



Asia Fashion Holdings Limited

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 (“2Q2014”)

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 group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated statement of comprehensive income for the Group

	2Q2014 RMB'000 (Unaudited)	2Q2013 RMB'000 (Unaudited)	% Change + / (-)	HY2014 RMB'000 (Unaudited)	HY2013 RMB'000 (Unaudited)	% Change + / (-)
Revenue	36,902	25,234	46.2	70,973	55,428	28.0
Cost of sales	(31,895)	(23,214)	37.4	(61,655)	(52,735)	16.9
Gross profit	5,007	2,020	147.9	9,318	2,693	246.0
Other income	52	16,635	-99.7	116	17,138	-99.3
Selling and distribution expenses	(1,370)	(1,356)	1.1	(2,393)	(2,590)	-7.6
Administrative expenses	(2,514)	(6,769)	-62.8	(6,147)	(11,058)	-44.4
Other operating expenses	-	(461,500)	N/A	-	(461,500)	N/A
Profit/(Loss) from operations	1,175	(450,970)	N/A	894	(455,317)	N/A
Finance costs	(139)	(515)	-73.0	(300)	(1,165)	-74.2
Profit/(Loss) before taxation	1,036	(451,485)	N/A	594	(456,482)	N/A
Income tax expense	(272)	-	100.0	(468)	-	100.0
Profit/(Loss) after taxation	764	(451,485)	N/A	126	(456,482)	N/A
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive profit/(loss) for the period	764	(451,485)	N/A	126	(456,482)	N/A



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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 loss before taxation is arrived at after charging/(crediting):

	2Q2014 RMB'000 (Unaudited)	2Q2013 RMB'000 (Unaudited)	HY2014 RMB'000 (Unaudited)	HY2013 RMB'000 (Unaudited)
Interest income	-	(348)	(7)	(710)
Depreciation of property, plant and equipment	2,274	2,411	4,543	4,686
Amortization of land use rights	45	45	91	91
Interest expense	139	515	300	1,165
Foreign exchange loss	-	185	-	100
Provision for compensation to customers	-	461,500	-	461,500
Provision for compensation written back	-	(11,562)	-	(11,562)
Provision for minimum guaranteed royalty written back	-	(4,667)	-	(4,667)



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1(b)(i) A balance sheet (for the issuer 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	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets				
Property, plant and equipment	42,633	47,176	-	-
Intangible assets	7,740	7,831	-	-
Investments in subsidiaries	-	-	3,251	3,251
Investment in associated company	49,030	-	49,030	-
	99,403	55,007	52,281	3,251
Current assets				
Inventories	8,543	12,041	-	-
Trade receivables	73,818	67,637	-	-
Prepayments and other receivables	2,312	3,663	-	-
Cash and cash equivalents	2,708	9,986	295	137
	87,381	93,327	295	137
Total assets	186,784	148,334	52,576	3,388
Current liabilities				
Trade payables	29,272	24,496	-	-
Other payables and accruals	22,633	22,979	27,523	26,858
Compensation payable	17,400	17,400	-	-
Amount due to a shareholder	2,701	2,701	2,701	2,701
Bank loans	4,766	7,766	-	-
Tax payable	272	1,182	-	-
	77,044	76,524	30,224	29,559
Net current assets/(liabilities)	10,337	16,803	(29,929)	(29,422)
Non current liabilities				
Compensation payable	58,837	69,730	-	-
Bank loans	1,135	1,597	-	-
Non-equity linked bonds	49,159	-	49,159	-
Total liabilities	186,175	147,851	79,383	29,559
Net assets /(liabilities)	609	483	(26,807)	(26,171)
Equity				
Share capital	19,220	19,220	19,220	19,220
Reserves	(18,611)	(18,737)	(46,027)	(45,391)
Total equity	609	483	(26,807)	(26,171)



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(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 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	4,766	-	7,766	-

Amount repayable after one year

RMB ‘000	As at 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	1,135	-	1,597	-

Details of any collateral

The Group’s interest-bearing bank borrowings are secured by the pledge of certain of the Group’s property, plant and equipment and guarantee provided by Mr Lin Daoqin.



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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.

