



Asia Fashion Holdings Limited

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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) **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 Asia Fashion Holdings Limited (the "Company") and its subsidiaries and/or associated companies (the "Group")

| | 12M2017 RMB'000 | 18M2016 RMB'000 |
|---|--------------------|--------------------|
| Continuing operations | | |
| Revenue | 838 | - |
| Cost of sales | (205) | - |
| Gross profit/(loss) | 633 | - |
| Other operating income | 543 | 19,317 |
| Changes in fair value of option derivatives in relation to CB | 37 | 1,838 |
| Selling and distribution expenses | (700) | - |
| Administrative expenses | (9,200) | (10,442) |
| Finance costs | (2,568) | (5,318) |
| | (11,255) | 5,395 |
| Loss on disposal of discontinued operation | - | (6,434) |
| Share of (loss) from associates, net of tax | - | (27,354) |
| (Loss) before taxation from continuing operation | (11,255) | (28,393) |
| Income tax expense | (152) | - |
| (Loss) after taxation from continuing operation | (11,407) | (28,393) |
| Other comprehensive income | - | - |
| Total comprehensive (loss) for the year from continuing operations | (11,407) | (28,393) |
| Total comprehensive (loss) net of tax | (11,407) | (28,393) |
| Total comprehensive (loss)/profit, net of tax, attributable to: | | |
| Equity holders of the company | (11,407) | (28,393) |
| Non-controlling interest | - | - |
| | (11,407) | (28,393) |



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1(b)(i) A balance sheet (for the Company 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 2017 | 30 June 2016 | 30 June 2017 | 30 June 2016 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | | | | |
| Investments in subsidiaries | - | - | 8 | 8 |
| Investments in associates | - | - | - | - |
| Property, plant and equipment | 6,515 | - | 2,724 | - |
| Intangible assets | 20 | - | - | - |
| | 6,535 | - | 2,732 | 8 |
| Current assets | | | | |
| Inventories | 572 | - | - | - |
| Prepayments and other receivables | 29,508 | 111 | 1,134 | 102 |
| Loans to an associate | 61,000 | 61,000 | 61,000 | 61,000 |
| Amount due from a subsidiary | - | - | 5,279 | 547 |
| Amount due from associates | 22 | 302 | - | - |
| Cash funds | 6,003 | - | - | - |
| Cash and cash equivalents | 104,838 | 311 | 67 | 67 |
| | 201,943 | 61,724 | 67,480 | 61,716 |
| Total assets | 208,478 | 61,724 | 70,212 | 61,724 |
| Current liabilities | | | | |
| Other payables and accruals | 143,241 | 6,313 | 6,203 | 6,313 |
| Bonds payable | - | 21,614 | - | 21,614 |
| Amount due to former director/shareholder | 1,221 | 1,221 | 1,221 | 1,221 |
| Amount due to director/shareholder | 3,560 | - | 3,560 | - |
| Amount due to third parties | 8,446 | - | 7,144 | - |
| Amount due to associates | 6,399 | 4,051 | 6,375 | 4,051 |
| Amount due to subsidiaries | - | - | 351 | - |
| Interest payable | - | 723 | - | 723 |
| Taxes payable | 152 | - | - | - |
| | 163,019 | 33,922 | 24,854 | 33,922 |
| Net current assets / (liabilities) | 38,924 | 27,802 | 42,626 | 27,794 |
| Non current liabilities | | | | |
| Bonds payable | 10,281 | - | 10,281 | - |
| Interest payable | 35 | - | 35 | - |
| Total liabilities | 173,335 | 27,802 | 35,170 | 33,922 |
| Net assets / (liabilities) | 35,143 | 27,802 | 35,042 | 27,802 |



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| | ←----- The Group -----→ | | ←----- The Company -----→ | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | As at | | As at | |
| | 30 June 2017 RMB'000 | 30 June 2016 RMB'000 | 30 June 2017 RMB'000 | 30 June 2016 RMB'000 |
| Equity | | | | |
| Share capital | 46,041 | 27,293 | 46,041 | 27,293 |
| Reserves | (10,898) | 509 | (10,999) | 509 |
| Total attributable to equity holders of the company | 35,143 | 27,802 | 35,042 | 27,802 |
| Non-controlling interest | - | - | - | - |
| Total equity | 35,143 | 27,802 | 35,042 | 27,802 |

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable after one year

| RMB '000 | As at 30 June 2017 | | As at 30 June 2016 | |
|-----------------------|--------------------|-----------|--------------------|-----------|
| | Secured | Unsecured | Secured | Unsecured |
| Convertible Bonds (i) | - | 10,281 | - | - |

Amount repayable in one year or less, or on demand

| RMB '000 | As at 30 June 2017 | | As at 30 June 2016 | |
|------------------------------|--------------------|-----------|--------------------|-----------|
| | Secured | Unsecured | Secured | Unsecured |
| Non-equity linked bonds (ii) | - | - | - | 8,606 |
| Convertible Bonds (iii) | - | - | - | 13,008 |

(i) Convertible Bonds :

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017, the Company had on 2 June 2017 completed the issuance (the "**2017 CB Issuance**") of 7.0% unsecured convertible bonds (the "**DJZ Convertible Bonds**") due 2 June 2020 of an aggregate principal amount of S\$2,100,000 to Mr. Dai Ji Zhou (the "**Mr. Dai Ji Zhou**") pursuant to a convertible bond agreement dated 25 November 2016 entered into between the Company and Mr. Dai Ji Zhou (the "**CBA**"). The DJZ Convertible Bonds bear an interest rate of 7% per annum, which is payable quarterly in arrears.

