Holdings Limited in the principal amount of S\$2.66 million has been fully settled on 8 June 2017 and hence no further Bond interest has been accrued thereon in this reporting quarter.
- 2) The 10% Straight Bond payable to Prime Pacific Investment Limited in the principal amount of HK\$10 million has been fully settled on 8 May 2017 and hence no further Bond interest has been accrued thereon in this reporting quarter.



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## UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017 (“2Q2018”)

1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

### Statements of financial position

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31 December 2017 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)	31 December 2017 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)
<b>Non-current assets</b>				
Property, plant and equipment	7,061	6,515	2,239	2,724
Investments in subsidiaries	-	-	8	8
Intangible asset	19	20	-	-
	<u>7,080</u>	<u>6,535</u>	<u>2,247</u>	<u>2,732</u>
<b>Current assets</b>				
Inventories	147	572	-	-
Other receivables	6,339	29,508	1,201	1,134
Loan to associated company	61,000	61,000	61,000	61,000
Amount due from associates	22	22	-	-
Amount due from subsidiary	-	-	58,274	5,279
Cash funds	6,003	6,003	-	-
Cash and cash equivalents	69,109	104,838	67	67
	<u>142,620</u>	<u>201,943</u>	<u>120,542</u>	<u>67,480</u>
<b>Total assets</b>	<b>149,700</b>	<b>208,478</b>	<b>122,789</b>	<b>70,212</b>
<b>Current liabilities</b>				
Accruals and other payables	24,763	143,241	5,081	6,203
Amount due to third parties	6,809	8,446	6,809	7,144
Amount due to a former director/ shareholder	1,221	1,221	1,221	1,221
Amount due to subsidiaries	-	-	351	351
Amount due to associates	6,397	6,399	6,375	6,375
Amount due to a director and a shareholder of the Company	11,411	3,560	11,411	3,560
Deposits from undertaking shareholders	47,294	-	47,294	-
Deposit from proposed disposal	5,081	-	5,081	-
Tax payable	496	152	-	-
	<u>103,472</u>	<u>163,019</u>	<u>83,623</u>	<u>24,854</u>
<b>Net current assets/(liabilities)</b>	<b>39,148</b>	<b>38,924</b>	<b>36,919</b>	<b>42,626</b>
<b>Non current liabilities</b>				
Bonds payable	10,281	10,281	10,281	10,281
Interest payable	398	35	398	35
<b>Total liabilities</b>	<b>114,151</b>	<b>173,335</b>	<b>94,302</b>	<b>35,170</b>
<b>Net assets</b>	<b>35,549</b>	<b>35,143</b>	<b>28,487</b>	<b>35,042</b>



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## UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017 (“2Q2018”)

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31 December 2017 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)	31 December 2017 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)
<b>Equity</b>				
Share capital	46,041	46,041	46,041	46,041
Reserves	(10,492)	(10,898)	(17,554)	(10,999)
Total attributable to equity holders of the company	<b>35,549</b>	<b>35,143</b>	<b>28,487</b>	<b>35,042</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>35,549</b>	<b>35,143</b>	<b>28,487</b>	<b>35,042</b>

### 1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

RMB '000	As at 31 December 2017		As at 30 June 2017	
	Secured	Unsecured	Secured	Unsecured
Bonds	-	-	-	-

Amount repayable after one year

RMB '000	As at 31 December 2017		As at 30 June 2017	
	Secured	Unsecured	Secured	Unsecured
Convertible Bonds(i)	-	10,281	-	10,281

#### (i) Convertible Bonds :

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017, the Company had on 2 June 2017 completed the issuance (the “**2017 CB Issuance**”) of 7.0% unsecured convertible bonds (the “**DJZ Convertible Bonds**”) due 2 June 2020 of an aggregate principal amount of S\$2,100,000 to Mr. Dai Ji Zhou (“**Mr. Dai Ji Zhou**”) pursuant to a convertible bond agreement dated 25 November 2016 entered into between the Company and Mr. Dai Ji Zhou (the “**CBA**”). The DJZ Convertible Bonds bear an interest rate of 7.0% per annum, which is payable quarterly in arrears.

The maturity date of the DJZ Convertible Bonds is three years from the date of the issue of the DJZ Convertible Bonds (the “**Maturity Date**”). Mr. Dai Ji Zhou may, in accordance with the terms and conditions of the CBA, at any time within the period commencing three (3) months from the issue date up to the Maturity Date, convert all or part of the outstanding DJZ Convertible Bonds into new ordinary shares in the capital of the Company (“**Shares**”) at the conversion price of S\$0.35 per share.



