

CIRCULAR DATED 20 JANUARY 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the contents of this Circular (as defined herein) or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Asia Fashion Holdings Limited (the “**Company**”) held through The Central Depository (Pte) Limited (the “**CDP**”), you need not forward this Circular with the Notice of Special General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Special General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should forward this Circular with the Notice of Special General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



ASIA FASHION HOLDINGS LIMITED

(Incorporated in Bermuda)
(Company Registration Number: 41195)

CIRCULAR TO SHAREHOLDERS

in relation to:-

THE PROPOSED CONSOLIDATION OF EVERY SIXTEEN (16) EXISTING ISSUED AND UNISSUED ORDINARY SHARES OF PAR VALUE US\$0.005 EACH IN THE CAPITAL OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE OF PAR VALUE US\$0.08 EACH IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO THE CONSOLIDATED SHARES RESULTING FROM THE SHARE CONSOLIDATION TO BE DISREGARDED

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Forms	:	3 February 2016 at 10:00 a.m.
Date and time of Special General Meeting	:	5 February 2016 at 10:00 a.m.
Place of Special General Meeting	:	Raffles Room #301, 3/F, Maxwell Chambers Pte Ltd 32 Maxwell Road, #03-01, Singapore 069115

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:-

“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Books Closure Date”	:	The time and date, at and on which the Register of Members and the Depositor Register will be closed to determine the entitlements of Shareholders to the Consolidated Shares under the Proposed Share Consolidation, such time and date to be determined by the Directors as they deem fit in their absolute discretion and to be announced by the Company
“Bye-laws”	:	The bye-laws of the Company as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 20 January 2016
“Company”	:	Asia Fashion Holdings Limited
“Companies Act” or “Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Consolidated Shares”	:	Ordinary shares in the authorised and issued share capital of the Company with a par value of US\$0.08 each upon completion of the Proposed Share Consolidation, and “Consolidated Share” shall be construed accordingly
“Depositor Proxy Form”	:	The depositor proxy form in respect of the SGM as set out in this Circular
“Directors”	:	The directors of the Company as at the date of this Circular and “Director” shall be construed accordingly
“Effective Trading Date”	:	The date on which the Consolidated Shares will commence trading on the Mainboard of the SGX-ST in board lots of 100 Consolidated Shares
“EPS”	:	Earnings per Share
“Existing Shares”	:	The issued and unissued ordinary shares in the capital of the Company with a par value of US\$0.005 each prior to the completion of the Proposed Share Consolidation (including treasury shares), and “Existing Share” shall be construed accordingly
“FY”	:	Financial year of the Company ended or ending 30 June (as the case may be)
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 13 January 2016
“Listing Manual”	:	The listing manual of the SGX-ST as amended, modified or supplemented from time to time

DEFINITIONS

“Mainboard”	:	The Mainboard of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“Memorandum”	:	The Memorandum of Association of the Company, as may be amended, modified or supplemented from time to time
“Notice of SGM”	:	The notice of the SGM dated 20 January 2016 as set out on pages 16 and 17 of this Circular
“NTA”	:	Net tangible assets
“Proposed Share Consolidation”	:	The proposed consolidation of every sixteen (16) Existing Shares of par value US\$0.005 each in the capital of the Company as at the Books Closure Date into one (1) Consolidated Share of par value US\$0.08 each in the capital of the Company, fractional entitlements to the Consolidated Shares resulting from the share consolidation to be disregarded
“Proxy Forms”	:	The Depository Proxy Form and the Shareholder Proxy Form
“Register of Members”	:	The register of members of the Company
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Chapter 289, of Singapore, as amended or modified from time to time
“SGM”	:	The special general meeting of the Company to be held on 5 February 2016 at 10:00 a.m. at Raffles Room #301, 3/F, Maxwell Chambers Pte Ltd, 32 Maxwell Road, #03-01, Singapore 069115, notice of which is set out on pages 16 and 17 of this Circular
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean Depositors whose Securities Accounts are credited with such Shares
“Shareholder Proxy Form”	:	The shareholder proxy form in respect of the SGM as set out in this Circular
“Share” or “Shares”	:	The ordinary share(s) in the capital of the Company
“Singapore Share Registrar”	:	M&C Services Private Limited
“Subsidiaries”	:	Has the meaning ascribed to it in Section 5 of the Act
“Substantial Shareholder”	:	Has the meaning ascribed to it under Section 2 of the SFA

