

ASIA FASHION HOLDINGS LIMITED

(Company Registration No. 41195)

(Incorporated in Bermuda)

PROPOSED ISSUANCE OF 7.0% UNSECURED CONVERTIBLE BONDS DUE 2017 OF AN AGGREGATE PRINCIPAL AMOUNT OF S\$2,660,000 (THE "PROPOSED ISSUANCE")

A. INTRODUCTION

The Board of Directors (the "**Board**") of Asia Fashion Holdings Limited (the "**Company**") wishes to announce that the Company has entered into a convertible bonds agreement dated 5 March 2015 (the "**Agreement**") with Alternus Capital Holdings Limited, (BVI registration number: 1827854) (the "**Investor**") whereby the Investor has agreed to subscribe for S\$2,660,000 of convertible bonds ("**Bonds**"). The Investor was introduced by Mr. Yuan Limin and no commission was paid to Mr. Yuan. The Investor, Alternus Capital Holdings Limited is a BVI incorporated entity since 2014. Its sole director Mr. Joe Lam Cho Ying, has over 30 years of experience in the finance industry. He started his career in the banking division of Chase Manhattan Bank, and later ventured into investment banking with other institutions. He has held numerous chief executive roles in Socgen-Crosby Securities (HK) Limited, Yuanta Securities (Hong Kong) Company Limited, and Value Convergence Holdings Limited. He is now working for his own investment company. Mr. Lam was introduced to Mr. Yuan through a common friend. Alternus has invested in the Bonds for private investment purposes.

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

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

B. PRINCIPAL TERMS

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

<u>Issue Size</u>	:	S\$2,660,000 in aggregate principal amount of Bonds.
<u>Issue Price</u>	:	100% of the principal amount of the Bonds.
<u>Interest</u>	:	The Bonds will bear interest at the rate of 7.0% per annum, payable quarterly in arrears.
<u>Maturity Date</u>	:	The date that is two (2) years from the date of the issue of the Bonds (the " Maturity Date ").
<u>Early Redemption at the Option of the Company</u>	:	The Company may, at any time within the period commencing the seventh (7 th) month from the issue

date up until the Maturity Date, (i) having served at least ten (10) days' prior written notice ("**Redemption Notice**") to the bondholder and (ii) having not received any conversion notice from the bondholder within fifteen (15) days after the date of receipt of the Company's Redemption Notice ("**Redemption Conversion Period**"), redeem all (and not some only) of the Bonds then outstanding at 103% of the principal amount, together with all accrued and unpaid interest that was scheduled to be paid to (but excluding) the redemption date.

<u>Purchase</u>	:	The Company and/or any of its related corporations may at any time purchase Bonds from the bondholder at any price. All Bonds purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all Bonds redeemed by the Company, be cancelled forthwith.
<u>Conversion Price</u>	:	S\$0.07 for each ordinary share (the " Conversion Price ")
<u>Adjustments to the Conversion Price</u>	:	No adjustments to the Conversion Price shall be made in respect of any issue of shares and/or convertible securities and/or warrants by the Company.
<u>Voluntary Conversion</u>	:	The bondholder may convert all or part of the outstanding Bonds and any accrued and unpaid interest in respect of each Bond into new ordinary shares at the Conversion Price at any time within the period commencing three (3) months from the issue date up until the Maturity Date, Provided Always that (i) the bondholder shall not have a conversion right in the event that the Company serves a Redemption Notice and the Redemption Conversion Period has expired; and (ii) the minimum aggregate principal amount of Bonds to be converted in any single conversion of Bonds shall be S\$177,000.
<u>Mandatory Conversion</u>	:	Upon the occurrence of the volume weighted average price for trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited (" SGX-ST ") remaining at S\$0.10 and above for a consecutive period of fifteen (15) business days on which the SGX-ST is open for securities trading (" Trading Day "), falling within the period commencing three (3) months from the date of issue of the Bonds up until the Maturity Date, the bondholder shall be

required to convert all of the outstanding Bonds and any accrued and unpaid interest in respect of each Bond into new ordinary shares at the Conversion Price. If trading is not available for a full Stock Exchange Business Day ("**No Available Trading**"), the volume weighted average price for trades done on the Shares of the Company on the SGX-ST for that particular Trading Day shall be disregarded for the computation of the consecutive period of fifteen (15) Trading Day, and the consecutive period shall not be treated as being non-consecutive solely due to No Available Trading.

