Changjiang Fertilizer Holdings Limited

Annual Report 2014

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A MESSAGE FROM ACTING CHAIRMAN

Dear Shareholders,

The financial year ended 31 December 2014 ("FY2014") has turned out to be another challenging and difficult year for the Group.

Since the previous financial year, demand for our products continued to be persistently weak as there is a growing trend for farmers to prefer compound fertilizers over traditional fertilizers. This trend is most likely to continue to adversely impact on the demand for our products. In addition, Miluo and Xiangyin plants in FY2013 have received notifications from the government to wind-down their operations in the existing factories which are located in urban areas of the city and to relocate the factories. With only one remaining plant in Hanshou, the Group could not achieve the economics of scale needed for production and we decided to continue to temporary halt the production activities.

Financial Performance

As the production activities in all of our three plants has ceased since the previous financial year, there is no revenue generated during the financial year and the Group continued to be loss making in FY2014. As such, the Group has recorded two consecutive years of losses and risk entering into SGX's Watch list if the Group continues to record the third consecutive loss in the financial year ending 2015.

New Direction

In view of the matters above, the Board has decided to diversify its business and appointed a new CEO, Mr Soh Chun Bin on 1 October 2014. He brings with him a wealth of corporate experience and knowledge and will be able to assist the Group in the injection of new businesses that will enhance shareholders' value. We will continue to seek suitable opportunities to diversify our business and will update the shareholders of our future plans in due course.

New Corporate Initiatives

On 27 March 2015, the Company entered into placement agreement to raise proceeds of approximately S$359,900 through the issuance of 17,995,000 new ordinary shares at S$0.02 each, mainly for the payment of the corporate head office expenses. In addition, it also entered into convertible loan agreement of a principal amount of S$359,900, convertible into 17,995,000 new ordinary shares at a conversion price of S$0.02. The proceeds of approximately S$359,900 raised will be used mainly for the purpose of acquiring Singapore-based income generating assets so that the Company has a sustainable income base.