DEFINITIONS

Currencies, units of measurement and others

“%” or “per cent”	:	Per centum or percentage
“RMB” and “RMB cents”	:	Chinese Yuan Renminbi and cents respectively, representing the lawful currency of the People’s Republic of China
“US\$” or “USD cents”	:	US dollars and cents, respectively
“S\$”, “SGD” or “\$” and “cents”	:	Singapore dollar and cents respectively, representing the lawful currency of the Republic of Singapore

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, the Bermuda Companies Act, or the Listing Manual or the SFA or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Bermuda Companies Act, or the Listing Manual or the SFA or any statutory modification thereof, as the case may be, unless otherwise provided herein.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

LETTER TO SHAREHOLDERS

ASIA FASHION HOLDINGS LIMITED

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

Board of Directors:

Mr. Mak Tin Sang (Executive Chairman and Chief Executive Officer)
Mr. Huo Wei Sheng (Executive Director and Chief Operating Officer)
Mr. Wang Huai Dong (Non-Executive Director)
Mr. Teo Kean Eek (Independent Director)
Mr. Kwok Wei Woon (Independent Director)

Registered Office:

Canon Court
22 Victoria street
Hamilton HM12
Bermuda

20 January 2016

To: **The Shareholders of Asia Fashion Holdings Limited**

Dear Sir/Madam,

THE PROPOSED CONSOLIDATION OF EVERY SIXTEEN (16) EXISTING ISSUED AND UNISSUED ORDINARY SHARES OF PAR VALUE US\$0.005 EACH IN THE CAPITAL OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE OF PAR VALUE US\$0.08 EACH IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO THE CONSOLIDATED SHARES RESULTING FROM THE SHARE CONSOLIDATION TO BE DISREGARDED

1. INTRODUCTION

- 1.1 The Company announced on 25 November 2015, that the Board is proposing to seek Shareholders' approval to undertake the Proposed Share Consolidation pursuant to which the Company proposes to consolidate every fifty (50) Existing Shares as at the Books Closure Date to be determined by the Directors as they deem fit in their absolute discretion, into one (1) Consolidated Share, and the number of Consolidated Shares which each Shareholder is entitled to shall be rounded down to nearest whole Consolidated Share, with fractional entitlements to the Consolidated Shares resulting from the share consolidation to be disregarded and not be issued or given to holders of the same.
- 1.2 Further to the above, the Company announced on 29 December 2015, that in view of the potential number of odd lots and fractional entitlements, and the resultant number of Consolidated Shares, arising from the original share consolidation, the Company is proposing to undertake the share consolidation exercise at a share consolidation ratio of every sixteen (16) Existing Shares into one (1) ordinary share of par value US\$0.08 each in the capital of the Company instead.
- 1.3 On 4 January 2016, the Board announced that the Company had obtained in-principle approval from the SGX-ST for the listing and quotation of the Consolidated Shares on the Mainboard of the SGX-ST. The in-principle approval of the SGX-ST is subject to the conditions set out in Section 2.3 of this Circular.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. Shareholders should note that the in-principle approval of the SGX-ST for the listing and quotation of the Consolidated Shares on the Official List of the SGX-ST is not to be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company and/or its subsidiaries.
- 1.5 In connection with the above, the Directors are convening the SGM to seek Shareholders' approval for the Proposed Share Consolidation.