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1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

<b>Consolidated statement of cash flows for the Group</b>		<b>2Q2018</b>	<b>2Q2017</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Profit / (Loss) before taxation</b>		284	(2,193)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		616	-
Interest income		(165)	-
Interest expense		182	448
<b>Operating profit/(loss) before working capital changes</b>		<b>917</b>	<b>(1,745)</b>
Decrease in inventories		244	-
(Increase) in other receivables		(1,059)	(37)
Increase in amount due to associates		-	758
(Decrease) / Increase in accruals and other payables		(1,538)	1,850
Increase in tax payable		386	-
<b>Cash generated from / (used in) operations</b>		<b>(1,050)</b>	<b>826</b>
<b>Interest paid</b>		-	-
<b>Net cash generated from / (used in) operating activities</b>		<b>(1,050)</b>	<b>826</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) in property, plant and equipment		(311)	-
Interest received		165	-
<b>Net cash (used in) investing activities</b>		<b>(146)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net advances from director and shareholder		7,851	-
Receipt of loans from third parties		3,000	-
Receipt of deposits from undertaking shareholders		47,294	-
Receipt of deposit from proposed disposal		5,081	-
Refund of deposits to customers		(101,850)	-
<b>Net cash (used in) financing activities</b>		<b>(38,624)</b>	<b>-</b>



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<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>									
<b>Cash &amp; cash equivalents at beginning of the financial period</b>									
<b>Cash &amp; cash equivalents at the end of the financial period</b>									
Cash and cash equivalents comprise:									
Cash and bank balances :									
- Continuing operations									
-									
Cash & cash equivalents at the end of the financial period									



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1(d)(i) A statement (for the Company and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Statement of changes in equity for the Group and for the Company

Group

	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015 (Restated)</b>	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,827)	-	15,486
Shares placements done in Feb 2015, April 2015 and Oct 2015	8,073	-	32,636	-	-	-	-	-	-	40,709
Disposal of QIL Group as approved in SGM on 2 Feb 2015	-	-	(13,967)	(1,216)	-	64,889	(45,303)	(4,403)	-	-
Total comprehensive loss for the period from 1 Jan 2015 to 30 June 2016	-	-	-	-	-	-	-	(28,393)	-	(28,393)
<b>Balance at 30 June 2016 (Audited)</b>	27,293	172,983	84,135	3,014	-	-	-	(259,623)	-	27,802
Shares placement done in June 2017	18,748	-	-	-	-	-	-	-	-	18,748
Total comprehensive loss for the year ended 30 June 2017	-	-	-	-	-	-	-	(11,407)	-	(11,407)
<b>Balance at 30 June 2017 (Audited)</b>	46,041	172,983	84,135	3,014	-	-	-	(271,030)	-	35,143
Total comprehensive income for FY2018 Q1&Q2 ended 31 December 2017	-	-	-	-	-	-	-	406	-	406

Balance at 31 December



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2017 (Unaudited)	46,041	172,983	84,135	3,014	-	-	-	(270,624)	-	35,549
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Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
<b>Balance at 1 January 2015 (Restated)</b>	19,220	172,983	51,499	3,014	-	-	(285,277)	(38,561)
Shares placements done in Feb 2015, April 2015 and Oct 2015	8,073	-	32,636	-	-	-	-	40,709
Disposal of QIL Group as approved in SGM on 2 Feb 2015	-	-	-	-	-	-	54,047	54,047
Total comprehensive loss for the period from 1 Jan 2015 to 30 June 2016	-	-	-	-	-	-	(28,393)	(28,393)
<b>Balance at 30 June 2016 (Audited)</b>	27,293	172,983	84,135	3,014	-	-	(259,623)	27,802
Shares placement done in June 2017	18,748	-	-	-	-	-	-	18,748
Total comprehensive loss for the year ended 30 June 2017	-	-	-	-	-	-	(11,508)	(11,508)
<b>Balance at 30 June 2017 (Audited)</b>	46,041	172,983	84,135	3,014	-	-	(271,131)	35,042
Total comprehensive loss for FY2018 Q1&Q2 ended 31 December 2017	-	-	-	-	-	-	(6,555)	(6,555)
<b>Balance at 31 December 2017 (Unaudited)</b>	46,041	172,983	84,135	3,014	-	-	(277,686)	28,487





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1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

#### 2017 CB Issuance

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017 in respect of the proposed issuance of Convertible Bonds to Mr. Dai Ji Zhou for S\$2,100,000 (“**CB Issuance Announcements**”) and the 2017 Issuance and Placement Circular, the 2017 CB Issuance was completed on 2 June 2017.

After the completion of the 2017 CB Issuance, on the completion of the conversion of the Convertible Bonds to Conversion Shares of a maximum of 7,260,000 Shares (in respect of both the principal amount and the full interest payable), the Conversion Shares will represent (i) approximately 14.38% of the existing issued and paid-up share capital of the Company as at 30 June 2016; and (ii) approximately 8.49% of the enlarged issued and paid-up share capital of the Company as at 30 June 2017.

