



Asia Fashion Holdings Limited

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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FULL 18 MONTHS PERIOD ENDED 30 JUNE 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3, Q4 & Q5), 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")

	18M2015 RMB'000	12M2014 RMB'000 (Restated)	12M2014 RMB'000
Continuing operations			
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit/(loss)	-	-	-
Other operating income	21,155	1,851	1,851
Selling and distribution expenses	-	-	-
Administrative expenses	(10,442)	(9,828)	(9,635)
Finance costs	(5,318)	(1,907)	(1,907)
	5,395	(9,884)	(9,691)
Loss on disposal of discontinued operation	(6,434)	-	-
Share of (loss)/profit from associates, net of tax	(27,354)	27,354	27,354
(Loss)/Profit before taxation from continuing operating	(28,393)	17,470	17,663
Income tax expense	-	-	-
(Loss)/Profit after taxation from continuing operating	(28,393)	17,470	17,663
Other comprehensive income	-	-	-
Total comprehensive (loss)/profit for the period from continuing operations	(28,393)	17,470	17,663
Profit from discontinued operation, net of tax	-	40	40
Total comprehensive (loss)/profit net of tax	(28,393)	17,510	17,703
Total comprehensive (loss)/profit, net of tax, attributable to:			
Equity holders of the company	(28,393)	17,510	17,703
Non-controlling interest	-	-	-
	(28,393)	17,510	17,703

Please also refer to Sections 8a and 8b of this announcement.



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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 2016 RMB'000	31 December 2014 RMB'000 (Restated)	30 June 2016 RMB'000	31 December 2014 RMB'000 (Restated)
Non-current assets				
Investments in subsidiaries	-	-	8	8
Investments in associates	-	27,384	-	30
Loan to associates	-	49,000	-	49,000
Interest receivables	-	1,851	-	1,851
	-	78,235	8	50,889
Current assets				
Prepayments and other receivables	111	-	102	-
Amount due from a subsidiary	-	-	547	-
Amount due from associates	61,302	1,634	61,000	-
Cash and cash equivalents	311	182	67	131
	61,724	1,816	61,716	131
Assets of disposed group held-for-sale (Note A)	-	153,002	-	3,251
Total assets	61,724	233,053	61,724	54,271
Current liabilities				
Other payables and accruals	6,313	32,636	6,313	25,618
Bonds payable	22,062	-	22,062	-
Amount due to former director/ shareholder	1,221	1,221	1,221	1,221
Amount due to related party	4,051	-	4,051	14,927
Interest payable	275	-	275	-
	33,922	33,857	33,922	41,766
Net current assets / (liabilities)	27,802	(32,041)	27,794	(41,635)
Non current liabilities				
Bonds payable	-	49,159	-	49,159
Non-equity linked bond	-	-	-	-
Other payable	-	-	-	-
Interest payable	-	1,907	-	1,907
Liabilities of disposed group held-for-sale (Note A)	-	132,644	-	-
Total liabilities	33,922	217,567	33,922	92,832
Net assets / (liabilities)	27,802	15,486	27,802	(38,561)



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	←----- The Group -----→		←----- The Company -----→	
	As at 30 June 2016 RMB'000	31 December 2014 RMB'000 (Restated)	As at 30 June 2016 RMB'000	31 December 2014 RMB'000 (Restated)
Equity				
Share capital	27,293	19,220	27,293	19,220
Reserves	509	(3,734)	509	(57,781)
Total attributable to equity holders of the company	27,802	15,486	27,802	(38,561)
Non-controlling interest	-	-	-	-
Total equity	27,802	15,486	27,802	(38,561)

Please also refer to Sections 8a and 8b of this announcement.

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

Amount repayable after one year

RMB '000	As at 30 June 2016		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Non-equity linked bond (i)	-	-	-	49,159

Amount repayable in one year or less, or on demand

RMB '000	As at 30 June 2016		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Non-equity linked bond(ii)	-	8,397	-	-
Convertible bond(iii)	-	13,665	-	-

(i) Non-equity linked bond:

As announced by the Company on 9 June 2014, the Company had on 9 June 2014 entered into a bond subscription agreement ("**Bond Subscription Agreement**") with Li Yu Huan (the "**Subscriber**") for the issuance of seven (7) per cent. unsecured non-equity-linked bonds with an aggregate principal amount of S\$10,000,000.00 (the "**Bonds**") and in the denomination of S\$200,000.00. The Subscriber had on 9 June 2014 subscribed for Bonds at the aggregate subscription price of S\$10,000,000.00 in accordance with the terms of the Bond Subscription Agreement.