LETTER TO SHAREHOLDERS

- 1.6 The purpose of this Circular is to provide Shareholders with relevant information in relation to the Proposed Share Consolidation, for which the approval of the Shareholders will be sought at the SGM.

2. THE PROPOSED SHARE CONSOLIDATION

2.1 Details of the Proposed Share Consolidation

The Company announced on 25 November 2015, that the Company is proposing to seek Shareholders' approval at the SGM to undertake the Proposed Share Consolidation, pursuant to which the Company proposes to consolidate every fifty (50) Existing Shares as at the Books Closure Date to be determined by the Directors as they deem fit in their absolute discretion into one (1) Consolidated Share, and the number of Consolidated Shares which each Shareholder is entitled to shall be rounded down to nearest whole Consolidated Share, with fractional entitlements to the Consolidated Shares resulting from the share consolidation to be disregarded and not be issued or given to holders of the same.

Further to the above, the Company announced on 29 December 2015, that in view of the potential number of odd lots and fractional entitlements, and the resultant number of Consolidated Shares, arising from the original share consolidation, the Company is proposing to undertake the share consolidation exercise at a share consolidation ratio of every sixteen (16) Existing Shares into one (1) ordinary share of par value US\$0.08 each in the capital of the Company instead.

Accordingly, subject to Shareholders' approval being obtained for the Proposed Share Consolidation at the SGM to be convened by the Company, Shareholders' holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be based on their holdings of Shares as at the Books Closure Date. Every sixteen (16) Existing Shares registered in the name, or standing to the credit of the Securities Account, of each Shareholder or Depositor (as the case may be) as at the Books Closure Date will be consolidated into one (1) Consolidated Share, and the number of Consolidated Shares which each Shareholder is entitled to shall be rounded down to nearest whole Consolidated Share, with fractional entitlements to the Consolidated Shares resulting from the share consolidation to be disregarded. Each Consolidated Share will rank *pari passu* in all respects with one another. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which Shareholders will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractional entitlements will be disregarded. All fractional entitlements arising from the Proposed Share Consolidation will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (but without limitation) aggregating any fractional entitlements to the Consolidated Shares arising as a result thereof and selling the same and retaining the net proceeds for the benefit of the Company in such manner and on such terms as the Directors may think fit. Affected Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.

Shareholders who hold less than sixteen (16) Existing Shares as at the Books Closure Date will not be entitled to any Consolidated Shares and will no longer be Shareholders upon completion of the Proposed Share Consolidation. Such Shareholders who wish to remain as Shareholders upon completion of the Proposed Share Consolidation are advised to purchase additional Existing Shares so as to increase the number of Existing Shares held to a multiple of sixteen (16) Existing Shares prior to the Books Closure Date.

With effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of 100 Consolidated Shares.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, the Company has an authorised share capital of US\$40,000,000 divided into 8,000,000,000 Shares of a par value of US\$0.005 each, and an issued and paid-up share capital of US\$4,040,000 divided into 808,000,000 Shares of a par value of US\$0.005 each. On the assumption that there will be no new Shares issued by the Company up to the Books Closure Date, following the completion of the Proposed Share Consolidation, the Company will have an authorised share capital of US\$40,000,000 divided into 500,000,000 Shares of a par value of US\$0.08 each, and an issued and paid-up share capital of US\$4,040,000 divided into 50,500,000 Shares of a par value of US\$0.08 each.

The Company announced on 5 March 2015, that it entered into a convertible bond agreement dated 5 March 2015 (the “**Agreement**”) with Alternus Capital Holdings Limited (the “**Investor**”), whereby the Investor had agreed to subscribe for S\$2,660,000 of convertible bonds (the “**Convertible Bonds**”).

The Company announced on 16 March 2015, that it entered into a supplemental agreement dated 16 March 2015 (the “**Supplemental Agreement**”) with the Investor to, inter alia, provide for adjustments in the event any share consolidation exercise of the Company occurs.