The maturity date of the DJZ Convertible Bonds is three years from the date of the issue of the DJZ Convertible Bonds (the "**Maturity Date**"). Mr. Dai Ji Zhou may, in accordance with the terms and conditions of the CBA, at any time within the period commencing three (3) months from the issue date up to the Maturity Date, convert all or part of the outstanding DJZ Convertible Bonds into new ordinary shares in the capital of the Company ("**Shares**") at the conversion price of S\$0.35 per Share.



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(ii) Non-equity linked bond:

The RMB 8.606 million was incurred due to a bond subscription agreement, dated 4 March 2015 entered into between the Company and Prime Pacific Investments Limited for the subscription by Prime Pacific Investments Limited of a two-year 10% coupon bond (“**Straight Coupon Bonds**”) for a principal amount of HK\$10 million. Interest is payable half-yearly in arrears.

The Company has made full settlement of the principal amount of HK\$10 million and all interest accrued to the date of settlement of the Straight Coupon Bonds to Prime Pacific Investments Limited in May 2017 and Prime Pacific Investments Limited holds no further claims against the Company.

(iii) Convertible bond:

In connection with the Company’s announcements dated 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015, the Company had on 31 March 2015 completed the issuance of 7.0% unsecured convertible bonds (the “**Alternus Convertible Bonds**”) due 2017 of an aggregate principal amount of S\$2,660,000 to Alternus Capital Holdings Limited (“**Alternus**”) pursuant to a convertible bonds agreement dated 5 March 2015 entered into between the Company and Alternus (as supplemented by the supplemental agreement dated 16 March 2015 entered into between the Company and Alternus). The Alternus Convertible Bonds bore an interest rate of 7% per annum, which was payable quarterly in arrears. The maturity date of the Alternus Convertible Bonds was two years from the date of the issue of the Alternus Convertible Bonds.

In connection with the Company’s further announcements dated 7 July 2015, 2 September 2016, 10 March 2017, 4 May 2017 and 8 June 2017, the Company has, on 8 June 2017, made full settlement of the principal amount of S\$2,660,000 of the Alternus Convertible Bonds, as well as all the interest accrued thereon up to the final settlement date of 8 June 2017. Subsequent to the aforementioned settlement, the Alternus Convertible Bonds have been returned to the Company for cancellation and Alternus holds no further claims against the Company.



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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 | | 12M2017 | 18M2016 |
|--|--|-----------------|-----------------|
| | | RMB'000 | RMB'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (Loss) before taxation | | (11,255) | (28,393) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 249 | - |
| Share of loss of associates | | - | 27,354 |
| Loss on disposal of discontinued operation | | - | 6,434 |
| (Gain) arising from the difference in carrying amount of bond liability extinguished and settlement made | | - | (14,766) |
| Waiver of loan interest charged to an associate | | - | 1,851 |
| Fair Value gain on 7% CB | | (37) | (1,838) |
| Impairment loss for associates | | - | 37 |
| Interest income | | (373) | - |
| Interest expense | | 2,502 | 5,318 |
| Operating (loss) before working capital changes | | (8,914) | (4,003) |
| (Increase) in inventories | | (572) | - |
| (Increase) in receivables | | (29,396) | (111) |
| Increase / (Decrease) in payables | | 139,213 | (14,414) |
| Cash generated from / (used in) operations | | 100,331 | (18,528) |
| Interest paid | | (3,191) | (828) |
| Net cash generated from / (used in) operating activities | | 97,140 | (19,356) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Increase) in property, plant and equipment | | (6,764) | - |
| Acquisition of associated companies | | - | (7) |
| Acquisition of software rights | | (21) | - |
| (Increase) in cash funds | | (6,003) | - |
| Advances from associated companies | | 312 | - |
| Loan to an associated company (Note A) | | - | (12,000) |
| Net cash (outflow) in disposal of subsidiaries | | - | (4,554) |
| Expenses paid on behalf by / (for) associated companies | | (8) | 5,361 |
| Interest received | | 373 | - |
| Net cash (used in) investing activities | | (12,111) | (11,200) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net advances from director and shareholder | | 3,560 | - |
| Loans from third parties | | 8,446 | - |
| Proceeds from issue of shares – share capital | | 18,748 | 28,547 |
| Repayment of bonds | | (21,826) | (22,063) |
| Proceeds from issuance of SGD2.66m convertible bond | | - | 11,739 |



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| | | | | | | | |
|--|--|--|--|--|--|----------------|----------------|
| | Proceeds from issuance of HKD10m straight bond | | | | | - | 7,908 |
| | Proceeds from issuance of SGD2.1m convertible bond | | | | | 10,570 | |
| | Net cash generated from financing activities | | | | | 19,498 | 26,131 |
| | Net increase in cash and cash equivalents | | | | | 104,527 | (4,425) |
| | Cash & cash equivalents at beginning of the financial year / period | | | | | 311 | 4,736 |
| | Cash & cash equivalents at the end of the financial year / period | | | | | 104,838 | 311 |
| | Cash and cash equivalents comprise: | | | | | | |
| | Cash and bank balances : | | | | | | |
| | - Continuing operations | | | | | 104,838 | 311 |
| | Cash & cash equivalents at the end of the financial period | | | | | 104,838 | 311 |

Note A

On 27 May 2015, the Company announced that its shareholding in its subsidiary, Rich Circles Enterprise Limited (“**Rich Circles**”) had been increased from 49% to 54.46%, or to 6,100 shares out of an expanded total number of 11,200 shares. The increase was a result of the subscription of 1,200 new ordinary shares in the capital of Rich Circles and the granting of an additional working capital loan of RMB 12,000,000.00 to Rich Circles.