Consolidated statement of cash flows for the Group

	2Q2014 RMB'000 (Unaudited)	2Q2013 RMB'000 (Unaudited)	HY2014 RMB'000 (Unaudited)	HY2013 RMB'000 (Unaudited)
Cash flows from operating activities				
Loss before taxation	1,036	(451,485)	594	(456,482)
Adjustments for:				
Amortization of land use rights	45	45	91	91
Depreciation of property, plant and equipment	2,274	2,411	4,543	4,686
Loss on disposal of fixed assets - plant and machinery	-	-	-	-
Provision for compensation to customers	-	461,500	-	461,500
Provision for compensation written back	-	(11,562)	-	(11,562)
Provision for minimum guaranteed royalty written back	-	(4,667)	-	(4,667)
Interest income	-	(348)	(7)	(710)
Interest expense	139	515	300	1,165
Operating profit/(loss) before working capital changes	3,494	(3,591)	5,521	(5,979)
Decrease in inventories	1,873	1,857	3,498	1,448
(Increase)/decrease in trade receivables	(22,090)	15,070	(6,181)	28,765
(Increase)/decrease in prepayments and other receivables	(47)	227	1,351	532
Liability for compensation payables (Note A)	(5,220)	-	(10,893)	-
Increase/(decrease) in trade payables	16,521	(7,534)	4,775	(14,379)
Increase/(decrease) in accrued liabilities and other payables	7,526	(21,265)	(346)	(23,324)
Cash generated/(used in) from operations	2,057	(15,236)	(2,275)	(12,937)
Interest received	-	348	7	710
Interest paid	(139)	(515)	(300)	(1,165)
Income tax paid	(1,020)	-	(1,377)	-
Net cash generated from/(used in) operating activities	898	(15,403)	(3,945)	(13,392)
Cash flows from investing activity				
Acquisition of property, plant and equipment	-	-	-	(366)
Acquisition of associated company	(30)	-	(30)	-
Loan advanced to associated company	(49,000)	-	(49,000)	-
Net cash used in investing activities	(49,030)	-	(49,030)	(366)
Cash flows from financing activities				
Proceed from issue of non-equity linked bonds	49,159	-	49,159	-
Repayment of bank loans	(3,266)	(8,698)	(3,462)	(8,860)
Net cash generated from/(used in) financing activities	45,893	(8,698)	45,697	(8,860)
Net decrease in cash and cash equivalents	(2,239)	(24,101)	(7,278)	(22,618)
Cash & cash equivalents at beginning of the financial period	4,947	380,726	9,986	379,243
Cash & cash equivalents at the end of the financial period	2,708	356,625	2,708	356,625



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Note A

	RMB'000
Liability for compensation expenses	424,580
Amounts settled in cash	(300,000)
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	124,580
Set-off against trade receivables in 4Q2013	(37,450)
Compensation payables as at 31 December 2013	87,130
Set-off against trade receivables in 1Q2014	(5,673)
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Compensation payables as at 31 March 2014	81,457
Set-off against trade receivables in 2Q2014	(5,220)
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Compensation payables as at 30 June 2014	76,237
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1(d)(i) A statement (for the issuer 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	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	192,203	-	65,466	4,230	1,224	(64,889)	45,303	177,905	421,442
Total comprehensive loss for the period	-	-	-	-	-	-	-	(456,482)	(456,482)
Balance at 30 June 2013	192,203	-	65,466	4,230	1,224	(64,889)	45,303	(278,577)	(35,040)
Credit arising from the Capital Reorganization exercise undertaken by the Company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	35,523	35,523
Balance at 31 December 2013 (Audited)	19,220	172,983	65,466	4,230	1,224	(64,880)	45,303	(243,054)	483
Balance at 1 January 2014	19,220	172,983	65,466	4,230	1,224	(64,880)	45,303	(243,054)	483
Total comprehensive loss for the period	-	-	-	-	-	-	-	(638)	(638)
Balance at 31 March 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(243,692)	(155)
Total comprehensive income for the period	-	-	-	-	-	-	-	764	764
Balance at 30 June 2014 (Unaudited)	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(242,928)	609

Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	192,203	-	51,500	3,014	1,224	(70,390)	177,551
Total comprehensive loss for the period	-	-	-	-	-	(214,124)	(214,124)
Balance at 30 June 2013	192,203	-	51,500	3,014	1,224	(284,514)	(36,573)
Credit arising from the Capital Reorganization exercise undertaken by the Company (see details in Section 1(d)(ii))	(172,983)	172,983	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	10,402	10,402
Balance at 31 December 2013 (Audited)	19,220	172,983	51,500	3,014	1,224	(274,112)	(26,171)
Balance at 1 January 2014	19,220	172,983	51,500	3,014	1,224	(274,112)	(26,171)
Total comprehensive loss for the period	-	-	-	-	-	-	(636)
Balance at 31 March 2014	19,220	172,983	51,500	3,014	1,224	(274,748)	(26,807)
Total comprehensive income for the period	-	-	-	-	-	-	-
Balance at 30 June 2014 (Unaudited)	19,220	172,983	51,500	3,014	1,224	(274,748)	(26,807)



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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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

Not applicable.