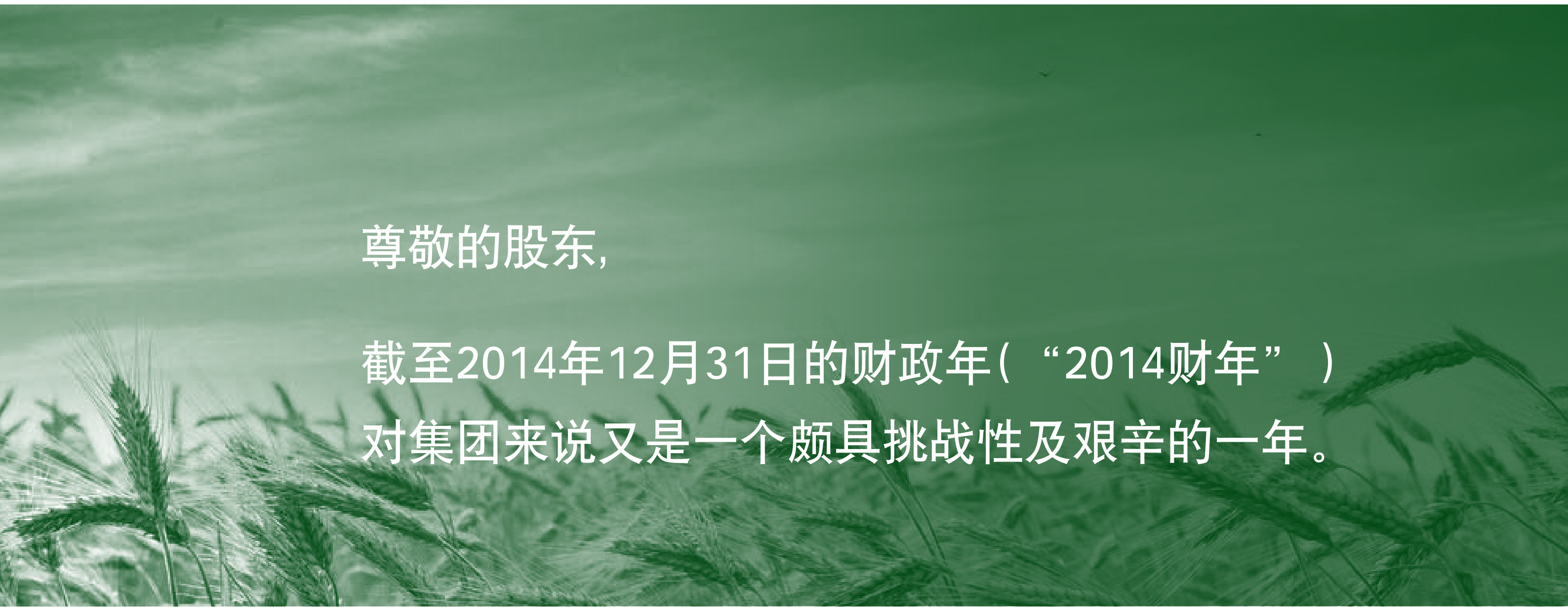
In Appreciation

On behalf of the Company, I would like to extend our deepest appreciation to the loyal shareholders who have stood with the Company through the years. We look forward to your continued support in the next few years as we work towards transforming and turning the Company around.

Zhu Xue Cheng

Acting Chairman and Executive Director
April 2015

代理主席致词



尊敬的股东，

截至2014年12月31日的财政年（“2014财年”）对集团来说又是一个颇具挑战性及艰辛的一年。

从上一个财政年，我们的产品的需求继续疲弱，农民较偏向复合肥多过传统的肥料。这一趋势很可能持续，继续不利影响对我们产品的需求。此外，在2013财政年，我们宣布汨罗和湘阴的工厂收到政府的通知需要将工厂搬迁到城市市区去运作。只剩汉寿工厂，集团无法达到所需的生产规模的经济效益，所以决定暂时停止生产。

财务表现

由于没有进行生产，集团没有收入所以在这个财政年继续亏损。因此，公司已经连续两个财政年亏损，如果下一个财政年度继续亏损，公司将进入新交所的观察名单。

新方向

鉴于上述事项，董事会决定将公司的业务多元化，并于2014年10月1日委任苏总为新的首席执行官。他拥有丰富的企业经验和知识，将能够协助集团注入新的业务，提升股东价值。我们将继续寻求合适的机会，将业务多元化，并在适当的时候更新我们的股东公司未来的计划。

公司新的企业行动

公司于2015年3月27日签署配售合约配售17,995,000新股，配售价每股S$0.02,筹资额约S$359,900主要用于支付公司总部费用.此外，公司签也签署可转债合约，本金为S$359,900，可以转换为17,995,000新股，转换价S$0.02。大约所得款项额S$359,900主要用于收购新加坡的资产，使公司拥有一个可持续的收入基础.

感谢

我谨代表公司，以我们最衷心的谢意，感谢多年一直都在支持公司的忠诚股东。我们期待着在未来几年继续得到你们的支持，我们将尽最大的努力改造和扭转公司亏损的业绩。

朱雪城
代理主席兼执行董事
2015年4月

CORPORATE INFORMATION

Board Of Directors
Cai Jian Hua *(Executive Chairman)*
Zhu Xue Cheng *(Deputy CEO, Acting Chairman, Executive Director)*
Teo Moh Gin *(Lead Independent Director)*
Guo Zhen Kai *(Independent Director)*
Aloysius Wee Meng Seng *(Independent Director)*

Audit Committee
Teo Moh Gin *(Chairman)*
Aloysius Wee Meng Seng
Guo Zhen Kai

Nominating Committee
Aloysius Wee Meng Seng *(Chairman)*
Teo Moh Gin
Cai Jian Hua

Remuneration Committee
Teo Moh Gin *(Chairman)*
Aloysius Wee Meng Seng
Guo Zhen Kai

Registered Office
30 Raffles Place
Chevron House Level 17
Singapore 048622

Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01,
Singapore Land Tower,
Singapore 048623

Auditor
Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
100 Beach Road,
#30-00 Shaw Tower,
Singapore 189702
Director-in-charge: Philip Tan Jing Choon
(since financial year ended 31 December 2011)

