

CHANGJIANG FERTILIZER HOLDINGS LIMITED

(Registration Number: 200713878D)

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors of the Company together with its subsidiaries, (the “Group”) refers to the Group’s Annual Report for the financial year ended 31 December 2015 released to SGX-ST via SGXNet on 8 July 2016.

The following information is in response to the SGX-ST’s queries dated 19 July 2016:

- 1) For the Exchange’s consideration under Rule 1303(3)(c) and noting the Independent Auditor’s findings on “Going concern” on page 23-26 of the Company’s annual report, please provide the Board’s opinion if the Company will be able to operate as going concern and basis for the Board’s view**

Company’s reply:

The Company is currently in the process of injecting a sustainable and cash generative group of assets through a reverse take-over (“RTO”) of a real estate development and investment business. To this end, on 12 April, 25 April and 13 June 2016, the Company announced the proposed acquisitions of WBH Investments Pte Ltd, Cowealth Investments Pte Ltd and a 50% interest in Chiu Teng 8 Pte Ltd. In addition, the Company is planning to propose a rights issue exercise (“Rights Issue”) in the coming months to strengthen its cash position and prepare it for growth opportunities post the RTO. Upon the successful completion of the Rights Issue and the RTO as well as the divestment of the Company’s defunct subsidiaries (“Disposal”) in the People’s Republic of China (“PRC”), the Board is of the view that the Company will be able to generate adequate cash flow and have sufficient working capital to enable it to operate as going concern.

- 2) On page 15 of the Company’s annual report, footnote (1), other than Mr Peng Liang, please disclose if the Company has any other employees who are immediate family members of a director or the CEO and whose remuneration exceeds S\$50,000 during the year and disclose the remuneration accordingly if any.**

Company's reply:

Other than Mr Peng Liang, the Company does not have any other employees who are immediate family members of a director or the CEO and whose remuneration exceeds S\$50,000 during the year.

- 3) Please disclose whether the Company has filed its accounts with the SAIC and when and what period was this filed and what are the consequences of non-filing.**

Company's reply:

According to representations from the Group's PRC management team (the "PRC Management"), the Group's PRC subsidiaries have not filed their FY2015 accounts with the SAIC and have not incurred any penalties for non-filing. The PRC Management have indicated that the filing of accounts with the SAIC is needed only when production activities are ongoing and there is a need to maintain the operating license for the Group's PRC subsidiaries ("PRC Subsidiaries). Currently the Group's PRC subsidiaries have ceased production activities and thus the operating licenses are no longer needed. Accordingly, the filing of accounts with the SAIC is not regarded as being necessary. Furthermore, barring unforeseen circumstances and subject to shareholders' and regulatory approval where necessary, it is anticipated that the proposed Disposal will proceed and the purchaser of the PRC Subsidiaries will have to assume the requisite responsibility with respect to the maintenance of the relevant filings with SAIC, should this be deemed necessary.

- 4) We note the Company's disclosure that the auditors could not get access to the books of accounts citing security concerns and lack of staff. In this respect, please provide basis what are the controls in place and basis for the statement on page 16 of the Company's annual report that internal controls are adequate and effective.**

Company's reply:

The Group's PRC Subsidiaries have ceased production and remain dormant since FY2013. The PRC Subsidiaries have been classified as "Discontinued operations" in the financial statements. With the dormancy of the Group's PRC Subsidiaries, the cash and bank balances are negligible and the only remaining asset in the PRC Subsidiaries is an intangible asset being the land use rights. As there is no ongoing production activity, there are no financial or operational risks to be assessed.

The Board will continue to proactively engage the PRC Management and the PRC directors on the Board to regularly assess the security situation in the PRC Subsidiaries' plants and update the Board accordingly.

The Company's management is based in Singapore ("Singapore Management") and there is currently no active operational activities in the Group. The Audit Committee is of the view that the current internal controls are adequate and effective for the Company.

- 5) **We note on page 25 of the Company's annual report that the Group's PRC subsidiary corporations have ceased production since 31 December 2013. If this is so, please explain the wages and salaries amounting to RMB2.6 million on page 60 paid to Directors and RMB 18.067 million on page 46 to employees.**

Company's reply:

As disclosed on page 60 of the annual report, wages and salaries expenses for key management personnel amounted to RMB2.6 million, out of which RMB1.4 million and RMB0.6 million are accrued for the Executive Directors and the former Chief Executive Officer respectively in accordance with the terms of their service contracts entered into with the Company. The wages and salaries payable to the Executive Directors and the former Chief Executive Officer are provided for in the accounts, but are not yet paid out to them as the Company has insufficient funds to effect the requisite payments.