- 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 548,802,638 ordinary shares.

The Company does not hold any treasury shares.

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

Not applicable.

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

The financial information for the second quarter ended 30 June 2014 has not been audited or 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).**

Not applicable.

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

The Group has adopted all the Singapore Financial Reporting Standards ("FRS") that are mandatory for financial year beginning on or after 1 January 2014.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2013.

- 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.**

Not applicable.



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6. Earnings 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.

	2Q2014	2Q2013
Basic earnings per share (RMB cents)		
- Based on the weighted average number of ordinary shares in issue	0.02	(0.82)
- Fully diluted	0.02	(0.82)
Number of shares		
Current / weighted average number of ordinary shares in issue	548,802,638	548,802,638

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

RMB Cents	The Group		The Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Net (liabilities)/asset value per ordinary share	0.11	0.09	(4.88)	(4.77)

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 548,802,638 shares in issue at the end of both periods.

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

	2Q2014 RMB'000	2Q2013 RMB'000	% Change +/(-)	1H2014 RMB'000	1H2013 RMB'000	% Change +/(-)
Revenue – Fabrics business						
- Garment & apparel	12,191	13,750	(11.3)	26,607	28,440	(6.4)
- Shoe	7,690	1,995	285.5	13,340	6,461	106.5
- Luggage & bag	1,971	1,077	83.0	7,343	3,654	101.0
- Others	12,126	8,412	44.2	19,799	16,873	17.3
- Subcontract	2,924	-	N/A	3,884	-	N/A
Total	36,902	25,234	46.2	70,973	55,428	28.0
Gross profit	5,007	2,020	147.9	9,318	2,693	246.0
Gross profit margin	13.6%	8.0%		13.1%	4.9%	



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Review of Financial Performance

Revenue

Our revenue increased by RMB11.7 million or 46.2% from RMB25.2 million in the second quarter of year 2013 ("2Q2013") to RMB36.9 million in the second quarter of year 2014 ("2Q2014").

The increase in revenue for 2Q2014 was due mainly to the increased volume for all segments.

- (a) Revenue from the sales of garment fabrics marginally decreased by RMB1.6 million or 11.3%, from RMB13.8 million in 2Q2013 to RMB12.2 million in 2Q2014. Despite a 7.8% increase in sales volume for this segment, the overall revenue dropped due to lower average selling price which declined by 0.6% per kilogramme in 2Q2014;

The above decrease in garment/apparel's revenue was completely offset by the increases in the following segments:-

- (b) Revenue from the sales of shoe fabrics increased by RMB5.7 million or 285.5%, from RMB3.0 million in 2Q2013 to RMB7.7 million in 2Q2014 due mainly to increased sales volume of 4.6% in 2Q2014 as a result of higher demand in our shoes fabrics. Average selling price of shoe fabrics decreased by 4.4% in 2Q2014.
- (c) Revenue from the sales of luggage and bag fabrics increased by RMB0.9 million or 83.0%, from RMB1.1 million in 2Q2013 to RMB2.0 million in 2Q2014 due mainly to increase in sales volume of 7.8% in 2Q2014. Average selling price of luggage and bag fabrics decreased by 7.7% in 2Q2014;
- (d) Revenue from the sales of other fabrics increased by RMB3.7 million or 44.2%, from RMB8.4 million in 2Q2013 to RMB12.1 million in 2Q2014. Although there was a decrease in sales volume of 9.3% in 2Q2014 caused by lower demand of fabrics for functionality fabrics from industrial customers, but higher average selling price of other fabrics resulted in higher revenue in this quarter. Average selling price of other fabrics increased by 5.8% in 2Q2014; and
- (e) Since 4Q2013, our subsidiary, Fujian Qianfeng Textile Technology Co., Ltd began undertaking subcontracting work to perform dyeing for customers, in order to take up the excess production capacity. This helps in the increases in sales revenue.

Gross profit increased by approximately RMB3.0 million or 147.9% from approximately RMB2.0 million in 2Q2013 to RMB5.0 million in 2Q2014.