Company Secretary
Ng Joo Khin

BOARD OF DIRECTORS

Cai Jian Hua

Executive Chairman and CEO

Cai Jian Hua has been appointed as Executive Chairman and CEO of our Group in April 2013. He stepped down as Chief Executive officer on 1 October 2014 with the appointment of Mr Soh Chun Bin as Chief Executive Officer on 1 October 2014. He is responsible for the overall business, investment and operational strategies for our Group, as well as the overall management of our Group. Mr Cai has about 20 years of experience in the real estate industry in areas of strategic planning, business development, and general management of operations. He holds a Bachelor of Economic degree from Beijing University of Industrial and Commerce in China.

Zhu Xue Cheng

Executive Director

Zhu Xue Cheng is our Executive Director and was appointed as Deputy CEO on 1 October 2014 and Acting Chairman on 28 February 2015 to cover Mr Cai Jian Hua's duties during his leave of absence from 1 March to 1 September 2015. He is responsible for sales and marketing. He joined Jincheng Shiye in 2002, the principal operating subsidiary of our Group, where he has been responsiblefor sales and marketing. From 1995 to 2002, he was with Donting Precision Casting Factory where he took on the position of assistant factory manager mainly responsible for sales. Prior to 1995, Mr Zhu was a sergeant with the PRC navy where he served from 1992 to 1995. He graduated from Hunan Provincial Party School with a higher diploma in economics and management.

Our Executive Officer, Peng Liang, is the brother-in-law of Zhu Xue Cheng.

Guo Zhen Kai

Independent Director

Guo Zhen Kai is our Independent Director and was appointed to our Group on 28 August 2009. He has over 30 years of experience in the chemicals and chemical fertilizer industry. Presently, he is senior engineer and the supervisorof the consultancy department of the Hunan Chemical Fertilizer Industry General Corporation (湖南省化肥工业总公司), where he was employed since 2007. Prior to that, from 2002 to 2006, he was general manager of the Hunan Yiyang Changfeng Fertilizer Co., Ltd. (湖南益阳长丰化肥有限公司), and senior engineer/vice-general manager of the Hunan Chemical Fertilizer Industry General Corporation (湖南省化肥工业总公司) from 1987 to 2001. Prior to that, he was an Engineer with the China Changsha Chemistry and Machinery Factory (中国长沙化工机械厂) from 1985 to 1986, and a supervisor of the technical department with the China Hunan Yiyang Nitrogenous FertilizerFactory (中国湖南益阳氨肥厂) from 1977 to 1984. He holds a Bachelor of Chemical Engineering degree from the Hunan University of the PRC.

BOARD OF DIRECTORS

Teo Moh Gin
Lead Independent Director

Mr Teo Moh Gin was appointed as our Lead Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee with effect from 25 September 2014. He is currently a director of Vive Capital Pte. Ltd and is involved in investment related work. Mr Teo has more than 25 years of global experience in finance, business development and consulting. He started his career in 1983 as a consultant in Arthur Andersen where he was in charge of various management consultancy projects. In 1990, he joined the Government of Singapore Investment Corporation as a senior investment officer (real estate department) and was responsible for the acquisition and management of prime commercial assets. In 1998, he joined System Access Ltd as its chief financial officer overseeing the finance and corporate development of the company. He was also previously with Transword Carnival Corporation as its interim chief executive officer and was responsible for the overall management of the company. He joined GKE International Ltd as their executive vice president and was responsible for their merger and acquisitions function as well as business development of the company. Between March 2006 and January 2007, he was the chief corporate officer of Richland Group and was responsible for the corporate development of the company. He obtained a Bachelor of Accountancy (Honours) from the National University of Singapore in 1983 and a post-graduate diploma in Business Administration from the University of Manchester in 1998.

