

ASIA FASHION HOLDINGS LIMITED
(Company Registration No. 41195)
(Incorporated in Bermuda)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Announcement (as defined below).

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement (the “**Announcement**”) on 3 September 2017 in relation to the termination of Mr. Zhu Zhi Hong as an Executive Director of the Company. In this regard, the Board would like to respond to the following query (the “**SGX Query**”) raised by the SGX as follows:

SGX Query 1

It was disclosed that Mr. Zhu Zhi Hong (“**Mr Zhu**”) had ceased as the executive director of the Company due to “significant lack of time, effort and dedication extended to engagement as Executive Director”. It is noted that Mr. Zhu was appointed on 21 March 2017.

- a. What has changed since Mr Zhu joined in March 2017 such that he now has significant lack of time, effort and dedication?
- b. What has Mr Zhu done for the Company and what deals did he bring to the Company since his appointment?
- c. What were the terms of Mr Zhu’s engagement?
- d. Will Mr. Zhu still be involved in the Group after stepping down as Executive Director? If so, why does he need to step down as Executive Director and why would this result in a significant lack of time?
- e. Please provide details of how often the Board had met in the last 6 months.
- f. Will Mr Zhu be liable to reimburse the Company for early termination of his service contract?

Company’s Response to SGX Query 1(a)

Since joining the Company in March 2017, Mr Zhu has spent increasingly more of his time and effort in managing and developing his own family business which is neither related to nor competing against the existing business of the Company (including, but not limited to, the newly-commenced business by Shanghai Daiyoulong New Materials Limited (上海戴优垄新材料有限公司) (“**SHDYL**”), a wholly-owned subsidiary of the Company, in the distribution sales of “Jiajinyo” product). Mr. Zhu has also indicated to the Company that he may not be able to devote adequate time and effort in his capacity as the Executive Director of the Company going forward as a result of the fast growth of his own family business.

Company’s Response to SGX Query 1(b)

The main role of Mr. Zhu as an Executive Director of the Company was to help identify, develop, promote, secure, manage and maintain strong and stable business relationships with certain target customers, and to facilitate and assist the local management of SHDYL with the finalisation of as many “Jiajinyo” product orders with these target customers as possible.

Following the gradual success in securing reasonably strong product orders with SHDYL from May onwards, Mr. Zhu had increasingly spent more of his time and effort in developing and managing his own family business.

As far as the “Jiajinyo” orders received by SHDYL is concerned, although Mr. Zhu had made contributions in the initial stages, the Company considers that on the whole, the orders have been the direct result of the joint efforts of SHDYL’s local management team and the reasonably superior product quality of “Jiajinyo” rather than due to the individual effort of Mr. Zhu.

Company’s Response to SGX Query 1(c)

The engagement terms of all employees / officers (including Mr. Zhu as an Executive Director) of the Company have to be treated in the strictest confidence. Neither the Company nor the relevant employee / officer may publicly disclose such terms without the written consent of the other party, or the disclosing party could be liable for breach of the confidentiality provisions in the engagement letter / contract, and could also be in breach of duties of confidentiality under the applicable labour laws of the relevant jurisdiction (being Hong Kong SAR (“**HKSAR**”) in this case).

Company’s Response to SGX Query 1(d)

From the effective date of his termination as the Executive Director of the Company on 1 September 2017, Mr. Zhu has been and will be focusing on his family business and will not, directly or indirectly or in any form, be involved any further in any business or matter of the Company and any of its subsidiaries including, but not limited to, SHDYL.

Company’s Response to SGX Query 1(e)

It is the common practice of the Company for the Board to meet and discuss either in personal or via teleconference on relatively more important business issues such as significant fund raising exercises or major acquisition/disposal proposals and on the review and approval for release of quarterly and full year results announcements of the Company.

In the past 6 months, the Company has held six (6) Board meetings via teleconference on the following agendas:

- (1) The discussion and approval of the Company’s 2Q2017 results announcement which was being released on 13 February 2017;
- (2) The discussion and approval on the resignation of Mr. Huo Wei Sheng as an Executive Director of the Company and the appointment of Mr. Zhu Zhi Hong as an Executive Director of the Company with effect from 21 March 2017 and the release of the relevant announcements on such date;
- (3) The discussion and approval on the despatch of the circular to shareholders in relation to the holding of a special general meeting for obtaining the necessary shareholders’ approval of the proposed issuance of convertible bonds to Mr. Dai Ji Zhou and the proposed placement of 35,000,000 new shares to four independent places on 26 May 2017 in Singapore, with the announcement in respect thereof approved and released on 9 May 2017;
- (4) The discussion and approval of the Company’s 3Q2017 results announcement which was being released on 12 May 2017;
- (5) The discussion and approval of the Company’s proposed overseas placement of up to 145,000,000 new shares in the capital of the Company with Freeman Securities Limited as the Company’s overseas placement manager (whereby Freeman Securities Limited has agreed to use its best efforts to identify subscriptions for such shares), the announcement of which was being released on 8 August 2017; and

- (6) The discussion and approval of the Company's FY2017 full year results announcement which was being released on 29 August 2017.

Company's Response to SGX Query 1(f)

In relation to the termination of Mr. Zhu's engagement as the Executive Director of the Company, neither party is liable to reimburse the other party. The Company has also made sure that such termination has been executed in strict accordance with the applicable labour laws of HKSAR (being the jurisdiction applicable to the contract between Mr. Zhu and the Company).

By Order of the Board

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
7 September 2017