On 27 March 2015, the Company received the approval in-principle from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of up to 38,000,000 new ordinary shares in the capital of the Company on the Main Board of the SGX-ST to be issued upon conversion of the Convertible Bonds.

On 31 March 2015, the issuance of seven per cent (7%) unsecured convertible bonds due 2017 of an aggregate principal amount of S\$2,660,000 was completed and the Convertible Bonds were issued to the Investor for S\$2,660,000.

On the assumption that:

- (a) there are Convertible Bonds not converted prior to the Books Closure Date, pursuant to the terms of the Convertible Bonds, an adjustment will be made to the conversion price of the Convertible Bonds (the “**Conversion Price**”) on the close of the stock exchange business day (being any day (other than a Saturday or Sunday) on which SGX-ST is open for securities trading) (the “**Stock Exchange Business Day**”) immediately preceding the date on which the Proposed Share Consolidation becomes effective. Further details on the adjustment to the Conversion Price are set out at Section 3 of this Circular; or
- (b) all of the outstanding Convertible Bonds are converted into new Shares (the “**Conversion Shares**”) and that all the Conversion Shares are issued on or before the Books Closure Date, and that there will be no other new Shares issued by the Company up to the Books Closure Date, the Company will have an issued and paid-up share capital of US\$4,230,000 divided into 846,000,000 Shares of a par value of US\$0.005 each, as at the Books Closure Date, and following the completion of the Proposed Share Consolidation, the Company will have an issued and paid-up share capital of US\$4,230,000 divided into 52,875,000 Shares of a par value of US\$0.08 each.

The Proposed Share Consolidation will have no impact on the dollar value of the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Company and/or its subsidiaries. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.

2.2 Rationale for the Proposed Share Consolidation

The SGX-ST has introduced a minimum trading price (“**MTP**”) of S\$0.20 per share for Mainboard listed issuers as a continuing listing requirement. Pursuant to Rule 1311(2) of the Listing Manual, which shall take effect from 1 March 2016, the SGX-ST will place an issuer on the watch-list if it records a volume weighted average price (“**VWAP**”) of less than S\$0.20 over the last six (6)

LETTER TO SHAREHOLDERS

months. Commencing in March 2016, the SGX-ST will conduct quarterly reviews to identify issuers to be included on the watch-list. For issuers placed on the watch-list on or after 1 March 2016, if the issuer fails to comply with the requirements for removal from the watch-list within 36 months of the date on which it was placed on the watch-list, the SGX-ST may either remove the issuer from the official list, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the official list.

For the past six (6) months prior to the date of this Circular, the trading price of the Shares was between S\$0.012 and S\$0.040. The highest and lowest closing market prices for each month and the transacted volume of the Shares traded on the SGX-ST for each such month, up to 13 January 2016 were as follows:

	Highest Closing Price (S\$)	Lowest Closing Price (S\$)	Volume of traded Shares ('000)
August 2015	0.034	0.019	3,067
September 2015	0.029	0.018	450
October 2015	0.028	0.017	3,052
November 2015	0.025	0.012	3,773
December 2015	0.018	0.029	1,513
Up to 13 January 2016	0.016	0.018	568

The Board is of the view that the Proposed Share Consolidation will rationalise the share capital of the Company by reducing the number of Shares, and the trading price per Consolidated Share should theoretically be proportionally higher than the trading price per Share prior to the Proposed Share Consolidation. Therefore, the Proposed Share Consolidation would facilitate the Company's ability to satisfy the prospective continuing listing requirement to be imposed by the SGX-ST for issuers listed on the SGX Mainboard to have a MTP per share of S\$0.20.

For illustrative purposes only, on the assumption that the Proposed Share Consolidation had been in place for the six (6) months prior to the Company making the announcement on the Proposed Share Consolidation on 29 December 2015, the theoretical adjusted 6-month VWAP based on the Consolidated Shares will be S\$0.4624 and S\$0.28 after taking into consideration the Conversion Shares.