Aloysius Wee Meng Seng
Independent Director

Aloysius Wee Meng Seng is our Independent Director and was appointed to our Group on 28 August 2009. Mr Wee is an advocate and solicitor of the Supreme Court of Singapore.He heads Dacheng Wong Alliance LLP, a Singapore China joint venture law firm which undertakes work in China,India and ASEAN. Prior to this, he was a partner at Central Chambers Law Corporation which he co-founded, serving as co-managing partner from 2002 to 2011. Before that he was at W T Woon & Company from 2000 to 2002 and from 1997 to 1999, he was a team leader (civil litigation and corporate matters) with Ng Yap & Partners. He started the practice of law as an associate with Donaldson & Burkinshaw from 1995 to 1996. Mr Wee is the Legal Adviser to the Muscular Dystrophy Association (Singapore) and the Realm of Tranquility (a Singapore registered charity). He is also a Board Member of the Board of Governors for Tay Leck Teck Foundation, another charitable organisation. He holds an Honours Degree in Law and Economics from the University of Kent at Canterbury, United Kingdom.

KEY MANAGEMENT

Soh Chun Bin
Soh Chun Bin is our Chief Executive Officer. He has joined us in October 2014, and has been tasked with transforming the company and restructuring our business.

Prior to that he was the Chief Executive Officer of Cedar Strategic Holdings Ltd, an SGX-ST listed company involved in real estate development in China. After joining Cedar in July 2012, Mr Soh had been instrumental in the transformation of the company from a titanium dioxide manufacturer to a real estate developer. He has overseen a number of strategic acquisitions as well as fundraising activities for the company since heading it.

Prior to joining Cedar, Mr Soh was an equity partner of Stamford Law Corporation, a major law firm well known in Singapore for its expertise in corporate finance and mergers and acquisitions. He had been one of the early pioneering lawyers at Stamford Law at its inception in the early 2000s, and had been a qualified lawyer specialising in capital markets and mergers and acquisitions for more than 12 years. Mr Soh has advised on many Singapore and international initial public offerings of corporations (in particular real estate companies) and real estate investment trusts, including secondary equity and debt fund raising by such entities. He has a wealth of experience and expertise on many cross-border transactions and has a broad network spanning countries such as China, Indonesia and Malaysia.

Mr Soh has been recognised as a leading lawyer by legal publications such as Chambers and Partners and AsiaLaw, and also sits on the boards of listed companies. He was a former scholar with a global multinational corporation headquartered in Singapore, and has a Bachelors of Law (Honours) from the National University of Singapore.

Kelvin Ho
Kelvin Ho is our Chief Financial Officer since July 2014 and is overall responsible for the financial matters of our Group including overseeing our Group's financial reporting and compliance with post-listing obligation. Prior to joining the Group, Kelvin was at Yamada Green Resources, a SGX listed company where he was in charge of the company's investor relations between January 2014 and June 2014.

He was the Chief Financial Officer at Powerland AG, a luxury handbag manufacturer listed on Prime AG, from July 2012 to March 2013 and a private company, Xin Hui Huang International Group Holdings Limited, an equipment manufacturer, from July 2011 to October 2011.

Between December 2006 and June 2011, Mr Ho was with Daiwa Capital Markets Singapore Limited and Genesis Capital Pte. Ltd, where he was responsible for the execution of corporate finance transactions. He also has several years of experience as an external auditor with Horwath First Trust and KPMG.

Kelvin is a member of CPA Australia and has a degree in Bachelor of Business in Accountancy from RMIT University.

Bin Xiao Min
Bin Xiao Min is our Vice President - Accounting and Finance. He joined our Group in 2004, and is responsible for the finance and accounting functions of our Group. Prior to joining us, from 1995 to 2004, he was employed by Hunan Xianghua Quyuan Wine Making Co., Ltd. as a general manager, where he was responsible for the overall management of company, and from 1980 to 1995, he was employed as a vice-general manager by Hunan Xianghua Quyuan Wine Making Co., Ltd, responsible for the finance and accounting functions as well as sales and supply management. He holds a diploma in Economic Management from the Yueyang District Staff and Worker's College. He is accredited as an accountant by the Hunan Province Human Resources Department.