Other income decreased by RMB16.6 million or 99.7% from RMB16.6 million in 2Q2013 to RMB52,000 in 2Q2014. The decrease was due primarily to the provision for compensation and provision for minimum guaranteed royalty had been written back approximately RMB4.7 million to the distributors in PRC and amounting to approximately RMB11.6 million to the agent, respectively in 2Q2013,.

Selling and distribution expenses remained fairly constant for both periods.

Administrative expenses decreased by RMB4.3 million or 62.8% from RMB6.8 million in 2Q2013 to RMB2.5 million in 2Q2014 due mainly to lesser travelling and office expenses as a result of stringent cost control.

Other operating expenses incurred in 2Q2013 represent the compensation payable to customers, there was no such expenses in 2Q2014.



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Finance costs decreased by RMB376,000 or 73.0% from RMB515,000 in 2Q2013 to RMB139,000 in 2Q2014 due mainly to decreased bank loans in 2Q2014.

There was **income tax expenses** amounting to RMB0.3 million incurred for 2Q2014 as compared to none in 2Q2013 due to the tax arose from the profit earned for our subsidiary, Fujian Jiamei Textile Co., Ltd as a result of the expiry of it's tax incentive in 4Q2013.

- (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

Property, plant and equipment were RMB42.6 million decreased by RMB4.5 million or 9.6% as compared to 31 December 2013 due mainly to the depreciation charge of RMB4.5 million in the period ended 30 June 2014 (“1H2014”).

Investment in associated company - As announced by the Company on 12 June 2014, 18 June 2014, 25 June 2014 and 3 July 2014, the Company had on 12 June 2014 acquired the 49% stake in its associated company, Rich Circles Enterprise Limited (“Rich Circles”) for US\$4,900, pursuant to a joint venture with Li Yaxin. Further to the acquisition of 100% in China Construction Material (Hong Kong) Limited (“CCMH”) by Rich Circles on 18 June 2014, the Company had extended a loan of RMB49 million to Rich Circles.

Inventories as at 30 June 2014 were RMB8.5 million decreased by RMB3.5 million or 29.1% due to the effort to reduce working capital tied up in inventories. The average inventory turnover days was decreased to 37 days in 1H2014 comparing to 38 days for the year ended 31 December 2013.

Trade receivables were RMB73.8 million as at 30 June 2014 increased by RMB6.2 million or 9.1% due mainly to the a 28% increase in sale activity for 1H2014. The average trade receivables' turnover days was 183 days in 1H2014 comparing to 138 days for the year ended 31 December 2013.

Prepayment and other receivables were RMB2.3 million as at 30 June 2014 decreased by RMB1.4 million or 36.9% due mainly to lesser deposits placed with suppliers for purchases.

Trade payables were RMB29.3 million as at 30 June 2014, increased by RMB4.8 million or 19.5% due mainly to the slower payments during the period. The average trade payables' turnover days was 79 days in 1H2014 comparing to 58 days for the year ended 31 December 2013.

Accruals and other payables remained fairly consistant from RMB23.0 million as at 31 December 2013 decreased marginally to RMB22.6 million as at 30 June 2014.

Compensations payables - On 9 June 2013, 12 June 2013, 6 August 2013, 15 August 2013, 2 September 2013 and 25 September 2013, the Company announced that its wholly-owned subsidiary, Fujian Qianfeng Textile Technology Co., Ltd (“**Fujian Qianfeng**”) has received claims amounting to RMB 517 million from several customers (“**Claimants**”) for delivered products that allegedly failed to meet customers' specified requirements. On 2 September 2013, the Company announced that it had on 30 August 2013 entered into settlement agreements (“**Settlement Agreements**”) with the Claimants, on substantially similar terms. According to the terms of the Settlement Agreements, the cash compensation will be reduced to RMB 300 million and had been settled in late September 2013. The remaining RMB 161.5 million will be utilised by the Claimants to deduct from future sales of fabric materials over the next five years, up till 31 July 2018. Pursuant to the terms of Settlement Agreements, the Claimants have also waived their rights to commence any litigation or other analogous proceedings against the Group, and will ensure that their customers will not commence any such proceedings against the Group (including for any alleged loss of profits).



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On 28 March 2014, the Company announced the arbitration proceedings in respect of the Settlement Agreements, whereby the arbitrators had confirmed that the terms of the Settlement Agreements were valid and enforceable, and affirmed that Fujian Qianfeng was required to provide the compensation amounting to the aggregate of RMB86,500,952 to the Claimants by way of the provision of products over the period of sixty months. The Board wishes to confirm that the settlement amount payable has already been provided for in the financial statements of the Company, the affirmation of the terms of the Settlement Agreements will not result in any material impact on the financial position of the Company, and the amount of arbitration fees payable by Fujian Qianfeng is not considered material.

