

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING
LIMITED ON UTILISATION OF IPO PROCEEDS**

The Board of Directors (the “**Board**”) of Asia Fashion Holdings Limited (the “**Company**”) refers to its announcement on 28 February 2014 on the utilisation of IPO Proceeds. In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 March 2014 (each, a “**SGX Query**”) as follows:

SGX Query 1

The Company reported that it has deviated IPO proceeds raised for expansion/construction of production capacity and expansion of wastewater treatment capacities totalling S\$6 million for working capital purposes.

In view that IPO proceeds raised for the expansion/construction of production capacity is no longer available, please explain how the Company intends to fund the balance of the cost for these expansions. Please quantify to enable investors to have a reasonable understanding on this matter.

Company’s Response to SGX Query 1

In light of the slow market conditions in the fabric industry, the Company currently does not have any new plans to expand its production capacity and/or construct new facilities. Should the Company subsequently decide to further expand its production capacity and/or construct new facilities in the future, the Board will evaluate suitable funding options, which shall include taking on new bank financing and utilising funds internally generated from the Company’s operations.

SGX Query 2

To disclose a breakdown with specific details on the use of proceeds for working capital purposes.

Company’s Response to SGX Query 2

The breakdown on the use of proceeds for working capital purposes is as follows:

Breakdown of IPO proceeds used for Working Capital Purposes	Amount utilized	
	S\$’000	RMB’000 equivalent
Repayment of Loans	4,192	20,200 ⁽²⁾
Repayment to Creditors (Purchase of Raw Silk)	838	4,040
Repayment to Creditors (Purchase of Semi-finished Goods)	788	3,799
Repayment to Creditors (Purchase of Dye)	183	884

Notes:

1. The above translation was computed based on the exchange rate of RMB4.8188: S\$1.00, prevailing around the time when the IPO proceeds were converted into RMB.
2. The main reason for the repayment of the loans was due to the closure of the bank accounts with Industrial Bank Co., Ltd, Fuqing branch, whereupon the Company was asked to repay the outstanding loans with the same bank, which were obtained by the Company in early 2013 for working capital purposes. The monies remaining in the Company's account in Industrial Bank Co., Ltd, Fuqing branch was transferred to Shanghai Pudong Development Bank and subsequently used by the Company for working capital purposes.

By Order of the Board

Lin Daoqin
Executive Director and Chief Executive Officer
17 March 2014