Any resultant increase in the trading price of the Consolidated Shares may also increase the profile of the Company amongst investors and the coverage of the Company by research houses. This may, in turn, increase market interest and activity in the Consolidated Shares, and generally make the Shares more attractive to investors. In addition, the overall reduction in the number of Shares may allow for more efficiency in administering corporate actions by the Company.

Shareholders should note, however, that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

2.3 Conditions for the Proposed Share Consolidation

Pursuant to Bye-law 4 of the Bye-laws, the implementation of the Proposed Share Consolidation is subject to Shareholders' approval being obtained by way of an ordinary resolution at the SGM.

On 4 January 2016, the Company announced that it had obtained in-principle approval from the SGX-ST, for the listing and quotation of the Consolidated Shares on the Mainboard of the SGX-ST, subject to Shareholders' approval being obtained at the forthcoming SGM for the Proposed Share Consolidation and compliance with the SGX-ST's listing requirements.

LETTER TO SHAREHOLDERS

The in-principle approval by the SGX-ST shall not to be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company and/or its subsidiaries.

Assuming that the abovementioned approval of the Shareholders is duly obtained at the SGM, the Directors will fix the Books Closure Date to be at such date and time as they deem fit in the interests of the Company and its Shareholders.

An announcement will be made by the Company to notify Shareholders of the Effective Trading Date as well as the Books Closure Date in due course.

However, Shareholders should note that whilst the Board is seeking Shareholders' approval for the Proposed Share Consolidation, the Directors may decide not to proceed with the Proposed Share Consolidation if the Directors are of the view that, after taking into account all relevant factors, it is not beneficial to the Company and its Shareholders to do so. In such a case, an announcement will be made by the Company to notify Shareholders of the reasons why the Directors have decided not to proceed with the Proposed Share Consolidation.

2.4 Updating of Register of Members and Depository Register

If Shareholders at the SGM approve the Proposed Share Consolidation, the Shareholders' and Depositors' entitlements of the Consolidated Shares will be determined as at the Books Closure Date, based on their shareholdings as at 5.00 p.m. on such date. The Register of Members and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders (or credited to the Securities Accounts of the Depositors, as the case may be) based on their shareholdings in the Company as at the Books Closure Date and the Consolidated Shares will begin trading in board lots of 100 Consolidated Shares on the Effective Trading Date.

2.4.1 Deposit of Share Certificates with CDP

Shareholders who hold physical share certificates for the Existing Shares in their own names ("**Old Share Certificates**") and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts maintained with CDP must deposit their Old Share Certificates with CDP, together with the duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days prior to the Books Closure Date.

After the Books Closure Date, CDP will only accept deposit of share certificates for Consolidated Shares ("**New Share Certificates**"). Shareholders who wish to deposit their share certificates with CDP after the Books Closure Date must first deliver their Old Share Certificates to the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 for cancellation and issuance of New Share Certificates in replacement thereof as described below.

2.4.2 Issue of New Share Certificate

Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Books Closure Date need not take any action. The Company will make arrangements with CDP to facilitate the exchange for the New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 as soon as possible after they have been notified of the Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the Company's Singapore Share Registrar upon the receipt of any Old Share Certificates. The New Share Certificates will be sent

LETTER TO SHAREHOLDERS

by ordinary mail to the registered addresses of the Shareholders at their own risk within ten (10) Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the Company's Singapore Share Registrar for cancellation.

Shareholders should notify the Company's Singapore Share Registrar if they have lost any of their existing Old Share Certificates or if there is any change in their respective addresses from that reflected in the Register of Members.

Shareholders shall deliver their respective Old Share Certificates to the Company's Singapore Share Registrar or CDP in accordance with the provisions set out above, only after the Company's announcement of the Books Closure Date.