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1(d)(i) A statement (for the Company 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 2015 | 19,220 | 172,983 | 65,466 | 4,230 | - | (64,889) | 45,303 | (226,369) | 15,944 |
| Prior year adjustment | - | - | - | - | - | - | - | (458) | (458) |
| Shares placements done in February 2015, April 2015 And October 2015 | 8,073 | - | 32,636 | - | - | - | - | - | 40,709 |
| Disposal of QIL group as approved by shareholders on 2 February 2015 | - | - | (13,967) | (1,216) | - | 64,889 | (45,303) | (4,403) | - |
| Total comprehensive income for the period | - | - | - | - | - | - | - | (28,393) | (28,393) |
| Balance at 30 June 2016 (Audited) | 27,293 | 172,983 | 84,135 | 3,014 | - | - | - | (259,623) | 27,802 |
| Shares placement done in June 2017 | 18,748 | - | - | - | - | - | - | - | 18,748 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | (11,407) | (11,407) |
| Balance at 30 June 2017 (Unaudited) | 46,041 | 172,983 | 84,135 | 3,014 | - | - | - | (271,030) | 35,143 |



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| Company | Share Capital | Contributed Surplus | Share Premium | Capital Reserve | Share Reserve | Option | Retained Earnings | Total Equity |
|--|------------------|------------------------|---------------|--------------------|------------------|--------|----------------------|--------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | RMB'000 | RMB'000 |
| Balance at 1 January 2015 | 19,220 | 172,983 | 51,499 | 3,014 | - | - | (284,819) | (38,103) |
| Prior year adjustment | - | - | - | - | - | - | (458) | (458) |
| Shares placements done in February 2015, April 2015 and October 2015 | 8,073 | - | 32,636 | - | - | - | - | 40,709 |
| Disposal of QIL group as approved by shareholders on 2 February 2015 | - | - | - | - | - | - | 54,047 | 54,047 |
| Total comprehensive income for the period | - | - | - | - | - | - | (28,393) | (28,393) |
| Balance at 30 June 2016 (Audited) | 27,293 | 172,983 | 84,135 | 3,014 | - | - | (259,623) | 27,802 |
| Shares placement done in June 2017 | 18,748 | - | - | - | - | - | - | 18,748 |
| Total comprehensive income for the year | - | - | - | - | - | - | (11,508) | (11,508) |
| Balance at 30 June 2017 (Unaudited) | 46,041 | 172,983 | 84,135 | 3,014 | - | - | (271,131) | 35,042 |



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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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

2017 Share Placement

In connection with the Company's announcements dated 7 December 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 5 June 2017 in respect of the proposed issue and allotment of 35,000,000 new shares (the "**Placement Shares**") (the "**2017 Share Placement**") to Hu Zhen, Li Zheng, Ng Wa Pang and Dai Ju Yun (the "**Placees**") and the circular dated 10 May 2017 (the "**2017 Issuance and Placement Circular**") in respect of the 2017 CB Issuance and 2017 Share Placement, the 2017 Share Placement was completed at a price of S\$0.11 per Placement Share to the Placees on 5 June 2017.

After the completion of the 2017 Share Placement, the total number of issued shares of the Company has increased from 50,500,000 Shares to 85,500,000 Shares (excluding treasury shares). The Placement Shares represent (i) approximately 69.31% of the existing issued and paid-up share capital of the Company as at 30 June 2016; and (ii) approximately 40.94% of the enlarged issued and paid-up share capital of the Company as at 30 June 2017.

The Placement Shares rank *pari passu* in all respect with the existing Shares.

Proposed Placement

In connection with the Company's announcements dated 8 August 2017 and 18 August 2017, the Company has entered into a placement agreement dated 8 August 2017 (the "**FSL Placement Agreement**") with Freeman Securities Limited as an overseas placement manager (the "**Overseas Placement Manager**") whereby the Overseas Placement Manager (as placement agent) has agreed to use its best efforts to identify subscriptions for up to 145,000,000 new Shares (the "**FSL Placement Shares**") at the issue price of HK\$0.90 per FSL Placement Share, subject to and upon the terms of the FSL Placement Agreement.

After the completion of the FSL Share Placement, the total number of issued Shares of the Company has increased from 85,500,000 Shares to 230,500,000 Shares (excluding treasury shares). The FSL Placement Shares represent (i) approximately 169.6% of the existing issued and paid-up share capital of the Company as at 30 June 2017; and (ii) approximately 62.91% of the enlarged issued and paid-up share capital of the Company as at 30 June 2017.