As disclosed on page 46 of the annual report, wages and salaries expenses for employees amounted to RMB18.1 million, out of which RMB15.5 million relates to the accrual of workers' salaries in the three plants in the PRC and RMB2.0 million relates to the Executive Directors and the former Chief Executive Officer (the basis of their accrual is explained above). The wages and salaries payable to the workers in the three plants are provided for in the accounts but are not yet paid out to them as the PRC Subsidiaries have insufficient funds to effect the requisite payments. According to PRC Management's representations, although the Group's three PRC plants have ceased operations, there was still a need to continue to accrue for the PRC workers' salaries and living expenses as their respective labour contracts have not been terminated. The labour contracts have to be terminated on terms agreed between the workers and the respective PRC Subsidiaries.

6) We note on page 25 of the Company's annual report that there were "security concerns represented by the PRC subsidiary corporations' management, the Company's management and the auditors are unable to visit and conduct audit respectively at the premises of the PRC subsidiary corporations"

(a) Please elaborate what security reasons. Why is management not able to access its books for the auditors? If the premises cannot be entered into, how is the Company going to sell off the PRC subsidiary corporations?

(b) If security concerns were present, how did the Company prepare the accounts for FY2015 and prepared by whom

Company's reply:

(a) According to PRC Management's representations, as the PRC Subsidiaries had not paid the PRC workers their outstanding salaries, the workers will periodically organize protests at the PRC Subsidiaries' premises. Hence, for security reasons, the sole remaining member of the PRC finance team, being the PRC Vice President-Accounting & Finance ("Bin zong"), advised that it is not safe for the auditors to visit the factories. Bin zong has not been to the factories operated by the PRC Subsidiaries for close to a year out of concerns for his personal safety. It is proposed that the PRC Subsidiaries be auctioned off on an 'as-is, where-is' basis. The prospective bidders for the PRC Subsidiaries have to take the security risks and other known and unknown liabilities into account when assessing their bids for the PRC Subsidiaries.

(b) The accounts for FY2015 have been prepared by the PRC subsidiaries' Group Accountant, 闵舟 before he ceased to turn up for work in January 2016.

7) We note on page 25 of the Company's annual report that "the amount of RMB69,452,000 includes tax liabilities for the PRC subsidiary corporations of RMB34,890,000".

(a) Why is auditors unable to perform alternative procedures on this?

(b) What underlying items does RMB69,452,000 refers to?

(c) Is there any verification with the relevant tax authority?

Company's reply:

7(a) As disclosed in paragraph 6 (i) and (ii), page 25 of the Auditor's Report in the Company' annual report, the auditors are unable to visit and conduct their audit at the premises of the PRC subsidiary corporations. Hence, based on the information and accounting records made available to the auditors, they are unable to obtain sufficient and appropriate audit evidence to satisfy themselves as to whether a complete set of accounting records are provided to them and to substantiate and to verify the same.

7(b) It refers to the liabilities for the PRC subsidiary corporations. Please refer to the details in Note 9(I) in page 50 of the annual report.

Extracts from the annual report are as follows:

- (I) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

	<u>Group</u>	
	2015	2014
	RMB'000	RMB'000
Other payables		
Accruals for operating expenses	34,330	8,054
Amounts due to directors	232	-
Current income tax liabilities	34,890	19,687
	<u>69,452</u>	<u>27,741</u>

- (I)(i) Other payables

	<u>Group</u>	
	2015	2014
	RMB'000	RMB'000
Other payables		
Beginning of financial year	8,054	-
Add: Reclassification from other payables	12,599	8,054
Add: Amount due to director	232	-
Add: Accruals for operating expenses during the year	13,677	-
End of financial year	<u>34,562</u>	<u>8,054</u>

(l)(ii) Details of accruals for operating expenses during the year

	Group	
	2015	2014
	RMB'000	RMB'000
Employee compensation	12,613	-
Property and land use tax	704	-
Accrued operating expenses	360	-
Provisions during the year	13,677	-

7(c) We are not aware of any correspondence from PRC tax authorities during the financial year. We have not made any tax payments to PRC tax authorities since financial year 2010. We do not have any verification document provided by the PRC authorities.

The provision of the tax liabilities of the PRC subsidiary corporations are in relation to the following financial years respectively. The provision of the tax liabilities is as per the policy disclosed in Notes 8 to the financial statements in Page 46 and 47 of the annual report respectively.

Financial year	Amounts (RMB'000)
2010	2,904
2011	11,503
2012	8,191
2013	9,850
Under provision in prior financial years	2,442
TOTAL	34,890

BY ORDER OF THE BOARD

Changjiang Fertilizer Holdings Limited

Cai Jian Hua

Executive Chairman

22 July 2016