#### 2017 Share Placement

In connection with the Company's announcements dated 7 December 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 5 June 2017 in respect of the proposed issue and allotment of 35,000,000 new shares (the “**2017 Share Placement**”) to Hu Zhen, Li Zheng, Ng Wa Pang and Dai Ju Yun (the “**Placees**”) (“**Share Placement Announcements**”) and the circular dated 10 May 2017 (the “**2017 Issuance and Placement Circular**”) in respect of the 2017 CB Issuance and 2017 Share Placement, the 2017 Share Placement was completed at a price of S\$0.11 per Placement Share (as defined in the Share Placement Announcements) to the Placees on 5 June 2017.

After the completion of the 2017 Share Placement, the total number of issued shares of the Company has increased from 50,500,000 Shares to 85,500,000 Shares (excluding treasury shares). The Placement Shares represent (i) approximately 69.31% of the existing issued and paid-up share capital of the Company as at 30 June 2016; and (ii) approximately 40.94% of the enlarged issued and paid-up share capital of the Company as at 30 June 2017.

The Placement Shares rank *pari passu* in all respect with the existing Shares.

#### Alternus Convertible Bonds

In connection with the Company's announcements dated 5 March 2015, 16 March 2015, 27 March 2015, 31 March 2015, 7 July 2015, 2 September 2016, 10 March 2017, 4 May 2017 and 8 June 2017 in respect of the issuance of convertible bonds to Alternus for S\$2,660,000, the Company has, on 8 June 2017, made full settlement of the principal amount of S\$2,660,000 of the Alternus Convertible Bonds, as well as all the interest accrued thereon up to the final settlement date of 8 June 2017. Subsequent to the aforementioned settlement, the Alternus Convertible Bonds have been returned to the Company for cancellation and Alternus holds no further claims against the Company.

Save as set out under this Section 1(d)(ii), there are no other outstanding convertible securities and the Company did not have any other convertible securities as at 31 December 2017.



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The Company did not have treasury shares or subsidiary holdings as at 31 December 2017 and 31 December 2017 respectively.

#### Proposed Overseas Placement

In connection with the Company’s announcements dated 8 August 2017 and 18 August 2017, the Company has entered into a placement agreement dated 8 August 2017 (“**FSL Placement Agreement**”) with Freeman Securities Limited as an overseas placement manager (the “**Overseas Placement Manager**”) whereby the Overseas Placement Manager had agreed to use its best efforts to identify subscriptions for up to 145,000,000 new Shares (“**FSL Placement Shares**”) at the issue price of HK\$0.90 per FSL Placement Share, subject to and upon the terms of the FSL Placement Agreement (the “Proposed Overseas Placement”).

Subsequently, the Company has announced on 8 December 2017 that it has withdrawn its additional listing application in respect of the Proposed Overseas Placement as it was reconsidering its available options for raising funds.

#### Proposed Rights Issue

Pursuant to the Company’s announcement made on 11 December 2017, the Company has proposed to undertake a renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 85,500,000 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.112 (an equivalent to approximately HK\$0.65) for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company held by the shareholders of the Company as at a time and date to be determined by the Directors for the purpose of determining the entitlements of the Entitled Shareholders under the Rights Issue, fractional entitlements to be disregarded.

The issue of the Rights Shares is proposed to be made pursuant to the share issue mandate, with an enhanced rights issue limit, authorizing the Directors to issue up to 100% of the total number of issue Shares by way of a renounceable rights issue, on a pro rata basis to Shareholders (the “**Enhanced Rights Issue Limit**”), approved by Shareholders at the annual general meeting of the Company held on 31 October 2017 (the “**2017 AGM**”). The Company will be utilising the Enhanced Rights Issue Limit to issue the Rights Shares. Accordingly, the Company will not be seeking specific approval from the Shareholders for the Rights Issue as the basis of the Rights Issue is within the limit of the Enhanced Rights Issue Limit.

Shareholders are strongly advised to study the Company’s announcement released on 11 December 2017 on the Proposed Rights Issue in detail. The Company will provide updates on the progress of the Rights Issue to shareholders from time to time.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year is 85,500,000 and 85,500,000 ordinary shares, respectively.

The Company does not hold any treasury shares.

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.



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**2. Whether the figures have been audited or reviewed and, in accordance with which auditing standard or practice.**

The financial information for the three months ended 31 December 2017 has not been audited nor reviewed by the Company’s auditors.

**3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).**

Pursuant to the Company’s announcement made on 31 July 2017 (“**the Proposed Transaction**”), the Company has entered into a non-binding term sheet with (i) Mr. Huo Wei Sheng, a former executive director of the Company, and (ii) Ms. Li Ya Xin, a fellow shareholder of Rich Circles, for the proposed sale of the Company’s and Ms. Li Ya Xin’s shares in the capital of Rich Circles (the “**RC Shares**”) to Mr. Huo Wei Sheng. The Company currently holds 6,100 RC Shares and Ms. Li Ya Xin currently holds 5,100 RC Shares, representing 54.46% and 45.54% of the total issued and paid up capital of Rich Circles respectively. Rich Circles indirectly holds 100% of the shares in the capital of Xuzhou Zhongwei, which currently operates the materials business of the Group in China. The parties to the Term Sheet intend to engage in further negotiations of the Proposed Transaction, with a view to entering into definitive agreement(s) on or before 30 November 2017. However, the parties involved have agreed to discontinue further discussion on the Proposed Transaction following the Company entering into a sale and purchase agreement between the Company and Ms. Li Ya Xin on 20 November 2017 in connection with the disposal of the RC Shares which is further elaborated below.