The Company announced on 30 September 2015 that it has entered into a placement agreement on 30 September 2015 with Ms. Li Yu Huan (the "**Subscriber**") for early settlement of the above-mentioned bonds in form of issue of placement shares and cash payment. Pursuant to the placement agreement, the Company has settled the principal amount of S\$3,976,158.28 to the Subscriber thereby leaving an unsettled principal amount of S\$6,023,841.72 in anticipation for contra settlement against the expected share placement proceed to exactly the same amounts as soon as the approval from SGX-ST is being granted.



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The total number of placement shares is 100,397,362 and the issue price is S\$0.06 for each share, representing total amount of S\$6,023,841.72 (approximately RMB29,163,000) which is exactly the same amount outstanding under the bonds as at 30 September 2015.

The Company announced on 14 October 2015 that the SGX-ST has granted its approval in principle of the placement of 100,397,362 new ordinary shares to Ms Li Yu Huan for settlement of the outstanding principal amount of the bond in totality. The placement was completed on 16 October 2015.

(ii) Non-equity linked bond:

The RMB8.397 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 for a principal amount of HK\$10 million. Interest is payable half-yearly in arrears.

(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 ("**Convertible Bonds**") due 2017 of an aggregate principal amount of S\$2,660,000 to Alternus Capital Holdings Limited (the "**Investor**") pursuant to a convertible bonds agreement dated 5 March 2015 entered into between the Company and the Investor (as supplemented by the supplemental agreement dated 16 March 2015 entered into between the Company and the Investor) (collectively, the "**CBA**"). The Convertible Bonds bear an interest rate of 7% per annum, which is payable quarterly in arrears. The maturity date of the Convertible Bonds is two years from the date of the issue of the Bonds (the "**Maturity Date**"). The Investor may, in accordance with the terms and conditions of the CBA, at any time within the period commencing the 3 months from the issue date up to the Maturity Date convert all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$1.12 per share.

Note A : Assets and liabilities held-for-sale

As stated in Section 1(b)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of Qianfeng International Limited ("**QIL**") by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the sale and purchase agreement.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.



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As at 31 December 2014, substantially all of the assets and liabilities in QIL and its subsidiaries were reclassified to assets and liabilities held-for-sale which comprises as follows:-

	<i>RMB,000</i>
Assets reclassified as held-for-sale:	
- Property, plant and equipment	37,633
- Intangible assets	7,649
- Inventories	11,043
- Trade receivables	88,016
- Prepayments & other receivables	4,107
- Cash and cash equivalents	4,554
	<u>153,002</u>
Liabilities reclassified as held-for-sale:	
- Trade payables	42,024
- Other payables and accruals	9,905
- Compensation payables – current portion	17,400
- Bank loans	10,000
- Compensation payables	53,315
	<u>132,644</u>



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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			18M2015	12M2014
			RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/Profit before taxation from continuing operations			(28,393)	17,663
Profit from discontinued operations				40
Adjustments for:				
	Amortization of land use rights		-	182
	Depreciation of property, plant and equipment		-	9,543
	Share of loss / (profits) from associates		27,354	(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)	-
	Fair Value gain on 7% Convertible Bond		(1,418)	-
	Fair Value gain on 10% Coupon Bond		(420)	-
	Impairment loss for associates		37	-
	Interest income		-	(1,851)
	Interest expense		5,318	1,907
Operating (loss)/profit before working capital changes			(5,854)	130
	Decrease in inventories		-	998
	Increase in trade receivables		-	(20,379)
	Increase in prepayments and other receivables		(111)	(396)
	Decrease in amount due from associate		1,310	-
	Decrease in interest receivable		1,851	-
	Increase in amount due to related party		4,044	-
	Liability for compensation payables		-	(16,415)
	Exchange gain		(2,036)	-
	Increase in trade payables		-	17,528
	(Decrease)/Increase in accrued liabilities and other payables		(12,378)	14,706
Cash used in operations			(13,174)	(3,828)
	Interest received			
	Interest paid		(828)	-
	Income tax paid		-	(1,182)
Net cash used in operating activities			(14,002)	(5,010)
Cash flows from investing activity				
	Expenses paid on behalf by associated companies		-	(1,634)
	Acquisition of associated company		-	(30)
	Loan advanced to associated company		(12,000)	(49,000)
Net cash used in investing activities			(12,000)	(50,664)
Cash flows from financing activities				
	Process from issue of shares – share capital		4,902	-
	Process from issue of shares – share premium		23,645	-
	Process from issue of convertible bond		11,739	-