The FSL Placement Shares when issued and fully paid will rank *pari passu* in all respect with the existing Shares.

2017 CB Issuance

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017 in respect of the proposed issuance of the DJZ Convertible Bonds to Mr. Dai Ji Zhou for S\$2,100,000 (the "**CB Issuance Announcements**") and the 2017 Issuance and Placement Circular, the 2017 CB Issuance was



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completed on 2 June 2017.

After the completion of the 2017 CB Issuance, on the completion of the conversion of the DJZ Convertible Bonds to conversion shares of a maximum of 7,260,000 Shares (in respect of both the principal amount and the full interest payable), the conversion shares will represent (i) approximately 14.38% of the existing issued and paid-up share capital of the Company as at 30 June 2016; and (ii) approximately 8.49% of the enlarged issued and paid-up share capital of the Company as at 30 June 2017.

Alternus Convertible Bonds

In connection with the Company's announcements dated 5 March 2015, 16 March 2015, 27 March 2015, 31 March 2015, 7 July 2015, 2 September 2016, 10 March 2017, 4 May 2017 and 8 June 2017 in respect of the issuance of the Alternus Convertible Bonds to Alternus for S\$2,660,000, the Company has, on 8 June 2017, made full settlement of the principal amount of S\$2,660,000 of the Alternus Convertible Bonds, as well as all the interest accrued thereon up to the final settlement date of 8 June 2017. Subsequent to the aforementioned settlement, the Alternus Convertible Bonds have been returned to the Company for cancellation and Alternus holds no further claims against the Company.

Save as set out under this Section 1(d)(ii), there are no other outstanding convertible securities and the Company did not have any other convertible securities as at 30 June 2017.

The Company did not have treasury shares or subsidiary holdings as at 30 June 2017 and 30 June 2016.

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 (i.e. the financial year ended 30 June 2017) and as at the end of the immediately preceding year (i.e. the financial year ended 30 June 2016) is 85,500,000 and 50,500,000 Shares, respectively.

The Company does not hold any treasury shares.

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

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 year ended 30 June 2017 has neither been audited nor reviewed by the Company's auditors.



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3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

The figures have not been audited or reviewed by the auditors. In the course of their audit for the financial year ended 30 June 2017, the auditors have informed the Company that there would be a qualification in respect of the restricted access to the accounting records and information of Xuzhou Zhongwei New Board Co., Ltd. ("**Xuzhou Zhongwei**") by the auditors as a result of the default in the repayment of the RMB 180 million bonds issued by Xuzhou Zhongwei on 28 March 2013 (the "**SME Bonds**") whereby the local management expects such accounting records and information to be released for access only after a settlement agreement be reached by Xuzhou Zhongwei and the holders of the SME Bonds (the "**SME Bondholders**"). As required under Rule 704(5) of the SGX-ST Listing Manual, the Company will also be making the necessary announcements to inform shareholders about any such qualification as and when the audit report for the financial year ended 30 June 2017 is to be issued.

Pursuant to the Company's announcement made on 31 July 2017 (the "**Proposed Transaction**"), the Company has entered into a non-binding term sheet with (i) Mr. Huo Wei Sheng, a former executive director of the Company, and (ii) Ms. Li Ya Xin, a fellow shareholder of Rich Circles, for the proposed sale of the Company's and Ms. Li Ya Xin's shares in the capital of Rich Circles (the "**RC Shares**") to Mr. Huo Wei Sheng. The Company currently holds 6,100 RC Shares and Ms. Li Ya Xin currently holds 5,100 RC Shares, representing 54.46% and 45.54% of the total issued and paid up capital of Rich Circles respectively. Rich Circles indirectly holds 100% of the shares in the capital of Xuzhou Zhongwei, which currently operates the materials business of the Group in China. The parties to the Term Sheet intend to engage in further negotiations of the Proposed Transaction, with a view to entering into definitive agreement(s) on or before 30 November 2017. The management will provide meaningful updates on the progress of such negotiations to shareholders from time to time.

Despite the aforementioned negotiations with Mr. Huo Wei Sheng and Ms. Li Ya Xin on the Proposed Transaction, the local management of Xuzhou Zhongwei has also been in on-going negotiations with the SME Bondholders in hope of arriving at mutually acceptable commercial solution to the friendly settlement of the SME Bonds default issue. The management will also promptly inform shareholders on the progress and result of such negotiation deemed appropriate from time to time.

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 that are mandatory for financial year beginning on or after 1 July 2016.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the 18 months' period ended 30 June 2016 including, but not limited to, the continual adoption of equity instead of full consolidation basis in the accounting of the Company's investment in Rich Circles and its subsidiaries (the "**Rich Circles Group**"), despite the fact that the Company's shareholding in Rich Circles Group has been increased from 49% to 54.46% on 27 May 2015. Please see Section 8 for further explanation.

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.

There is no change in the accounting policies and methods of computation, including any required by an accounting standard.