Pursuant to the Company’s announcement made on 20 November 2017, the Company has entered into a sale and purchase agreement (the “**SPA**”) between the Company as vendor and Ms. Li Ya Xin as purchaser on 20 November 2017 in connection with the disposal (the “**Proposed Disposal**”) of 6,100 fully paid up ordinary shares in the share capital of Rich Circles Enterprise Limited (“**RCEL**”), which represents 54.46% of the share capital of RCEL. The Proposed Disposal will be conditional upon approval by shareholders of the Company in a general meeting to be convened by the Company. Shareholders are strongly advised to study the Company’s announcement released on 20 November 2017 on the Proposed Disposal in details.

At time of this announcement, the Company is currently in the process of preparing the relevant circular for SGX’s review and approval in-principle to convene the special general meeting to obtain shareholders’ approval for the Proposed Disposal. The Company will provide updates on the progress of the Proposed Disposal to shareholders from time to time.

Despite the aforementioned Proposed Disposal, the local management of Xuzhou Zhongwei has also been in on-going negotiations with the SME Bondholders in hope of arriving at mutually acceptable commercial solution to the friendly settlement of the SME Bonds default issue. The management will also promptly inform shareholders on the progress and result of such negotiation deemed appropriate from time to time.

**4. Whether the same accounting policies and methods of computation as in the Company’s most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards that are mandatory for financial year beginning on or after 1 July 2016.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 30 June 2017 including, but not limited to, the continual adoption of equity instead of full consolidation basis in the accounting of the Company’s investment in the Rich Circles Group, despite the fact that the Company’s shareholding in Rich Circles Group has been increased from 49% to 54.46% on 27 May 2015. Please see note 8 for further explanation.



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5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation, including any required by an accounting standard.

6. **Earnings / (Loss) per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2Q2018	2Q2017
<b>Basic earnings (loss) per share (RMB cents)</b>		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	0.33	(4.34)
- Fully diluted	0.33	(4.15)
<b>Number of shares in issue</b>		
Current / weighted average number of ordinary shares in issue	85,500,000	50,500,000

7. **Net asset value (for the Company and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Company at the end of the:-**  
(a) **current financial period reported on; and**  
(b) **immediately preceding financial year.**

RMB Cents	The Group		The Company	
	31 Dec. 2017	30 June 2017	31 Dec. 2017	30 June 2017
Net asset value per ordinary share	41.58	41.10	33.32	40.98

**Note:-**

Net asset value per ordinary share of the Group/Company was calculated based on the 85,500,000 and 85,500,000 shares in issue as at 31 December 2017 and as at 30 June 2017, respectively.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group’s business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

As reported in the results announcement for the year ended 30 June 2017, despite the fact that on 27 May 2015, the Company increased its shareholding in the Rich Circles Group from 49% to 54.46% or to 6,100 shares out of an expanded total number of 11,200 shares, the Company’s management has re-visited the issue of “control” as a result of the default in the prompt repayment of the SME Bonds by Xuzhou Zhongwei (which was issued before Xuzhou Zhongwei was acquired by the Rich Circles Group) on 28 March 2016 and has come to the conclusion that it is more appropriate to treat the Rich Circles Group as the Company’s associated company instead of a subsidiary, thereby adopting the “equity” instead of “full consolidation” basis of accounting for the Rich Circles Group’s financial performance, for the following main reasons :



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- 1) With effect from 28 March 2016, the date of default of repayment of the total amount of RMB 234 million SME Bonds (comprising the principal amount of RMB 180 million and interest accrued thereon of approximately RMB54 million from 28 March 2013 to 28 March 2016) to the respective SME Bondholders, the SME Bondholders have been in a position to take whatever proper legal action(s) in Xuzhou against Xuzhou Zhongwei for the recovery of the sums owing under the SME Bonds. Despite being in a position to take legal action against Xuzhou Zhongwei, the SME Bondholders have been willing to enter into negotiation with the Xuzhou Zhongwei local management and Ms. Li Ya Xin as Rich Circles Group’s major shareholder, in search for a mutually agreeable and acceptable solution. The SME Bondholders have not filed any legal action against the Rich Circles Group as the Rich Circles Group is neither a borrower under any financial facilities with the SME Bondholders nor a guarantor of the SME Bonds. The Company has been informed by the local management of Xuzhou Zhongwei that the daily operations of Xuzhou Zhongwei have been under observation by a major SME Bondholder (whose identity is not disclosed due to confidentiality terms under the SME Bonds) while in the negotiation, by the stationing of representatives on the premises of the factory of Xuzhou Zhongwei, until an ultimate solution or agreement has been reached by both Xuzhou Zhongwei and the SME Bondholders. The Company’s auditors have provided full disclosure of their audit findings on the SME Bonds, and the default in repayment thereof, in the Company’s Annual Report 2017 (under pages 28 – 30);
- 2) Ms. Li Ya Xin, the other major shareholder of the Rich Circles Group who has owned the remaining 45.54% of its shareholding with effect from 27 May 2015, had on 8 August 2014 granted an irrevocable Power of Attorney (“**POA**”) to Mr. Yuan Li Min (the then Non-executive Director of the Company) authorizing Mr. Yuan to represent her in all operational and control aspects of the Rich Circles Group for a period of 20 months. Such POA expired on 8 April 2016 and extension or renewal was not been granted by Ms. Li Ya Xin to Mr. Yuan Li Min or other legal representative of the Company. It is therefore apparent that the Company does not have any direct or indirect control through Ms. Li Ya Xin’s shareholdings in Rich Circles Group;