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Proceeds from issue of non-equity linked bond			7,908	49,159
Repayment of non-equity linked bonds			(22,063)	-
Bank loans obtained			-	637
Net cash generated from financing activities			26,131	49,796
Net increase/(decrease) in cash and cash equivalents			129	(5,878)
Cash & cash equivalents at beginning of the financial period			182	10,614
Cash & cash equivalents at the end of the financial period			311	4,736
Cash and cash equivalents comprise:				
Cash and bank balances :				
- Continuing operations			311	182
- Discontinued operations			-	4,554
Cash & cash equivalents at the end of the financial period			311	4,736

Note A

As stated in Note 1 to Section 1(b)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of QIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the sale and purchase agreement.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

Net effect of cash flow on disposal in FY2015

	18M2015 RMB'000
Cash and cash equivalents disposed	(4,554)
Net cash outflow from disposal	<u>(4,554)</u>

Note B

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

Note C

The proceeds of offerings pursuant to Chapter 8 undertaken by the Company have been used for the intended purposes and the Company will be making further announcements on the details from time to time.



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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 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(245,296)	(1,759)
Employee share option scheme – expired option	-	-	-	-	(1,224)	-	-	1,224	-
Total comprehensive income for the year	-	-	-	-	-	-	-	17,703	17,703
Balance at 31 December 2014 (Audited)	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,369)	15,944
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 (Unaudited)	27,293	172,983	84,135	3,014	-	-	-	(259,623)	27,802



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Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2014	19,220	172,983	51,499	3,014		1,224	(70,389)	177,551
Employee share option scheme – expired share option	-	-	-	-		(1,224)	1,224	-
Total comprehensive loss for the year	-	-	-	-		-	(215,654)	(215,654)
Balance at 31 December 2014 (Audited)	19,220	172,983	51,499	3,014		-	(284,819)	(38,103)
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 31 December 2015 (Unaudited)	27,293	172,983	84,135	3,014		-	(259,623)	27,802



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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.**

	Number of Shares	Share Capital (US\$)
As at 30 June 2016	50,500,000	4,040,000.00
As at 31 December 2014	548,802,638	2,744,013.19

The change in the issued and paid-up share capital of the Company for the period from 31 December 2014 to 30 June 2016 was shown in the above table.

Placements

The Proposed Placement of 100,000,000 ordinary shares to Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi was completed at a price of S\$0.029 per Placement Shares on 11 February 2015.

The Company has announced on 25 March 2015 that the Company has entered into placement agreements with several placees. The Company had on 6 April 2015, received the approval in-principle from the SGX-ST for the listing and quotation of up to 58,800,000 Placement Shares on the Main Board of the SGX-ST. The placement of shares were completed on 15 April 2015.

The Company announced on 30 September 2015 that it has entered into a placement agreement on 30 September 2015 with the Subscriber for early settlement of the above-mentioned bonds in form of issue of placement shares and cash payment. In pursuant to the placement agreement, the Company has settled the principal amount of S\$3,976,158.28 to the Subscriber thereby leaving an unsettled principal amount of S\$6,023,841.72 in anticipation for contra settlement against the expected share placement proceed to exactly the same amounts as soon as the approval from SGX-ST is being granted.

The total number of placement shares is 100,397,362 and the issue price is S\$0.06 for each placement share, representing total amount of S\$6,023,841.72 (approximately RMB29,163,000) which is exactly the same amount outstanding under the bonds as at 30 September 2015.

The Company announced on 14 October 2015 that the SGX-ST has granted its approval in principle of the placement of 100,397,362 new ordinary shares to Ms Li Yu Huan for settlement of the outstanding principal amount of the bond in totality. This placement was completed on 16 October 2015.

As a result of the above-mentioned placements of new shares, the total number of issued shares of the Company had increased from 548,802,638 ordinary shares to 808,000,000 ordinary shares, excluding treasury shares as at 31 December 2015.

Convertible Bonds

The Company announced on 5 March 2015, that it entered into a convertible bond agreement with the Investor, whereby the Investor had agreed to subscribe for S\$2,660,000 of Convertible Bonds. The Company announced on 16 March 2015, that it entered into a supplemental agreement dated 16



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March 2015 with the Investor to, *inter alia*, provide for adjustments in the event any share consolidation exercise of the Company occurs. On 27 March 2015, the Company received the approval in-principle from the SGX-ST for the listing and quotation of up to 38,000,000 new ordinary shares in the capital of the Company on the Main Board of the SGX-ST to be issued upon conversion of the Convertible Bonds. On 31 March 2015, the issuance of seven per cent (7%) unsecured convertible bonds due 2017 of an aggregate principal amount of S\$2,660,000 was completed and the Convertible Bonds were issued to the Investor for S\$2,660,000.