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6. **Earnings / (Loss) 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.**

| | 12M2017 | 18M2016 |
|---|------------|------------|
| Basic (loss) per share (RMB cents) | | |
| From continuing operations attributable to the equity holders of the Company: | | |
| - Based on the weighted average number of ordinary shares in issue | (21.53) | (61.66) |
| - Fully diluted | (21.53) | (61.66) |
| Number of shares in issue | | |
| Weighted average number of shares in issue | 52,993,150 | 46,050,590 |

7. **Net asset value (for the Company and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Company 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 2017 | 30 June 2016 | 30 June 2017 | 30 June 2016 |
| Net asset value per ordinary share | 41.10 | 55.05 | 40.98 | 55.05 |

Note:-

Net asset value per ordinary share of the Group / the Company was calculated based on the 85,500,000 and 50,500,000 shares in issue as at 30 June 2017 and 30 June 2016, respectively.

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**

As reported in the full 18 months' result announcement for the period ended 30 June 2016, despite the fact that on 27 May 2015, the Company increased its shareholding in the Rich Circles Group from 49% to 54.46% or to 6,100 shares out of an expanded total number of 11,200 shares, the Company's management has re-visited the issue of "control" as a result of the default in the prompt repayment of the SME Bonds by Xuzhou Zhongwei (which was issued before Xuzhou Zhongwei was acquired by the Rich Circles Group) on 28 March 2016 and has come to the conclusion that it is more appropriate to treat the Rich Circles Group as the Company's associated company instead of a subsidiary, thereby adopting the "equity" instead of the "full



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consolidation” basis of accounting for the Rich Circles Group’s financial performance, for the following main reasons :

- 1) With effect from 28 March 2016, the date of default of repayment of the total amount of RMB 234 million SME Bonds (comprising the principal amount of RMB 180 million and interest accrued thereon of RMB54 million from 28 March 2013 to 28 March 2016) to the respective SME Bondholders, the SME Bondholders have been in a position to take whatever proper legal action(s) in Xuzhou against Xuzhou Zhongwei for the recovery of the sums owing under the SME Bonds. Despite being in a position to take legal action against Xuzhou Zhongwei, the SME Bondholders have been willing to enter into negotiations with the Xuzhou Zhongwei local management and Ms. Li Ya Xin as Rich Circles Group’s major shareholder, in search for a mutually agreeable and acceptable solution. The SME Bondholders have not filed any legal action against the Rich Circles Group. Each of Rich Circles, CCMH and Xuzhou Zhongchuang is neither a borrower under any financial facilities with the SME Bondholders nor a guarantor of the SME Bonds. The Company has been informed by the local management of Xuzhou Zhongwei that the daily operations of Xuzhou Zhongwei have been under observation by a major SME Bondholder (whose identity is not disclosed due to confidentiality terms under the SME Bonds) while in the negotiation, by the stationing of representatives on the premises of the factory of Xuzhou Zhongwei, until an ultimate solution or agreement has been reached by both Xuzhou Zhongwei and the SME Bondholders. The Company’s auditors have provided full disclosure of their audit findings on the SME Bonds, and the default in repayment thereof, in the Company’s Annual Report 2016 (under pages 55 – 60);
- 2) Ms. Li Ya Xin, the other major shareholder of the Rich Circles Group who has owned the remaining 45.54% of its shareholding with effect from 27 May 2015, had on 8 August 2014 granted an irrevocable Power of Attorney (“**POA**”) to Mr. Yuan Li Min (the then Non-executive Director of the Company) authorizing Mr. Yuan to represent her in all operational and control aspects of the Rich Circles Group for a period of 20 months. Such POA expired on 8 April 2016 and extension or renewal was not been granted by Ms. Li Ya Xin to Mr. Yuan Li Min or other legal representative of the Company. It is therefore apparent that the Company does not have any direct or indirect control through Ms. Li Ya Xin’s shareholdings in Rich Circles Group;

Subsequently, the Company has been informed by Ms. Li Ya Xin that she has granted a new irrevocable POA to her brother-in-law, a Mr. Wong who is a person unrelated to but having a very strong and friendly business relationship with the SME Bondholders and who shall work very closely with the SME Bondholders in the currently on-going negotiation about reaching a solution or agreement with the SME Bondholders as direct representative of Ms. Li Ya Xin. It is evidenced that Ms. Li Ya Xin will cooperate with the SME Bondholders under the proper legal framework in China. Whereas the Company effectively had 100% control of the Rich Circles Group through its 54.46% shareholding combined with the POA granted by Ms. Li Ya Xin to Mr. Yuan Li Min over, *inter alia*, her 45.54% shareholding in the Rich Circles Group, Ms. Li Ya Xin’s non-renewal / non-extension of such POA granted to Mr. Yuan Li Min has weakened the control possessed by the Company over the Rich Circles Group;

- 3) Due to the ongoing financial incapability of the Company and Ms. Li Ya Xin, it was obvious that the current shareholders of the Rich Circles Group will not be able to raise cash funds of as much as RMB 180 million for injection into Xuzhou Zhongwei to enable Xuzhou Zhongwei to repay the SME Bonds in the near foreseeable future. Accordingly, the local management including but not limited to Mr. Huo Wei Sheng, who is a current executive director of the Company and the legal representative of Xuzhou Zhongwei, has strong tendency to work closely with the SME Bondholders in all aspects of daily normal operations of Xuzhou Zhongwei to avoid the SME Bondholders taking legal actions against them; and



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- 4) The Company does not have substantive rights that provide the Company with the ability to exercise that right and to direct relevant activities in Xuzhou Zhongwei.