Subsequently, the Company has been informed by Ms. Li Ya Xin that she has granted a new irrevocable POA to her brother-in-law, a Mr. Wong who is a person unrelated to but having a very strong and friendly business relationship with the SME Bondholders and who shall work very closely with the SME Bondholders in the currently on-going negotiation about reaching a solution or agreement with the SME Bondholders as direct representative of Ms. Li Ya Xin. It is evidenced that Ms. Li Ya Xin will cooperate with the SME Bondholders under the proper legal framework in China. Whereas the Company effectively had 100% control of the Rich Circles Group through its 54.46% shareholding combined with the POA granted by Ms. Li Ya Xin to Mr. Yuan Li Min over, *inter alia*, her 45.54% shareholding in the Rich Circles Group, Ms. Li Ya Xin’s non-renewal / non-extension of such POA granted to Mr. Yuan Li Min has weakened the control possessed by the Company over the Rich Circles Group;

- 3) Due to the ongoing financial incapability of the Company and Ms. Li Ya Xin, it was obvious that the current shareholders of the Rich Circles Group will not be able to raise cash funds of as much as RMB 180 million for injection into Xuzhou Zhongwei to enable Xuzhou Zhongwei to repay the SME Bonds in the near foreseeable future. Accordingly, the local management including but not limited to Mr. Huo Wei Sheng, who is a current executive director of the Company and the legal representative of Xuzhou Zhongwei, has strong tendency to work closely with the SME Bondholders in all aspects of daily normal operations of Xuzhou Zhongwei to avoid the SME Bondholders taking legal actions against them; and



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- 4) The Company does not have substantive rights that provide the Company with the ability to exercise that right and to direct relevant activities in Xuzhou Zhongwei.

Accordingly, the management reached a consensus that it is more appropriate from the practical point of view and the current operational position that the Company will treat the Rich Circles Group as our associated company and adopt the “equity” accounting basis for recording Rich Circles Group’s financial performance for the financial year ending 30 June 2018, which is in fact consistent with the Company’s accounting treatment of the Rich Circles Group for the financial year ended 30 June 2017, for the 18 months’ period from 1 January 2015 to 30 June 2016 and the financial year ended 31 December 2014. While the Rich Circles Group is exempt from audit under the Ordinance laws of Hong Kong, the Company’s auditors have performed all necessary audit reviews and tests on the books and accounts of Rich Circles (an investment holding company ultimately owning the other companies in the Rich Circles Group) and China Construction Material (Hong Kong) Limited (“CCMH”) for the financial period ended 30 June 2016 and concurred with the management’s view and decision. Rich Circles and CCMH are 2 out of the 4 companies that constitute the Rich Circles Group, the other 2 being Zhongchuang (Xuzhou) Construction Material Co. Ltd. and Xuzhou Zhongwei. The situation of Rich Circles and the management’s point of view has not been changed since last reporting date till date of this results announcement.

The Rich Circles Group is owned by the Company (54.46%) and Ms. Li Ya Xin (45.54%) as mentioned above. The Rich Circles Group is operating and a going concern. Its current directors are Mr. Mak Tin Sang (as representative of the Company), Ms. Li Ya Xin (representing herself) and Mr. Yuan Li Min (as independent director). Mr. Yuan Li Min is a former non-executive chairman of the Company (until his resignation on 27 October 2015). Save for Mr. Mak Tin Sang, the directors of the Company have no relationship with the Rich Circles Group except through the Company’s shareholding therein.

As Xuzhou Zhongwei has defaulted in its repayment of the SME Bonds (due on 28 March 2016) to the SME Bondholders, the management is closely monitoring the progress of the abovementioned negotiations between Xuzhou Zhongwei and the bondholders to determine whether there will be any significant impact of the recovery of the Company’s RMB61 million loan from the Rich Circles Group.