On 22 February 2016, the Company announced that no Convertible Bonds were converted prior to the books closure date, and that the completion of the Share Consolidation will constitute an event giving rise to an adjustment to the conversion price of the Convertible Bonds (the "**Conversion Price**") pursuant to the terms and conditions of the CBA. Accordingly, an adjustment was made to the Conversion Price and the new Conversion Price is S\$1.12, with effect from 5.00 p.m. on 23 February 2016, being the close of the stock exchange business date immediately preceding the date on which the Share Consolidation becomes effective. The Company announced on 24 February 2016 that the Share Consolidation was completed and was effective with effect from 9.00 a.m. on the same day.

As the Convertible Bond has yet to be converted, the total number of shares that may be issued upon conversion of the Convertible Bond is 2,375,000. Save for the aforementioned Convertible Bond, the Company did not have other outstanding convertibles or treasury shares as at 30 June 2016.

Save as set out in this paragraph, there are no other outstanding convertible securities and the Company did not have any convertible securities as at the end of the immediately preceding financial year (i.e. 31 December 2014).

Share Consolidation

Further to the Company's announcements on 25 November 2015, 29 December 2015, 4 January 2016 and 5 February 2016, and the Company's circular to shareholders dated 20 January 2016, the Company had on 5 February 2016 obtained shareholders' approval for a proposed share consolidation ("**Proposed Share Consolidation**") of every sixteen (16) existing issued and unissued ordinary shares of par value US\$0.005 each in the capital of the Company as at the books closure date to be determined, into 1 ordinary share of par value US\$0.08 each in the capital of the Company, fractional entitlements to be disregarded. The Company had undertaken the Proposed Share Consolidation to enable it to meet the minimum trading price requirement of the SGX-ST.

There are no changes in the issued and paid-up share capital of the Company as result of above-mentioned share consolidation. Subsequent to the completion of this Share Consolidation, the total number of issued shares of the Company was 50,500,000 ordinary shares at 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 which is 30 June 2016 and as at the end of the immediately preceding financial year which is 31 December 2014 is 50,500,000 (Post Share Consolidation) and 548,802,638 (Pre Share Consolidation) ordinary shares, respectively.

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.



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

The financial information for the full 18 months' period ended 30 June 2016 has not been audited nor 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).

The figures have not been audited or reviewed by the auditors. In the course of their audit for the financial period ended 30 June 2016, the auditors have informed the Company that there may be qualification in respect of the restricted access to the accounting records and information of Xuzhou Zhongwei by the auditors as a result of the default in SME Loan repayment 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 bondholder. However, the auditors are unable to firm up the type of qualification as discussion is still on-going between the management and the auditors. 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 period ended 30 June 2016 is to be issued.

Currently, the local management of Xuzhou Zhongwei has been in negotiation with the bondholders and the Company has been informed that a definitive settlement agreement on the SME Bond issues could possibly be reached in three weeks' time from now. The management will promptly inform shareholders on the progress and result of such negotiation as 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 ("FRS") that are mandatory for financial year beginning on or after 1 January 2015.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2014 including, but not limited to, the continual adoption of equity instead of full consolidation basis in the accounting of the Company's investment in 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 note 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.

As announced on 7 October 2015, the Company has decided to the change of the Company's financial year end from 31 December to 30 June ("Change of Financial Period") for the following reasons:

- (1) To provide the Company's auditors with sufficient time and human resources to complete the Company's audit assignment during the peak audit work period in December.
- (2) The former financial year end on 31 December has resulted in serious overlap between the peak audit work period of the Company and the prolonged Chinese New Year holidays in China, causing exceptional and repeated difficulties in securing the cooperation of the Company's PRC major operating subsidiaries' operational and financial staff in focusing on meeting tight audit deadlines.



