

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 on 20 March 2018 (the “**Announcement**”) on the responses to queries from the Singapore Exchange Securities Trading Limited (“**SGX**”) in relation to the Company’s announcement on 8 March 2018 on the responses to queries from the SGX in relation to the Company’s announcement on 14 February 2018 on the unaudited second quarter financial statement and dividend announcement for the three months ended 31 December 2017. In this regard, the Board would like to respond to the following additional queries (each, an “**SGX Query**”) raised by the SGX as follows:

SGX Query (a)

- (a) In the Company’s announcement of 20 March 2018, it was disclosed that the working space of the Shanghai Office is 483 square metres. Please disclose the location of this Shanghai office.

Company’s Response to SGX Query (a)

The Company’s Shanghai office is located at Room 703 & 705, Tower 3, Sky Soho, No. 968 Jinzhong Road, Changning District, Shanghai, China.

SGX Query (b)

- (b) The Company disclosed that Mr Yue Guang, Ms Echo Kam and all other PRC resident senior officers are not considered as key persons and therefore the Company did not make the disclosures under Listing Rule 704(7)(a). In this regard, please explain why the PRC based staff salary for appointment of non-key persons such as Mr Yue Guang, Ms Echo Kam and the other PRC resident senior officers would result in an increase of RMB 0.58 million (equivalent to about S\$121,000) for 3 months in 2Q2018. In addition, please provide the identities and roles of the PRC resident senior officers.

Company’s Response to SGX Query (b)

In connection with the establishment of our new operating head office in Shanghai and the commencement of our new distribution business in the People’s Republic of China, excluding Hong Kong and Macau (“**PRC**”), the Company has recruited a local management team with the requisite expertise and competence comprising:

- (i) Mr. Yue Guang, who has been appointed as the general manager of Shanghai Daiyoulong (上海戴优堃新材料有限公司) (“**SHDYL**”), is mainly responsible for overseeing the overall sales and administration functions of SHDYL;
- (ii) Mr. Terry Lu, who has been appointed as the finance and accounting manager of SHDYL, is mainly responsible for overseeing the finance, treasury, and accounting functions of SHDYL;

- (iii) Ms. Maggie Yao, who has been appointed as the sales and marketing manager of SHDYL, is mainly responsible for overseeing the sales and marketing functions of SHDYL including, but not limited to, the customer relations maintenance and development function;
- (iv) Ms. Sherry Xu, who has been appointed as the senior cashier of SHDYL, is mainly responsible for assisting Mr. Lu who is responsible for the control of SHDYL's cash funds and the processing of the major daily cash receipts, bank deposits and disbursements;
- (v) Mr. Sean Wang, who has been appointed as the senior sales and marketing officer of SHDYL, is mainly responsible for assisting Ms. Yao in the performance of the sales and marketing functions of SHDYL; and
- (vi) Ms. Teresa Gong, who has been appointed as the office administration manager of SHDYL, is mainly responsible for overseeing the office administration as well as human resource functions of SHDYL.

Other supporting staff such as the inventories officer, secretaries and front-desk receptionist were also recruited to ensure the smooth day-to-day operation of SHDYL.

The quarterly staff salaries expenses, including all relevant statutory insurances and social retirement contributions, of RMB 0.58 million, represented an average monthly total payroll of approximately RMB 19,000 per employee which is considered to be reasonable and commensurate with the Group's demand for staff who are competent, efficient and with professional integrity.

SGX Query (c)

- (c) The Company disclosed that it is currently seeking an opportunity to dispose of the loss-making entertainment business at the best possible terms to the Company. This is in contrast to the information disclosed in the Company's statements made on 20 September 2017. Please clarify what did the Company rely on when it announced on 20 September 2017 that (a) the Company expects to receive a fair share in the net profit contributions derived from the concert events held by G Music (HK) Limited and (b) the Company expects to achieve a break-even position in the cooperative free-fight championship event organized together with Fight Factory Gym Limited.

Company's Response to SGX Query (c)

The information disclosed in the Company's statements made in the Company's announcement on "Response To Queries From Singapore Exchange Securities Trading Limited" released on 20 September 2017 was factually correct and accurate with respect to the two cooperative ventures referred to above at the time of the disclosure, and the information still holds true as at the date of this announcement. The information in respect of these two cooperative ventures was based on information provided by G Music (HK) Limited and Fight Factory Gym Limited in respect of, *inter alia*, the ticket sales for the respective events.

Notwithstanding that the two cooperative events referred to above could achieve a break-even position on an individual event basis, the overall entertainment business has been relegated to a loss-making position in light of the following reasons:

- (i) the irrecoverable cost of HK\$750,000 incurred as a result of the acquisition of a license for use of trade marks from Focus Licensing Limited, and the Company's decision not to make further cash investment in the specific entertainment project with Focus Licensing Limited. For more details, please refer to the section titled "Selling and distribution expenses" at page 15 of the Company's FY2017 full year results announcement released on 29 August 2017, and the Company's Response to SGX Query 6(a)(a) in the Company's announcement on "Response To Queries From Singapore Exchange Securities Trading Limited" released on 20 September 2017; and

- (ii) the normal operating expenses arising from the running of the entertainment business, which will continue to be incurred until the Company is able to dispose of the entertainment business.

In light of the above, the Company does not consider there to be any contrast between the Company's statements made in the Company's announcement on "Response To Queries From Singapore Exchange Securities Trading Limited" released on 20 September 2017 and the Company's statement that it is currently seeking an opportunity to dispose of the loss-making entertainment business at the best possible terms to the Company.

By Order of the Board
Wang Jie Yao, Airy
Executive Director and Chief Executive Officer
3 April 2018