As the abovementioned negotiations between Xuzhou Zhongwei and the SME Bondholders are ongoing, the details thereof are sensitive and not disclosable by the Company. Nonetheless, the Company will provide updates to shareholders on any material developments.

For detailed information on the matters in this Section 8(a), shareholders may wish to refer to pages 11 – 19 of the 2017 Issuance and Placement Circular (as released by the Company on 9 May 2017). Shareholders may also wish to refer to the the annual report of the Company for the financial year ended 30 June 2017 (“2017 AR”) and the Company’s response to further queries from the SGX-ST on the 2017 AR released by the Company on 6 November 2017.

As announced on 20 November 2017 and set out in section 3 above, the Company has entered into an SPA with Ms. Li Ya Xin in connection with the Proposal Disposal, pursuant to which the Company is proposing to sell to Mr. Li Ya Xin the 6,100 RC Shares held by it.

- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

#### **Review of Financial Position**

**Revenue** of RMB 9.03 million (compared with nil for 2Q2017 ended 31 December 2016) was exclusively the sales revenue directly generated from the distribution sales of specially branded health supplement product made by Shanghai Daiyoulong (上海戴优垄新材料有限公司) (“Shanghai



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**Daiyoulong**”), being the Company’s wholly-owned subsidiary incorporated in Shanghai in March 2017 which is principally engaged in the distribution sales of the aforementioned specially branded health supplement product named “Jiajinyo” to customers in China. The sales activities has actually commenced in June 2017 and the revenue as reflected in the income statement represented the sales revenue generated in the months of October, November and December 2017.

For information purposes, the turnover at the Xuzhou Zhongwei level has continue dropping significantly in the past few quarters as a result of discontinued orders from Beijing Baota Petrochemical Company Limited (“**Baota**”) and Han Energy Co., Ltd (“**Han Energy**”) respectively, which has already been reported in the past quarterly results announcements.

**Other operating income** of RMB 165K (compared with RMB 336K for 2Q2017 ended 31 December 2016) mainly represented the interest income earned on the bank deposits and the return on investment in financial assets (cash funds) made by Shanghai Daiyoulong;

**Selling and distribution expenses** of RMB 362K (compared with RMB 313K for 2Q2017 ended 31 December 2016) mainly represented the expenses incurred in relation to the sales and marketing activities carried out in Shanghai Daiyoulong.

**Administrative expenses** of RMB 4.40 million (compared with RMB 1.77 million for 2Q2017 ended 31 December 2016) mainly includes staff salaries and directors’ remuneration, office rentals and property management fees incurred by both the new corporate head office set up in Hong Kong and the Shanghai Daiyoulong’s new office set up in Shanghai, business travelling expenses, corporate action related expenses and professional fees incurred.

**Finance costs** of RMB 182K (compared with RMB 448K for 2Q2017 ended 31 December 2016) was mainly related to interest accrued on the 7% Convertible Bonds issued to Mr. Dai Ji Zhou on 2 June 2017 as described in detail in sub-section 1(b)(ii) on page 4 of this results announcement.

**Income tax expense** of RMB 1.25 million (compared with nil for 2Q2017 ended 31 December 2016) exclusively represented the income tax provision in respect of the People’s Republic of China (“**PRC**”) made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its three months’ financial period ended 31 December 2017.

**Property, plant and equipment** of RMB 7.06 million as of 31 December 2017 (compared with RMB 6.52 million as of 30 June 2017) represented the net book value of office furniture and equipment and the furnishing cost of the Company’s new headquarter office in Hong Kong of approximately RMB 2.24 million and the net book value of office furniture and equipment and the furnishing cost of Shanghai Daiyoulong’s new operating office in Shanghai of approximately RMB 4.82 million.

**Inventories** of RMB 147K as of 31 December 2017 (compared with RMB 572K as of 30 June 2017) exclusively represented the cost of inventories of the product “Jiajinyo” and relevant product packing materials kept by Shanghai Daiyoulong as of 31 December 2017.

**Prepayments and other receivables** of RMB 6.34 million as of 31 December 2017 (compared with RMB 29.51 million as of 30 June 2017) mainly represented (i) a deposit of RMB 4.0 million made by Shanghai Daiyoulong to Shenzhen Ximei (熒美科技 (深圳) 有限公司) for the placement of orders for the product “Jiajinyo”; (ii) approximately RMB 0.61 million being prepayments made to cooperative business partners for the entertainment and amusement projects entered into by the Company’s subsidiary Asia Entertainment (Hong Kong) Limited; and (iii) approximately RMB 1.73 million being rental and utilities deposits and other prepaid expenses made by the Group.

**Loan to an associate** of RMB 61.0 million as of 31 December 2017 (compared with RMB 61.0 million as of 30 June 2017) represented the operating loan extended to the Rich Circles Group as reported as of 30 June 2017.