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6. **(Loss) / 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.**

	18M2015	12M2014 (Restated)
Basic earnings 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	(0.62)	3.19
- Fully diluted	(0.62)	3.19
From discontinued operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	-	0.01
- Fully diluted	-	0.01
Number of shares in issue		
Post-consolidation weighted average number of shares in issue	46,012,400	
Pre-consolidation weighted average number of shares in issue		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 2016	31 December 2014	30 June 2016	31 December 2014
		(Restated)		(Restated)
Net asset/(liability) value per ordinary share	55.05	2.82	55.05	(7.03)

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 50,500,000 (Post Shares Consolidation) and 548802,638 (Pre Shares Consolidation) shares in issue as at 30 June 2016 and 31 December 2014, 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**

Despite the fact that on 27 May 2015, the Company has increased its shareholding in the Rich Circles Group from 49% to 54.46% or 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 RMB 180 million SME Bond by Xuzhou Zhongwei New Board Co., Ltd. ("Zhongwei") on 28 March 2016 and comes to the conclusion that it is more



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appropriate to treat the Rich Circles Group as the Company's associated company instead of a subsidiary, thereby adopting the "equity" instead of "full consolidation" basis of accounting for the Rich Circles Group's financial performance, for the following major reasons :

- 1) Effective from 28 March 2016, the date of default of repayment of the RMB 180 million SME Bond to the respective bondholders (in aggregate "the bondholders"), the bondholders have been in a position to take whatever proper legal action(s) in Xuzhou against Zhongwei for the recovery of their bonds. Despite the above, the bondholders are willing to enter into negotiation with the Xuzhou Zhongwei local management and Ms. Li Ya Xin as Rich Circles Group's major shareholders in search for a mutually agreeable and acceptable solution, the Company is informed by the local management of Zhongwei that the daily operation of Zhongwei has been purportedly under observation by a major bondholder while in the negotiation, until an ultimate solution or agreement has been reached by both Zhongwei and the bondholders;
- 2) Ms. Li Ya Xin, the other major shareholder of the Rich Circles Group owning the remaining 45.54% of its shareholding with effect from 27 May 2015, has 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 for a period of 20 months. Such POA has expired on 8 April 2016 and extension or renewal has not been granted by Ms. Li Ya Xin to Mr. Yuan Li Min or other legal representative of the Company, hence it is apparent that the Company does not have any direct or indirect control from Ms. Li Ya Xin's shareholdings in Rich Circles Group.

Subsequently, we have been informed by Ms. Li Ya Xin that she has granted a new irrevocable POA to a person who has a very strong and friendly business relationship with the bondholders and shall work very closely with the bondholders in the currently on-going negotiation about reaching a solution or agreement with the bondholders as direct representative of Ms. Li Ya Xin. It is evidenced that Ms. Li Ya Xin will cooperate with the bondholders under the proper legal framework in China and the control possessed by the Company over the Rich Circles Group has been apparently weakened by the act of Ms. Li Ya Xin;

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

Accordingly, the management reached a consensus that it is more appropriate from the practical point of view and the current operational position that the Company will treat Rich Circles Group as our associated company and adopt the "equity" accounting basis for recording Rich Circles Group's financial performance from 1 January 2015 to 30 June 2016, which is in fact consistent with the Company's accounting treatment of the Rich Circles Group for the financial year ended 31 December 2014. The auditors concurred with the management's view and decision.



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Review of Financial Performance

Revenue for the full 18 months' period ended 30 June 2016 was presented as nil as we have adopted the equity accounting basis for our investments in the Rich Circles Group as explained above which is consistent with the presentation for the financial year ended 31 December 2014. 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 Baota and Han Energy respectively.

Other operating income mainly represented :

- 1) the gain of approximately RMB 14.8 million, being the difference of the transacted share price at 30 September 2015 of S\$0.0271 per share and the price of the placement share at S\$0.06 per share for an aggregate amount of 100,397,362 new ordinary shares, recorded in profit or loss for the placement of new shares to Ms. Li Yu Huan in contra with the outstanding bond due to her on 30 September 2015;
- 2) the exchange gain of approximately RMB 4.0 million in the course of making cash repayment to Ms. Li Yuan Huan in the settlement of the bonds due to her up to 30 September 2015 when full settlement of the bond has been effected; and
- 3) the exchange gain of approximately RMB 2.4 million on other debt settlement and collection transactions denominated in non-RMB currencies.

Selling and distribution expenses for the full 18 months' period ended 30 June 2016 was presented as nil for the same reason as explained above under the "Revenue" section.

Administrative expenses for the full 18 months' period ended 30 June 2016 was approximately RMB10.4 million (FY2014 – 12 months' period was approximately RMB9.8 million) which mainly includes remuneration of directors and management staff, office rental, business travelling expenses and professional fees incurred.