2.4.3 Share Certificates Not Valid for Settlement of Trades on the Mainboard of the SGX-ST

Shareholders are reminded that their physical share certificates are not valid for settlement of trading in the Shares on the Mainboard of the SGX-ST, as the Company is under a book-entry (scripless) settlement system, but will continue to be accepted by the Company's Singapore Share Registrar for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period. The New Share Certificates will not be valid for delivery for trades done on the Mainboard of the SGX-ST although they will continue to be prima facie evidence of legal title.

2.5 Trading Arrangements for the Consolidated Shares and Odd Lots

2.5.1 Trading arrangements for the Consolidated Shares

Subject to the approval for the Proposed Share Consolidation by Shareholders at the SGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of 100 Consolidated Shares. Accordingly, sixteen (16) Existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the Existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

All fractional entitlements arising from the Proposed Share Consolidation will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (but without limitation) aggregating any fractional entitlements to the Consolidated Shares arising as a result thereof and selling the same and retaining the net proceeds for the benefit of the Company in such manner and on such terms as the Directors may think fit. Affected Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.

2.5.2 Trading arrangements for Odd Lots

The Existing Shares are currently traded in board lots of 100 Existing Shares in the ready market. Following the Proposed Share Consolidation, the Securities Accounts of Shareholders (being Depositors) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 100 Consolidated Shares). The market for trading of such odd lots of Consolidated Shares may be illiquid and at a discount. Shareholders (being Depositors) who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the unit share market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of one (1) Consolidated Share.

LETTER TO SHAREHOLDERS

Entitled Shareholders who hold odd lots of less than 100 Consolidated Shares after the Proposed Share Consolidation may find difficulty and/or have to bear disproportionate transaction costs in realising the fair market price of such Consolidated Shares.

3. ADJUSTMENTS TO THE CONVERTIBLE BONDS

The completion of the Proposed Share Consolidation will constitute an event giving rise to an adjustment to the Conversion Price pursuant to the terms and conditions of the Agreement supplemented by the Supplemental Agreement.

The adjustment to the Conversion Price shall become effective on the close of the Stock Exchange Business Day immediately preceding the date on which the Proposed Share Consolidation becomes effective and the Conversion Price shall be adjusted in the following manner:

$$\begin{array}{lcl} \text{New Conversion Price} & = & \frac{\text{Aggregate number of issued and paid-up Shares immediately before such share consolidation exercise of the Company}}{\text{Aggregate number of issued and fully paid-up Shares immediately after such share consolidation exercise of the Company}} \times X \end{array}$$

X = existing Conversion Price

Further announcement(s) will be made by the Company in respect of the adjustments to the Convertible Bonds as and when appropriate.

4. FINANCIAL EFFECTS

4.1 For illustrative purposes only and on the basis of the following assumptions, the financial effects of the Proposed Share Consolidation on the Group are set out below:-

(a) the financial effects of the Proposed Share Consolidation on the share capital, NTA per Share, EPS and gearing of the Group are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Group after the completion of the Proposed Share Consolidation. The financial effects of the Proposed Share Consolidation are prepared based on the audited consolidated financial statements of the Group for FY2014 however, the number of Shares for the financial effects relating to the NTA per Share, EPS and the share capital of the Company is based on the number of issued Shares (excluding treasury shares) as at the Latest Practicable Date being 808,000,000 Shares; and

(b) there is no issuance of Conversion Shares from any of the Convertible Bonds.

4.2 Share Capital

	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Issued and paid-up share capital (US\$'000)	4,040	4,040
Number of Shares	808,000,000	50,500,000

LETTER TO SHAREHOLDERS

4.3 NTA per Share

	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
NTA as at 31 December 2014 (RMB'000)	15,944	15,944
Number of Shares	808,000,000	50,500,000
NTA per Share (RMB cents)	1.97	31.57

4.4 Earnings Per Share

	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Earnings attributable to Shareholders for FY2014 (RMB'000)	17,703	17,703
Weighted average number of Shares for basic EPS	808,000,000	50,500,000
Weighted average number of Shares for diluted EPS	846,000,000	52,875,000
EPS – basic (RMB cents)	2.19	35.06
EPS – diluted (RMB cents)	2.09	33.48

