

ASIA FASHION HOLDINGS LIMITED

(Company Registration No. 41195)

(Incorporated in Bermuda)

PROPOSED PLACEMENT OF 100,397,362 NEW ORDINARY SHARES (“PROPOSED PLACEMENT”)

A. TERMS OF PLACEMENT

The Board of Directors of Asia Fashion Holdings Limited (the “**Company**”) wishes to announce that the Company has entered into a placement agreement dated 30 September 2015 (the “**Placement Agreement**”) for the subscription of an aggregate of 100,397,362 new ordinary shares in the capital of the Company (“**Placement Shares**”) on the following terms and with the following placee (the “**Placee**”):

Name of Placee	Number of Placement Shares	Background and rationale for the Placee’s subscription of the Placement Shares
Ms Li Yu Huan	100,397,362	The Placee had previously subscribed for a principal amount of S\$10,000,000 of bonds (the “ Bonds ”) from the Company. The Placee intends to capitalise its investment.

The issue price of S\$0.06 for each Placement Share represents a premium of approximately 121.40% to the volume weighted average price of S\$0.02710 for trades done on the ordinary shares in the capital (“**Shares**”) of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the full market day on 30 September 2015 (being the market day on which the Placement Agreement was signed). The aggregate issue price of the Placement Shares is S\$6,023,841.72 (the “**Issue Price**”).

The Issue Price shall be satisfied in full by way of the capitalisation (“**Capitalisation**”) of S\$6,023,841.72 of the amount outstanding (including the principal amount and all accrued and unpaid interest) under the Bonds of the Company previously subscribed by the Placee further to the Bond Subscription Agreement dated 9 June 2014 (“**Bond Subscription Agreement**”) and entered into between the Placee and the Company, and as registered under Bond Certificates number 001 to 050 in the name of the Placee dated 9 June 2014 (the “**Bond Certificates**”). In connection with the foregoing, the Company shall also on the Completion Date pay to the Placee the remaining balance under the Bonds of approximately S\$4,000,000 (the “**Early Settlement**”). The Placee shall submit her Bond Certificates to the Company on or before the Completion Date for cancellation.

The Capitalisation, together with the Early Settlement of the remaining balance under the Bonds, shall constitute the full and final settlement of all obligations of the Company in respect of the Bonds, the Bond Subscription Agreement and the Terms and Conditions of the Bonds (“**Bond Items**”), and upon the Capitalisation, the Placee shall (i) fully and effectively release and discharge the Company from all further obligations in respect of the Bond Items, and (ii) irrevocably and unconditionally fully and forever release, remise and discharge the Company of and from any and all actions, proceedings, claims, demands, debts, obligations, liabilities, costs or expenses, disputes, of whatsoever kind or nature, in law, equity or otherwise, whether known or unknown, whether or not concealed or hidden, which the Placee has, had, may have had, or now have for or by reason of any

matter, cause, issue or thing whatsoever, to and including the Completion Date, with respect to the Bond Items, including but not in any respect limiting the generality of the foregoing, any and all claims which were or might have been asserted in relation to the amounts owed from the Company to the Placee in connection thereto.

The Placee was introduced to the Company by business associates in early May 2014 when she had initially subscribed for the Bonds. There is no commission payable to the introducer for introduction of the Placee to the Company. The Placee has no connection (including business relationships) with the Company, its Directors and substantial shareholders.

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

The Placement Shares will be issued pursuant to the general mandate (the “**General Mandate**”) obtained at the annual general meeting of the Company held on 30 June 2015 which authorises the Directors of the Company pursuant to Rule 806 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), to allot and issue new Shares in the capital of the Company in accordance with, and subject to, the provisions of Rule 806 of the Listing Manual.

Under the General Mandate, the aggregate number of shares and convertible securities to be issued pursuant to the General Mandate shall not exceed 50% of the issued shares of the Company, of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company.

The Company had on 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015 announced the issuance of unsecured convertible bonds due 2017 of an aggregate principal amount of S\$2,660,000 (“**Convertible Bonds**”) which is convertible into up to 38,000,000 ordinary shares in the capital of the Company at the conversion price of S\$0.07 per ordinary share. Save for the Convertible Bonds, the Company does not have existing warrants or other convertibles. The terms of the Convertible Bonds do not require adjustments to the new shares to be issued under the Convertible Bonds following the Proposed Placement.

Assuming that the Convertible Bonds have not been converted, the share capital base of the Company for the computation of the number of shares which may be issued pursuant to the general mandate is 707,602,638 Shares (excluding treasury shares). Based on the General Mandate, assuming that the Convertible Bonds have not been converted, the maximum number of Shares that can be issued to the Placee (after such adjustments as permitted under Rule 806(3) of the Listing Manual) is 141,520,527 Shares.

When completed, the Placement Shares will represent approximately 14.1884% of the existing issued and paid-up share capital of the Company as at the date of this announcement.

When completed, assuming that the Convertible Bonds have been fully converted:-

- (a) The Proposed Placement will increase the issued and paid up share capital of the Company to 846,000,000 Shares.
- (b) 272,403,957 Shares (where members of the Company with registered addresses in Singapore are given an opportunity to participate in an issue of shares and convertible securities on a pro rata basis) or 48,723,165 Shares (where members of the Company with

registered addresses in Singapore are not given an opportunity to participate in an issue of shares and convertible securities on a pro rata basis) may be further issued by the Company under respective limits permitted under the General Mandate.