Finance costs for the full 18 months' period ended 30 June 2016 was approximately RMB5.3 million (FY2014 – 12 months' period was approximately RMB1.9 million) which mainly relates to interest accrued for the 10% Coupon Bonds payable and the 7% Convertible Bonds issued at the Company's level.

Loss on disposal of discontinued operation of approximately RMB6.4 million represented the net loss incurred by the Company on its disposal of 100% shareholding of QIL to Chengde Industrial Company Limited as approved by shareholders on 2 February 2015 and completed on 3 February 2015. The computation being deducting the net proceeds of RMB13.9 million from the net cost of disposal of RMB20.3 million (the difference between the assets of the disposed group held for sale of RMB153.0 million and the liabilities of the disposed group held for sale of RMB132.7 million as shown in the balance sheet).

Share of loss from associates of RMB27.4 million relating to the Company's 54.45% share of the loss recorded from 1 January 2015 to 30 June 2016 by the Rich Circles Group.



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- (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

Loan to associates and interest receivables of RMB49.0 million and RMB1.9 million, respectively, as of 31 December 2014 have been reclassified as current amount due from associates as of 30 June 2016. The increase mainly represented the additional RMB12.0 million loan made to Rich Circles Group as a result of the Company's increase in our relative shareholding in Rich Circles Group from 49% to 54.45% with effect from 27 May 2015.

Assets and liabilities of disposed group held-for-sale of RMB153.0 million and RMB132.7 million respectively standing as at 31 December 2014 have been accounted for as cost of disposal of 100% shareholding of QIL to Chengde Industrial Company Limited in the period ended 30 June 2016.

Accruals and other payables of approximately RMB6.3 million (31 December 2014 : approximately RMB32.6 million) mainly represented accrued operating expenses and bond interests.

Bonds payable of approximately RMB22.1 million in total standing as at 30 June 2016 represented an approximate RMB8.4 million 10% Coupon Bonds (HK\$10 million) and an approximate RMB13.7 million 7% Convertible Bond (S\$2.66 million).

Amount due to former director/shareholder of approximately RMB1.2 million represented amount due to Mr. Lin Dao Qin which is interest free and repayable on demand.

Amount due to related party of approximately RMB4.1 million represented loans extended by friendly business associates which are interest free and repayable on demand.

Review of Cash Flow

Net cash generated from operating activities

The Group loss before tax from the continuing operations for the full 18 months ended 30 June 2016 was approximately RMB28.4 million (FY2014: profit of approximately RMB17.5 million).

During the 18 months ended 30 June 2016, the Group has used approximately RMB14.0 million and RMB12.0 million in operating activities and in investing activities respectively, however, the Group has generated approximately RMB26.1 million from financing activities, thereby resulted in a net increase of approximately RMB0.1 million in the Group's cash flow position for the full 18 months' period ended 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.**

There are no variances between any forecast or prospect statements disclosed to shareholders and the actual results.



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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 the Group's major customers, namely Han Energy Co., Ltd and Beijing Baota Petrochemical Company Limited, both of which have encountered unforeseen difficulties in their respective operations of a 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. The fact that Xuzhou Zhongwei has defaulted in its repayment of RMB180 million SME Bonds to the bondholders on 28 March 2016 has also made the recovery of the sales operations and continuous loss situation of Xuzhou Zhongwei an extremely difficult task to the present management.

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

However, as stated in the announcement made on 2 March 2016, the Company has entered into a sale and purchase agreement with the Vendor for the acquisition by the Company of 70% of the total equity interest in the registered capital of Boya Lianli (Beijing) Investment Limited, the completion of which will enable the Company to widen its scope of business and to become less dependent on the current New Material business in providing stable revenue and improvement in the Company's profitability in the next two years and beyond. Though the application for approval of the circular to obtain shareholders' approval at SGM relevant to this proposed acquisition is still pending approval from SGX-ST, shareholders are strongly recommended to carefully study the said announcement and the management will provide prompt updates to our shareholders on the progress of the proposed acquisition from time to time.

As far as operational and business acquisition fundings are concerned, the Company has identified numerous potential investors interested to provide additional funding to the Company for completion of the proposed acquisition of the target company by the Company and to strengthen the Group's working capital position through a placement exercise. The application for the approval of the circular to obtain shareholders' approval at SGM for the placement is still pending approval from SGX-ST.

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.

(c) Date payable

Not applicable.



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(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 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 full 18 months' period ended 30 June 2016 to be false or misleading in any material respect.

15. 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)

16. 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 detailed explanation.

17. 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.

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

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

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer 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 2016