Accordingly, the management has reached a consensus that it is more appropriate from the practical point of view and the current operational position that the Company will treat the Rich Circles Group as our associated company and adopt the “equity” accounting basis for recording Rich Circles Group’s financial performance for the financial year ended 30 June 2017, which is in fact consistent with the Company’s accounting treatment of the Rich Circles Group for the 18 months’ period from 1 January 2015 to 30 June 2016 and the financial year ended 31 December 2014. While the Rich Circles Group is exempt from audit under the Ordinance laws of Hong Kong, the Company’s auditors have performed all necessary audit reviews and tests on the books and accounts of Rich Circles (an investment holding company ultimately owning the other companies in the Rich Circles Group) and China Construction Material (Hong Kong) Limited (“**CCMH**”) for the financial period ended 30 June 2016 and concurred with the management’s view and decision. Rich Circles and CCMH are 2 out of the 4 companies that constitute the Rich Circles Group, the other 2 being Zhongchuang (Xuzhou) Construction Material Co. Ltd. (“**Xuzhou Zhongchuang**”) and Xuzhou Zhongwei. The situation of Rich Circles and the management’s point of view has not changed since last reporting date till date of this results announcement.

The Rich Circles Group is owned by the Company (54.46%) and Ms. Li Ya Xin (45.54%) as mentioned above. The Rich Circles Group is operating and a going concern. Its current directors are Mr. Mak Tin Sang (as representative of the Company), Ms. Li Ya Xin (representing herself) and Mr. Yuan Li Min (as independent director). Mr. Yuan Li Min is a former non-executive chairman of the Company (until his resignation on 27 October 2015). Save for Mr. Mak Tin Sang, the directors of the Company have no relationship with the Rich Circles Group except through the Company’s shareholding therein.

As Xuzhou Zhongwei has defaulted in its repayment of the SME Bonds (due on 28 March 2016) to the SME Bondholders, the management is closely monitoring the progress of the abovementioned negotiations between Xuzhou Zhongwei and the SME Bondholders to determine whether there will be any significant impact of the recovery of the Company’s RMB 61 million loan from the Rich Circles Group.

As the abovementioned negotiations between Xuzhou Zhongwei and the SME Bondholders are ongoing, the details thereof are sensitive and not disclosable by the Company. Nonetheless, the Company will provide updates to shareholders on any material developments.

For detailed information on the matters in this Section 8(a), shareholders may wish to refer to pages 11 – 19 of the 2017 Issuance and Placement Circular (as released by the Company on 9 May 2017).

Review of Financial Performance

Revenue for the year ended 30 June 2017 of RMB 838K was exclusively the sales revenue generated from the distribution sales made by Shanghai Daiyoulong (上海戴优垄新材料有限公司) (“**Shanghai Daiyoulong**”), being the Company’s wholly-owned subsidiary incorporated in Shanghai in March 2017 which is principally engaged in the distribution sales of specially branded health food product named “Jiajinyo” to customers in China. The sales actually commenced in June 2017 and the revenue as reflected in the income statement represented the sales revenue generated in the month of June 2017.

For information purposes, the turnover at the Xuzhou Zhongwei level has dropped significantly in the past few quarters as a result of discontinued orders from Beijing Baota Petrochemical Company Limited (“**Baota**”) and Han Energy Co., Ltd (“**Han Energy**”) respectively.



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Other operating income of RMB 543K mainly represented :

- 1) Approximately RMB 373K being the interest income earned on the bank deposits and the return on investment in financial assets made by Shanghai Daiyoulong; and
- 2) the exchange gain of approximately RMB 170K on other debt settlement and other currency translation transactions denominated in non-RMB currencies.

Selling and distribution expenses of RMB 700K for the year ended 30 June 2017 (compared with nil for the period ended 30 June 2016) mainly represented the expenses incurred by the Company in the participation and involvement in its entertainment projects in Hong Kong before the shift of its focus to the distribution sales business in China since March 2017.

Administrative expenses of RMB 9.20 million for the year ended 30 June 2017 (compared with RMB 10.44 million for the period ended 30 June 2016) mainly includes remuneration of directors and management staff, office rental, business travelling expenses, corporate action related expenses and professional fees incurred.

Finance costs of RMB 2.57 million for the year ended 30 June 2017 (compared with RMB 5.32 million for the period ended 30 June 2016) was mainly relates to interest incurred on the Straight Coupon Bonds payable and settled to Prime Pacific Investments Limited in April 2017 and interest incurred on the Alternus Convertible Bonds payable and settled to Alternus in June 2017 at the Company's level.

Income tax expense of RMB 152K for the year ended 30 June 2017 (compared with nil for the period ended 30 June 2016) exclusively represented the income tax provision in respect of the People's Republic of China ("PRC") made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its financial period ended 30 June 2017.

(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 of RMB 6.52 million as of 30 June 2017 (compared with nil as of 30 June 2016) represented the purchase of office furniture and equipment and the furnishing cost of the Company's new headquarter office in Hong Kong of approximately RMB 2.73 million and the purchase of office furniture and equipment and the furnishing cost of Shanghai Daiyoulong's new operating office in Shanghai of approximately RMB 3.79 million.