4.5 Gearing

The Proposed Share Consolidation will not affect the gearing of the Company and of the Group.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 Interests in Shares

5.1.1 Interests of Directors

The interests of the Directors in the Shares, based on information as recorded in the Register of Directors' Shareholdings of the Company maintained pursuant to Section 164 of the Companies Act, as at the Latest Practicable Date, are as follows:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mak Tin Sang	–	–	–	–	–	–
Huo Wei Sheng	–	–	–	–	–	–
Wang Huai Dong	–	–	–	–	–	–
Teo Kean Eek	–	–	–	–	–	–
Kwok Wei Woon	–	–	–	–	–	–

LETTER TO SHAREHOLDERS

5.1.2 Interests of Substantial Shareholders of the Company

The interests of the substantial shareholder of the Company in the Shares, based on information as recorded in the Register of Substantial Shareholders of the Company maintained pursuant to Section 137C of the SFA, as at the Latest Practicable Date, is as follows:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yong Tai Investment Company Limited	159,152,765	19.70	–	–	159,152,765	19.70
Yuan Limin	–	–	159,152,765	19.70	159,152,765	19.70
Link Profits Limited	85,257,148	10.55	–	–	–	–
Asia Brand Capital Pte. Ltd	–	–	58,800,490	7.28	58,800,490	7.28
Wang Chunzhi	–	–	85,257,148	10.55	85,257,148	10.55
Liu Yanlong	–	–	58,800,490	7.28	58,800,490	7.28
Li Yu Huan	–	–	100,397,362	12.42	100,397,362	12.42

5.2 Disclosure of Interests

Neither any of the Directors nor the Substantial Shareholder (other than in his or her or its capacity as a Shareholder) has any interest, direct or indirect, in the Proposed Share Consolidation.

6. DIRECTORS' RECOMMENDATIONS

After having considered the rationale and terms of the Proposed Share Consolidation, the Directors are of the opinion that the Proposed Share Consolidation is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 1 (proposed as an ordinary resolution) relating to the Proposed Share Consolidation as set out in the Notice of SGM.

7. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on pages 16 and 17 of this Circular, will be held at Raffles Room #301, 3/F, Maxwell Chambers Pte Ltd, 32 Maxwell Road, #03-01, Singapore 069115 on 5 February 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the resolution set out in the Notice of SGM relating to the Proposed Share Consolidation.

8. ACTIONS TO BE TAKEN BY SHAREHOLDERS

- 8.1 Shareholders (who are not Depositors) who are unable to attend the SGM and who wish to appoint a proxy to attend and vote at the SGM on their behalf should complete, sign and return the Shareholder Proxy Form attached to the Notice of SGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time fixed for the SGM. The completion and return of the Shareholder Proxy Form by such Shareholder will not prevent him from attending the SGM and voting in person in place of his proxy should he subsequently wish to do so and in such event, his Shareholder Proxy Form shall be deemed to be revoked. Only Shareholders whose names are entered on the Register of Members of the Company and who are entitled to attend and vote at a general meeting of the Company will receive a Shareholder Proxy Form with this Circular. A proxy need not be a Shareholder of the Company.

LETTER TO SHAREHOLDERS

- 8.2 Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the SGM in person need not take any further action and may attend and vote at the SGM without the lodgement of any Proxy Form. Such Depositors who are unable to attend the SGM personally and wish to appoint a nominee to attend and vote on his behalf, and Depositors who are not individuals, will find attached to this Circular a Depositor Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time fixed for the SGM. The completion and return of the Depositor Proxy Form by a Depositor who is an individual will not prevent him from attending and voting in person at the SGM as a proxy of CDP in place of his nominee if he subsequently wishes to do so.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Share Consolidation, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 the Circular in its proper form and context.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the SGM:-

- (a) the Memorandum and the Bye-laws; and
- (b) the latest annual report of the Company for the financial year ended 31 December 2014.