- (c) The Placement Shares will represent approximately 11.8673% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

When completed, assuming that the Convertible Bonds have not been converted:-

- (a) The Proposed Placement will increase the issued and paid up share capital of the Company to 808,000,000 Shares.
- (b) 253,403,957 Shares (where members of the Company with registered addresses in Singapore are given an opportunity to participate in an issue of shares and convertible securities on a pro rata basis) or 41,123,165 Shares (where members of the Company with registered addresses in Singapore are not given an opportunity to participate in an issue of shares and convertible securities on a pro rata basis) may be further issued by the Company under respective limits permitted under the General Mandate.
- (c) The Placement Shares will represent approximately 12.4254% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares.

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

The Proposed Placement 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 Placement does not contravene any laws and regulations governing the Company and the Bye-Laws of the Company. The Proposed Placement will not result in the transfer of a controlling interest.

B. CONDITIONS PRECEDENT

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

- (i) approval in-principle for the listing and quotation of the Placement 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 Placement Shares on the SGX-ST are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- (ii) the approval of the Directors and shareholders of the Company (where necessary) being obtained in respect of the transactions contemplated by the Placement Agreement including but not limited to the issue and allotment of the Placement Shares, 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 Company and the Placee;

- (iii) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by the Placement Agreement;
- (iv) 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 Placee contained or referred to in the Placement Agreement deemed to be repeated on each day hereafter, down to the date of completion of the Proposed Placement in all respects with reference to the facts and circumstances existing on each such day; and
- (v) the subscription, issue and allotment, and offering (if any) of the Placement Shares being in compliance with the SFA in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore, Bermuda or elsewhere which is applicable to the Company and/or the Placee.

If any of the conditions set forth above is not satisfied on or before 15 October 2015 (or such other later date as the parties may agree) after the date of the Placement Agreement, the Placement Agreement shall *ipso facto* cease and determine thereafter, without prejudice to any rights which the Company may have against the Placee with respect to her failure to fulfil any of the terms of the respective Placement Agreement prior to termination.

C. PROCEEDS FROM PROPOSED PLACEMENT

As stated above, the Company will not receive cash proceeds from the Proposed Placement, as Issue Price has been satisfied in full by the Capitalisation. The Capitalisation, together with the Early Settlement of the remaining balance under the Bonds, shall constitute the full and final settlement of all obligations of the Company in respect of the Bond Items.

D. FINANCIAL EFFECTS

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

- (a) the audited consolidated financial statements of the Company for the financial year ended 31 December 2014; and
- (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 31 December 2014 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 2014.

	Before the Proposed Placement (assuming that the Convertible Bonds are not issued)	Before the Proposed Placement (assuming that the Convertible Bonds are issued and converted)	After the Proposed Placement
Share capital			
Issued and Paid-up Share Capital (US\$)	2,744,013.19	2,934,013.19	3,436,000.00
- Number of Shares	548,802,638	586,802,638	687,200,000
NTA (RMB'000)	15,944	29,020	58,633
NTA per Share (RMB cents)	2.91	4.95	8.53
EPS (RMB cents) ⁽¹⁾	3.23	3.12	2.86
Earnings attributable to equity holders of the Company (RMB'000)	17,703	17,703	17,703
Weighted average number of shares used to calculate diluted earnings	548,802,638	567,802,638	618,001,319

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 Placement on the Company and 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 Placement.

E. RULE 812 AND INTERESTED PERSONS

The Placee does not fall within the persons or groups of persons disallowed by the SGX-ST under Rule 812 of the Listing Manual and is not an interested person under Chapter 9 of the Listing Manual.

F. CHANGES IN SHAREHOLDING STRUCTURE

The Placement Shares will collectively represent approximately 14.1884% of the existing issued and paid-up share capital of the Company as at the date of this Announcement and 12.4254% of the enlarged issued and paid-up share capital of the Company after the completion of the Proposed Placement. Based on the issued share capital of the Company as at the date hereof, the following table (assuming that the convertible bonds have not been issued and/or converted) sets out the

impact on the percentage shareholding of existing Shareholders following completion of the Proposed Placement:-

	As at the date hereof						After the Placement (Assuming that the convertible bonds have not been converted)					
	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	159,152,765	22.49			159,152,765	22.49	159,152,765	19.70			159,152,765	19.70
Yuan Limin			159,152,765	22.49	159,152,765	22.49			159,152,765	19.70	159,152,765	19.70
Link Profits Limited	85,257,148	12.05			85,257,148	12.05	85,257,148	10.55			85,257,148	10.55
Wang Chunzhi			85,257,148	12.05	85,257,148	12.05			85,257,148	10.55	85,257,148	10.55
Asia Brand Capital Pte. Ltd.			58,800,490	8.31	58,800,490	8.31			58,800,490	7.28	58,800,490	7.28
Liu Yanlong			58,800,490	8.31	58,800,490	8.31			58,800,490	7.28	58,800,490	7.28
Placee Li Yuhuan							100,397,362	12.43			100,397,362	12.43
Notes:-												
(1) Mr. Yuan Limin is deemed to be interested in 159,152,765 shares in the Company held by Yong Tai Investment Company Limited ("Yong Tai"). Mr. Yuan is the sole shareholder of Yong Tai.												
(2) Ms. Wang Chunzhi is deemed to be interested in 85,257,148 shares in the Company held by Link Profits Limited ("Link Profits"). Ms. Wang 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 58,800,490 shares in the Company held by Asia Brand. Mr. Liu is the sole shareholder of Asia Brand.												

G. 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 Placement.

Shareholders and potential investors should note that the Proposed Placement is subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the shares 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 THE ORDER OF THE BOARD

Mak Tin Sang
Executive Director and Chief Executive Officer
30 September 2015