Inventories of RMB 572K as of 30 June 2017 (compared with nil as of 30 June 2016) exclusively represented the cost of inventories of the product "Jiajinyo" and relevant product packing materials kept by Shanghai Daiyoulong as of 30 June 2017.

Prepayments and other receivables of RMB 29.51 million as of 30 June 2017 (compared with RMB 111K as of 30 June 2016) mainly represented (i) a deposit made by Shanghai Daiyoulong to a business associate of RMB 23.75 million which has been fully settled and returned to Shanghai Daiyoulong in early July 2017; (ii) a deposit of RMB 4.0 million made by Shanghai Daiyoulong to Shenzhen Ximei (燊美科技(深圳)有限公司), a Shenzhen-based company principally engaged in the development and



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supply of nano-based and graphene-based health foods and many other consumer products, for the placement of orders for the product “Jiajinyo”; (iii) approximately RMB 0.61 million being prepayments made to cooperative business partners for the entertainment and amusement projects entered into by the Company’s subsidiary Asia Entertainment (Hong Kong) Limited; and (iv) rental and utilities deposits made by the Group.

Loan to an associate of RMB 61.0 million as of 30 June 2017 (compared with RMB 61.0 million as of 30 June 2016) represented the operating loan extended to the Rich Circles Group as reported as of 30 June 2016.

Cash funds of RMB 6.0 million as of 30 June 2017 (compared with nil as of 30 June 2016) exclusively represented the financial assets purchased by Shanghai Daiyoulong from reputable banking corporations in China with the objective of getting higher financial return for the Group on the cash possessed in its local bank account in Shanghai. Part of this cash funds have been disposed of subsequent to the yearend date at reasonably expected financial return.

Cash and cash equivalents of RMB 104.84 million as of 30 June 2017 (compared with RMB 311K as of 30 June 2016) mainly represented by the bank deposits of approximately RMB 99.41 million in Shanghai Daiyoulong and the bank deposits of approximately RMB 5.43 million in the Company’s overseas entities.

Accruals and other payables of approximately RMB 143.24 million as of 30 June 2017 (compared with 6.31 million as of 30 June 2016) mainly represented customers’ deposits received of approximately RMB 136.9 million for purchase of the product “Jiajinyo” from Shanghai Daiyoulong and other accrued operating expenses and professional expenses of approximately RMB 6.34 million at the Company’s level.

Amount due to former director/shareholder of RMB 1.22 million as of 30 June 2017 (compared with RMB 1.22 million as of 30 June 2016) represented amount due to Mr. Lin Dao Qin which is interest free and repayable on demand.

Amount due to director/shareholder of RMB 3.56 million as of 30 June 2017 (compared with RMB nil as of 30 June 2016) represented RMB 3.35 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang, which are both interest free and repayable on demand.

Amount due to third parties of RMB 8.45 million as of 30 June 2017 (compared with nil as of 30 June 2016) represented amount due to independent third parties which are interest free and repayable on demand.

Amount due to associates of RMB 6.40 million as of 30 June 2017 (compared with RMB 4.05 million as of 30 June 2016) was mainly due to the payment of costs and expenses by Rich Circles Group for and on behalf of the Company before the completion of the substantial fund raising exercises in June 2017.

Taxes payable of RMB 152K as of 30 June 2017 (compared with nil as of 30 June 2016) exclusively represented the PRC income tax provision made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its financial period ended 30 June 2017.

Bonds payable of RMB10.28 million as of 30 June 2017 (compared with RMB 21.61 million as of 30 June 2016) solely represented the principal amount of the DJZ Convertible Bonds issued to Mr. Dai Ji Zhou on 2 June 2017 (S\$2.10 million) after full settlement of the Straight Coupon Bonds due and payable to Prime Pacific Investments Limited and the DJZ Convertible Bonds due and payable to Alternus in April 2017 and June 2017 respectively. (Please refer to Section 1(b)(ii) for more details.)



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Interest payable of RMB 35K as of 30 June 2017 (Compared with RMB 723K as of 30 June 2016) solely represented the interest on the CB issued to Mr. Dai Ji Zhou accrued for the period from 2 June 2017 to 30 June 2017.

Review of Cash Flow

Net cash generated by the Group of approximately RMB 104.53 million as follows:

During the year ended 30 June 2017, the Group has generated approximately RMB 97.14 million from operating activities mainly as a result of receipt of customers' deposits of approximately RMB 139.21 million in Shanghai Daiyoulong.

During the year ended 30 June 2017, the Group has used approximately RMB 12.11 million in investing activities mainly as a result of purchase of property, plant and equipment of approximately RMB 6.76 million and the cash funds of approximately RMB 6.0 million.

During the year ended 30 June 2017, the Group has generated an approximate net amount of RMB 19.50 million from financing activities summarized as follows :

- (i) receipt of net advances of approximately RMB 3.56 million from director/shareholder during the year;
- (ii) receipt of net loans of approximately RMB 8.45 million from third parties during the year;
- (iii) repayment of bonds of approximately RMB 21.83 million to both Prime Pacific Investments Limited and Alternus during the year;
- (iv) proceeds received of approximately RMB 18.75 million on the placement of 35,000,000 new ordinary shares to the 4 Placees in June 2017; and
- (v) proceeds received of approximately RMB 10.57 million on the issuance of the DJZ Convertible Bonds to Mr. Dai Ji Zhou in June 2017.