The cash compensation of RMB300 million was repaid to the Claimants ahead of schedule in September 2013, and the amount of compensation which remains unpaid is equivalent to RMB81.5 million (calculated based on the remaining RMB161.5 million less (i) the further 8% discount of RMB36.9 million received from the Claimants as reflected in the Company's third quarter financial results announced on 12 November 2013, and (ii) further partial settlements amounting to RMB RMB48.3 million (“**Partial Settlement Amounts**”), which were repaid by the Company through setting-off the Partial Settlement Amounts against trade receivables from the Claimants for sales made to the Claimants until 30 June 2014).

Please refer to the announcements referred to in the foregoing paragraphs for more details relating to the aforesaid claims and compensation.

Bank loans decreased by RMB3.5 million due primarily to repayments during the period.

Pursuant to the Company's announcement dated 9 June 2014, the Company had entered into a bond subscription agreement with a third party subscriber for the issuance of S\$10 million, 7% **unsecured non-equity linked bonds**, due 2016 (the “**Bonds**”). The subscriber had also on 9 June 2014 subscribed for the Bonds at the aggregate subscription price of S\$10 million.

Review of Cash Flow

Net cash generated from operating activities

The Group achieved profit before tax of RMB1 million (2Q2013: Loss before tax of RMB451.5 million) and positive cash flow from operating activities of RMB0.9 million (2Q2013: negative cash flow of RMB15.4 million) for the quarter ended 30 June 2014.

The Group's cash outflow from investing activities, relating mainly to loan extended to Rich Circles for the acquisition of CCMH, amounting to RMB49 million (2Q2013: none) and cash inflow from financing activities of RMB45.9 million as a result of issuance of non-equity linked bonds of S\$10 million, offset by repayment of loans amounting to RMB3.3 million, (2Q2013: cash outflow of RMB8.7 million) for 2Q2014.

The net decreases in cash and cash equivalents were RMB2.2 million and RMB7.3 million, in 2Q2014 and 1H2014, respectively.

Notwithstanding the above, the management are of the opinion that the Group is able to meet its obligations for the remaining financial year as and when they fall due having regard to the sufficiency of the cash flow estimated by the management.



Asia Fashion Holdings Limited

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 (“2Q2014”)

In addition, Mr Lin Daoqin, on 23 April 2014, executed an irrevocable letter of undertaking for discharge of debts governed by PRC law in favour of the Company to provide financial support to the Company of an amount up to RMB100 million. In connection thereto, Mr Lin Daoqin had also on the same date executed a mortgage, governed by PRC law, over four of his properties in Fuzhou which are estimated to be worth above an aggregate of RMB120 million, as security for the irrevocable undertaking.

Accordingly, the management considers it appropriate that these financial statements should be prepared on a going concern basis.

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

Not applicable.

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 Company will continue to undertake a strategic review to examine the options regarding the restructuring of its business. Given the negative operating cash flow in the first half of the year and the Group's current cash position, the Group's continuing status as a going concern is dependent on the following, which should be addressed in a timely fashion: outcome of this strategic review, the restructuring of the business, the performance of newly acquired business of China Construction Material (Hong Kong) Limited (CCMH) and the completion of the proposed placement by the Company of 100,000,000 new ordinary shares in the capital of the Company as announced by the Company on 15 August 2013 and 1 November 2013.

The Company had on 18 June 2014 through its 49% owned associated company Rich Circles Enterprise Limited, completed the acquisition of 100% of the issued and paid up share capital of CCMH. As announced by the Company on 7 August 2014, the Company had on 6 August 2014 appointed Neo Chee Beng and Yuan Limin to the Board of CCMH and its 100% owned operating unit Xuzhou Zhongsen and has the majority control of the Board of both CCMH and Xuzhou Zhongsen. The appointments will enable the Company to have greater control over the operations of the newly acquired business. With the acquisition of CCMH, the Company is cautiously optimistic that this acquisition will contribute positively to the financial position of the Company and its subsidiaries.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.



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(c) Date payable

Not applicable.

(d) 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. Interested person transactions

Save as disclosed in paragraph 1(b)(ii) above, the joint and several guarantees provided by Mr Lin Daoqin to our Group, there are no any other interested person transactions.

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 30 June 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Neo Chee Beng
Executive Chairman
12 August 2014