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**Cash funds** of RMB 6.0 million as of 31 December 2017 (compared with RMB 6.0 million as of 30 June 2017) exclusively represented the financial assets purchased by Shanghai Daiyoulong from reputable banking corporations in China with the objective of getting higher financial return for the Group on the cash possessed in its local bank account in Shanghai.

**Cash and cash equivalents** of RMB 69.11 million as of 31 December 2017 (compared with RMB 104.84 million as of 30 June 2017) mainly represented by the bank deposits of approximately RMB 10.70 million in Shanghai Daiyoulong and the bank deposits of approximately RMB 58.41 million in the Company’s overseas entities.

**Accruals and other payables** of approximately RMB 24.76 million as of 31 December 2017 (compared with 143.24 million as of 30 June 2017) mainly represented customers’ deposits received of approximately RMB 17.50 million for purchase of the product “Jiajinyo” from Shanghai Daiyoulong and other accrued operating expenses and professional expenses of approximately RMB 7.26 million at the Company’s level. Shanghai Daiyoulong has refunded approximately RMB 101.85 million to customers in terms of deposit for purchase orders of products previously received from our local customers, further details is presented in the section “Review of Cashflow” below.

**Amount due to former director/shareholder** of RMB 1.22 million as of 31 December 2017 (compared with RMB 1.22 million as of 30 June 2017) represented amount due to Mr. Lin Dao Qin which is interest free and repayable on demand.

**Amount due to director/shareholder** of RMB 11.41 million as of 31 December 2017 (compared with RMB 3.56 million as of 30 June 2017) represented RMB 11.20 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang, which are both interest free and repayable on demand.

**Amount due to third parties** of RMB 6.81 million as of 31 December 2017 (compared with RMB 8.45 million as of 30 June 2017) represented amount due to independent third parties which are interest free and repayable on demand.

**Amount due to associates** of RMB 6.40 million as of 31 December 2017 (compared with RMB 6.40 million as of 30 June 2017) was mainly due to the payment of costs and expenses by Rich Circles Group for and on behalf of the Company before the completion of the substantial fund raising exercises in June 2017.

**Taxes payable** of RMB 496K as of 31 December 2017 (compared with RMB 152K as of 30 June 2017) exclusively represented the PRC income tax provision made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its six months’ financial period ended 31 December 2017 less payments already made to the PRC Tax Authorities.

**Deposits from undertaking shareholders** of RMB 47.29 million as of 31 December 2017 (compared with nil as of 30 June 2017) exclusively represented the total deposits of HK\$ 55.85 million received from 5 undertaking shareholders (namely, Yong Tai Investment Company Limited, Mr. Hu Zhen, Mr. Li Zheng, Ms. Li Yu Huan and Ms. Dai Ju Yun) (the “**Undertaking Shareholders**”) in respect of their undertaking on the full subscription of their respective pro rate entitlements to the Rights Shares and for any excess Rights Shares (where applicable), subject to availability, in pursuance of the Company’s proposed Rights Issue as disclosed in the Company’s announcement dated 11 December 2017.

**Deposits from proposed disposal** of RMB 5.08 million as of 31 December 2017 (compared with nil as of 30 June 2017) exclusively represented the goodwill deposit of HK\$ 6.0 million received pursuant to the SPA entered into between the Company and Ms. Li Ya Xin on 20 November 2017.

**Bonds payable** of RMB 10.28 million as of 31 December 2017 (compared with RMB 10.28 million as of 30 June 2017) solely represented the principal amount of the DJZ Convertible Bonds issued to Mr.





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Dai Ji Zhou on 2 June 2017 (S\$2.10 million) after full settlement of the Straight Coupon Bonds due payable to Prime Pacific Investments Limited and the DJZ Convertible Bonds issued and due payable to Alternus in April 2017 and June 2017 respectively. (Please refer to section 1(b)(ii) on page 4 of this package for more details.)

**Interest payable** of RMB 398K as of 31 December 2017 (Compared with RMB 35K as of 30 June 2017) solely represented the interest on the DJZ Convertible Bonds issued to Mr. Dai Ji Zhou accrued for the period from 2 June 2017 to 31 December 2017.

#### Review of Cash Flow

**Net cash generated by the Group of approximately RMB 4.09 million in the reporting quarter as follows:**

During the quarter ended 31 December 2017, the Group has used a net amount of approximately RMB 1.05 million in operating activities mainly as a result of the profit generated from normal operation of approximately RMB 0.92 million, the decrease in inventory of approximately RMB 0.24 million, the increase in other receivables of approximately RMB 1.06 million and the net decrease in accruals and other payables of approximately RMB 1.15 million.

During the quarter ended 31 December 2017, the Group has used approximately RMB 0.15 million in investing activities mainly as a result of purchase of property, plant and equipment of approximately RMB 0.31 million and the receipt of interest income of approximately RMB 0.16 million.