Status of the Convertible Bonds :

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

Status of the Conversion Shares :

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

Governing Law :

Singapore law.

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

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

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

The conversion price of S\$0.07 for each conversion share ("**Conversion Share**") represents a premium of approximately 35% to the volume weighted average price of S\$0.0519 for trades done on the ordinary shares in the capital ("**Shares**") of the Company on the SGX-ST for the full market day on 5 March 2015 (being the market day on which the Agreement was signed).

The Bonds will be issued pursuant to the general mandate (the "**General Mandate**") obtained at the annual general meeting of the Company held on 30 May 2014 which authorises the Board pursuant to Rule 806 of the Listing Manual of the SGX-ST, 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 share capital base of the Company for the computation of the number of shares which may be issued pursuant to the general mandate is 548,802,638 Shares (excluding treasury shares). Based on the General Mandate, the maximum number of Shares that can be issued to the Investor (after such adjustments as permitted under Rule 806(3) of the Listing Manual) is 109,760,527 Shares.

When completed, the Proposed Issuance will increase the issued and paid up share capital of the Company to 686,802,638 Shares. After the completion of the Proposed Issuance, 236,401,319 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 71,760,527 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.

The Conversion Shares will represent (i) approximately 5.86% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and (ii) approximately 5.53% of the enlarged issued and paid-up share capital of the Company after the issue of the Conversion Shares. The Conversion Shares when issued and fully paid will rank *pari passu* in all respects with the existing Shares of the Company.

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

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

C. CONDITIONS PRECEDENT

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

- (a) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by this Agreement;
- (b) each of the representations and warranties of the Investor set out in Clause 5 of the Agreement shall be true in on and as of the date of the completion of the Proposed Issuance (the "**Completion Date**");
- (c) each of the covenants required to be performed or complied with by the Investor on or prior to the Completion Date has been performed and complied with;

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

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

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

If any of the conditions set forth above is not satisfied on or before the 6th day of June 2015 (or such other later date as the parties may agree) after the date of the Agreement, the Agreement shall *ipso facto* cease and determine thereafter, without prejudice to any rights which the Company may have against the Investor with respect to his/its failure to fulfill any of the terms of the Agreement prior to termination.

D. PROCEEDS FROM PROPOSED ISSUANCE

The estimated net proceeds from the Proposed Issuance, after deducting estimated expenses pertaining to the Proposed Issuance of S\$133,000, will be S\$2,527,000. The net proceeds will be fully used for working capital purposes.

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

E. FINANCIAL EFFECTS OF THE PROPOSED ISSUANCE

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

- (a) The audited consolidated financial statements of the Company for the financial year ended 31 December 2013; 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 2013 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 2013.

	Before the Proposed Issuance	After the Proposed Issuance	After the issue and conversion of the Bonds
Share capital			
- Issued and paid up share capital (US\$)	3,244,013	3,244,013	3,434,013
- Number of Shares	648,802,638	648,802,638	686,802,638
NTA (RMB'000)	483	483	483
NTA per Share (RMB cents)	0.007	0.007	0.007
EPS (RMB cents)⁽¹⁾	(64.88)	(64.88)	(61.29)
Earnings attributable to equity holders of the Company (RMB'000)	(420,959)	(420,959)	(420,959)
Weighted average number of shares used to calculate diluted earnings	648,802,638	648,802,638	684,802,638

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

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

F. RULE 812 AND INTERESTED PERSONS

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

G. CHANGES IN SHAREHOLDING STRUCTURE

Based on the issued share capital of the Company as at the date hereof, the following table sets out the impact on the percentage shareholding of existing shareholders following completion of the Proposed Issuance:

[illegible]

H. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

BY ORDER OF THE BOARD

Neo Chee Beng
Executive Chairman
5 March 2015