As a result of the above, the Group has reported a total cash and cash equivalent balance of RMB 104.84 million as of 30 June 2017 (compared with RMB 311K as of 30 June 2016).

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 financial performance of our associated company Xuzhou Zhongwei's new material business for the past few quarters has been continuously weak which was still mainly due to the sharp decline and close to termination of sale made to our two major customers, namely Han Energy and Baota both of which have encountered unforeseen difficulties in their respective operations of different nature as reported in the past few quarters. At this point in time, the management is almost certain that the economic and operational recoverability of these two major customers and to provide promising prediction about the recoverability of the sales in Xuzhou Zhongwei's New Material Business in the next reporting period and the next 12 months is remote. Adding the fact that Xuzhou Zhongwei has defaulted its repayment of a total of RMB234 million of SME Bonds, being RMB 180 million in principal amount and RMB 54 million in interest accrued thereon, to the SME Bondholders on 28 March 2016 has made the recovery of the sales operations and continuous loss situation of Xuzhou Zhongwei an extremely difficult task to the present local management as well as the Company's management.



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With respect to the recent negotiation with the SME Bondholders on reaching a mutually beneficial and acceptable settlement agreement in respect of the SME Bonds, we reasonably expect that a definite agreement be finalized between Xuzhou Zhongwei and the Bondholders within the next two to three months' time and the management will provide timely updates on this subject matter to the shareholders.

As far as operational fundings are concerned, pursuant to obtaining the shareholders' approval at the special general meeting held on 26 May 2017 in Singapore, the Company has successfully completed the issuance of the DJZ Convertible Bonds to Mr. Dai Ji Zhou for an amount of S\$2,100,000 on 2 June 2017 and the issue and allotment of 35,000,000 new ordinary shares at an issue price of S\$0.11 per share to the 4 independent Placees, namely Mr. Hu Zhen, Mr. Li Zheng, Mr. Ng Wa Pang and Ms. Dai Ju Yun respectively on 8 June 2017, for a total gross proceeds of S\$3,850,000. The aforementioned fund raising exercises enable the Company to make full repayment of the Alternus Convertible Bonds of S\$2,660,000 in principal and all accrued interest thereon due payable to Alternus in June 2017, to make full repayment of the Straight Coupon Bonds of HK\$10,000,000 in principal and all accrued interest thereon due payable to Prime Pacific Investments Limited in April 2017, and to leave the Company with reasonable amount of daily working capital as required.

During the reporting period, the financial performance of Xuzhou Zhongwei's new material business has continually remained weak for the same reasons as explained in past few quarters' commentaries. In addition, the development of the media and entertainment business by our Asia Entertainment subsidiaries, namely Asia Entertainment Limited and Asia Entertainment (Hong Kong) Limited, has also been deflating due to competitive market condition and the inability of the Company to inject massive capital or project investment funding typically demanded in achieving medium to long term success in this sort of business in Hong Kong.

As reported in the last quarter, the Group has incorporated a new wholly-owned subsidiary in Shanghai, namely Shanghai Daiyoulong. Through Shanghai Daiyoulong, the Group has commenced its new active business in the distribution sales of a specially branded health food product called "Jiajinyo", initially in the PRC and at a later stage, if such proves to be successful, to be expanded to the Greater China Region as well as to the other Asia-Pacific countries. During the last quarter of this financial year, Shanghai Daiyoulong has entered into an exclusive distribution agreement with Shenzhen Ximei in respect of the exclusive supply of "Jiajinyo" to Shanghai Daiyoulong.

Through the successful launch of sales of "Jiajinyo" by Shanghai Daiyoulong in the latter half of June 2017 which allows the Group to record a sales turnover of RMB 838K, it is expected that the Group will continue to explore business potentials and possible strategic partnerships in this new health food distribution sales business initiative, aiming to provide vigorous growth opportunities to the Group for the next reporting period and the next 12 months. The Board will provide prompt updates on the development of this new business initiative as well as other promising business opportunities to our shareholders from time to time.

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/recommended, a statement to that effect.

No dividend has been declared/recommended during the period.

13. Interested person transactions

There is no interested person transactions.

14. Confirmation pursuant to Rule 720(1)

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable as "equity accounting" basis has been adopted. Please refer to Section 8 for a detailed explanation.

The Group has only one revenue stream in the distribution sales of "Jiajinyo" for the financial year ended 30 June 2017.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable as "equity accounting" basis has been adopted. Please refer to Section 8 for detailed explanation.

17. A breakdown of sales.

Not applicable as "equity accounting" basis has been adopted. Please refer to Section 8 for detailed explanation.



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18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

| | | |
|----------------|----------------|----------------|
| (A) Ordinary | Nil for FY2015 | Nil for FY2014 |
| (B) Preference | Nil for FY2015 | Nil for FY2014 |
| (C) Total | Nil for FY2015 | Nil for FY2014 |

19. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13)

Pursuant to Rule 704(13), the Company confirms that there is no person occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director or of chief executive officer or of substantial shareholder of the Company.

BY ORDER OF THE BOARD

Chong Tin Yam, Alex
Chief Executive Officer & Executive Director
29 August 2017