During the quarter ended 31 December 2017, the Group has used approximately RMB 38.62 million in financing activities as a result of the following major transactions:

- A) Refund of deposits to PRC customers of Shanghai Daiyoulong of approximately RMB 101.85 million on the basis of the professional advice given by the Company's PRC lawyer and tax consultant that the keeping of excessively large amount of customers' deposits for an unreasonably long period of time may expose the Company to unnecessary risks both in terms of possible queries from local tax and regulatory authorities of unreported sales transactions and unforeseeable cash custodianship problems. As such, for the sake of minimising such tax and cash custodianship risk exposure, the Company has decided not to keep any customers' deposits in excess of sales income reasonably expected to be generated and practically deliverable in the next rolling 12 months' period.
- B) Receipt of deposits from the Undertaking Shareholders in respect of their undertaking to subscribe for both of their respective Entitled Rights Shares and Excess Rights Shares to the total amount of approximately RMB 47.30 million (or the equivalent of HK\$ 55.85 million) as described in section 8(b) above.
- C) Receipt of goodwill deposit of approximately RMB 5.08 million (or the equivalent of HK\$ 6.0 million) pursuant to the SPA entered into between the Company and Ms. Li Ya Xin on 20 November 2017 as described in sections 3, 8(a) and 8(b) above.
- D) Receipt of working capital loans of approximately RMB 3.0 million from independent third parties which are unsecured, interest free and repayable on demand. There is no specific loan agreement between such independent third parties and the Company in respect thereof.
- E) Receipt of working capital advances of approximately RMB 7.85 million from Mr. Yuan Li Min, the Company's current controlling shareholder, which are unsecured, interest free and repayable on demand. There is no specific loan agreement between Mr. Yuan Li Min and the Company in respect thereof.

As a result of the above, the Group has reported a total cash and cash equivalent balance of RMB 69.11 million as of 31 December 2017 (compared with RMB 108.93 million as of 30 September 2017).



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**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

There are no variances between any forecast or prospect statements disclosed to shareholders and the actual results.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The financial performance of Xuzhou Zhongwei's New Material business for this reporting quarter has been continuously weak which was still mainly due to the sharp decline and close to termination of sale made to our two major customers namely Han Energy and Baota both of which have encountered unforeseen difficulties in their respective operations of different nature as reported in the past few quarters. At this point in time the management is almost certain that the economic and operational recoverability of these two major customers and to provide promising prediction about the recoverability of the sales in Xuzhou Zhongwei's New Material Business in the next reporting period and in the next 12 months is very remote.

Similarly, as reported in the previous quarters, the development of the entertainment business by our Asia Entertainment subsidiaries has remained static in the reporting period due to highly competitive market condition in and the inability of the Company to inject massive capital or project investment funding typically demanded in achieving medium to long term success in this sort of business in Hong Kong. As the management does not anticipate this business could have a surprisingly positive turnaround and considers that it is in the best interests of the Company for the Company to focus its efforts and financial resources in the development of the distribution business in China as mentioned below, the Company is currently seeking an opportunity to dispose of this loss-making entertainment business at the best possible terms to the Company. The management will keep our shareholders updated on this from time to time.

However, as reported in the last quarter, the Group has incorporated a new wholly owned subsidiary in Shanghai, namely Shanghai Daiyoulong which has already commenced its new active business in the distribution sales of a specially branded health supplement product called “Jiajinyo” in China in the latter half of June 2017. The encouraging news is that Shanghai Daiyoulong has continuously been able to achieve steady growth and sustainable sales revenue and reasonable gross profit contribution from this new business in this reporting quarter.

In this reporting quarter, the Group has recorded a direct sales revenue of RMB 9.03 million and has reported for the second consecutive quarter a net operating profit after tax of RMB 284K.

Looking ahead, the management is fairly confident and determined that the Group will continue to focus on the strengthening and steady development of this distribution sales business in China through searching for the supply of more promising and reliable new products for distribution sales purposes and through exploring strategic business partnership with industry leaders in China in order to enhance the sales revenue and profitability of the Group and to achieve vigorous growth objective of this business for the next reporting period and the next 12 months. The Board will provide prompt updates on the development of this new business initiative as well as other promising business opportunities to our shareholders from time to time.

**11. Dividend**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

No dividend was declared for the current financial period reported on.



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(b)

(i) **Amount per share**

Not applicable.

(ii) **Amount per share for corresponding period of the immediately preceding financial year**

Not applicable. No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) **Whether the dividend is before tax, net of tax or tax exempt.**

Not applicable.

(d) **Date payable**

Not applicable.

(e) **Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded during the period.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No general mandate from shareholders for interested person transactions has been obtained.

**14. Confirmation by the Board pursuant to Listing Rule 705(5) of SGX Listing Manual**

The Directors confirmed that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company and of the Group for the second quarter ended 31 December 2017 to be false or misleading in any material respect.

**15. Confirmation pursuant to Rule 720(1)**

The Directors confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**BY ORDER OF THE BOARD**

Chong Tin Yam, Alex  
Chief Executive Officer & Executive Director  
14 February 2018