Yours faithfully
for and on behalf of the Board of Directors of
ASIA FASHION HOLDINGS LIMITED

Mak Tin Sang
Executive Chairman and Chief Executive Officer
20 January 2016

NOTICE OF SPECIAL GENERAL MEETING

ASIA FASHION HOLDINGS LIMITED

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

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 20 January 2016 issued by Asia Fashion Holdings Limited (the “Circular”).

NOTICE IS HEREBY GIVEN that a Special General Meeting (“SGM”) of Asia Fashion Holdings Limited (the “Company”) will be held at Raffles Room #301, 3/F, Maxwell Chambers Pte Ltd, 32 Maxwell Road, #03-01, Singapore 069115 on 5 February 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without any amendments, the following resolution set out below.

RESOLUTION 1 (AS AN ORDINARY RESOLUTION): APPROVAL OF THE PROPOSED SHARE CONSOLIDATION

That:

- (a) with effect from the date to be determined by the Directors of the Company (the “**Effective Consolidation Date**”), every sixteen (16) Existing Shares of par value US\$0.005 each in the capital of the Company as at the Books Closure Date be consolidated into one (1) Consolidated Share of par value US\$0.08 each in the capital of the Company, and the number of Consolidated Shares which each Shareholder is entitled to shall be rounded down to nearest whole Consolidated Share, with fractional entitlements to the Consolidated Shares resulting from the share consolidation to be disregarded and not be issued or given to holders of the same;
- (b) all of the Consolidated Shares shall rank *pari passu* in all respects with each other in the same class and have the rights and privileges and be subject to the restrictions contained in the Bye-laws of the Company;
- (c) the Directors be and are hereby authorised to deal with and make arrangements for the settlement of all fractional entitlements which may arise from the Proposed Share Consolidation in such manner and on such terms as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (but without limitation) aggregating any fractional entitlements to the Consolidated Shares arising as a result thereof and selling the same and retaining the net proceeds for the benefit of the Company in such manner and on such terms as the Directors may think fit;
- (d) the Directors be and are hereby authorised to fix the Books Closure Date, the Effective Consolidation Date and the date on which the Consolidated Shares will commence trading on the Mainboard of the SGX-ST in board lots of 100 Consolidated Shares, in their absolute discretion as they deem fit; and
- (e) the Directors of the Company and each of them be and is hereby authorised to take any and all steps, and to do (or procure to be done) such acts and things (including without limitation, to finalise, approve, sign and/or execute all such documents which they in their absolute discretion consider to be necessary, to issue new share certificates in respect of the Consolidated Shares in issue and to exercise such discretion as may be required to approve any amendments, alterations or modifications to any documents, and to sign, finalise and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient to give effect to this Resolution, the Proposed Share Consolidation and/or the matters contemplated herein.

By Order of the Board
ASIA FASHION HOLDINGS LIMITED

Zhou Chen
Company Secretary
20 January 2016

NOTICE OF SPECIAL GENERAL MEETING

IMPORTANT: Please read notes below.

Notes:

1. If a Depositor (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) who holds Shares through the CDP and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) as at a time not earlier than 48 hours prior to the time of the SGM supplied by the CDP to the Company, and such Depositor is an individual but he is unable to attend the SGM in person, or such Depositor is a corporation and wishes to attend and vote at the SGM, then he/it should complete the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time of the SGM.
2. If a Shareholder (who is not a Depositor) who/which holds Shares in his/its own name wishes to appoint a proxy/proxies, he/it must complete the Shareholder Proxy Form and must deposit such form at the office of the Company's Singapore Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902, not less than 48 hours before the time of the SGM. Delivery of the Shareholder Proxy Form shall not preclude him from attending and voting in person at the SGM and in such event, the Shareholder Proxy Form shall be deemed to be revoked.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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