Xu Zhen
Xu Zhen is our Vice President - Strategic Development, Administration and Human Resource. He joined our Group in 2007, and is responsible for the administration and human resource functions of our Group. In addition, he assists our Chairman and Chief Executive Officer with strategic planning and development. Prior to joining our Group, from 2004 to 2007, he was employed as a Financial Controller by Hunan Canva Bioscience & Technology Development Co., Ltd., and from 1992 to 2004, he was employed by Lanxing Yueyang 6906 Factory, a factory manufacturing electronic communication equipments. In both positions, he was in charge of finance and management. He obtained a diploma in Finance and Accounting from Yue Yang University and a degree in Business Administration from the Dongbei University of Finance and Economics.

Cao Hui
Cao Hui is our Director of Production and Technical Support. Since joining our Group in 2002, he has been responsible for overseeing the production and technical support aspects of our Group's business operations. Prior to that, from 1986 to 2002, he was employed at Miluo City Nitrogenous Fertilizer Factory where he started as a technician and was subsequently promoted to the position of a supervisor in 1995. In 2000, he was promoted to deputy head of the production and technical department in charge of overseeing production and technical support. He obtained a diploma in Enterprise Management from the Yueyang District Staff and Worker's College, and a diploma in Chemical Engineering from the Zhuzhou Chemical Industry School. He is presently working towards obtaining a degree in Business Administration from the East China Normal University. He is accredited as an engineer (chemical engineering) by the Hunan Province Human Resources Department.

Peng Liang
Peng Liang is our Head of Operations. He joined our Group in 2002, where he was mainly in charge of procurement of machinery and facility parts. Prior to joining our Group, he was employed by Qu Yuan Administration Management District San Fen Chang as a supervisor and site manager, mainly in charge of freshwater aquafarming and terrestrial farming. Peng Liang obtained an advanced diploma in Enterprise Management from Yueyang District Staff and Tertiary Technical Institute. He is accredited as an economist by the Hunan Province Human Resources Department.

Peng Liang is the brother-in-law of Zhu Xue Cheng.

REVIEW OF OPERATIONS

Financial Performance

Since FY2013, the demand for our Group's products continued to be persistently weak in FY2014. In addition, Miluo and Xiangyin plants have received notifications from the government to wind-down their operations in the existing factories which are located in urban areas of the cities for the purposes of the redevelopment of the cities. As such, production in these 2 plants have been halted and the entire results from Miluo and Xiangyin plants are presented separately on the statement of comprehensive income as "Discontinued operations" while the assets and liabilities are classified as disposal group held for sale on the statement of financial position. In view of the persistently weak demand, the Group's plant in Hanshou continued to be shut down during the year. Therefore there was no production in all of our 3 plants in FY2014 and as such, no revenue generated in FY2014.

On the expenses level, the Group's administrative expenses decreased by RMB90.9 million or 29.1% to RMB221.1 million. The decrease was mainly due to the lower impairment provision of RMB117.0 million on property, plant and equipment based on independent valuer's assessment performed at year end as compared to the impairment provision of RMB248.9 million provided in FY2013.

Arising from the persistently weak demand for our products and the notifications received by our plants in Miluo and Xiangyin to cease operations, there is an indication of existence of impairment in our assets. As such, the Company carried out an assessment of the carrying value of its property, plant and equipment to determine if at 31 December 2014 there is any impairment in the carrying value. Accordingly, an independent valuer was appointed and the shortfall between the valuer's valuation and the book value of the assets of RMB117.0 million was provided for and recorded as an impairment loss in FY2014.

In addition, management also conducted an assessment of the recoverability of the trade receivables, advances to suppliers and deposit paid for property, plant and equipment. Arising from the management assessment, RMB13.4 million was provided for impairment of trade receivables and RMB22.1 million was provided for impairment on advances to suppliers as these amounts have been outstanding for more than one year. In December 2013, RMB22.4 million was paid as deposit to acquire certain business assets from Yueyang City Xinsheng Fuhefei Co., Ltd for the production of compound fertilizers. After the completion of the internal feasibility study on the acquisition, the management decided that the company would not proceed with the acquisition and thus the RMB22.4 million impairment was provided for the deposit paid.

After factoring in the abovementioned, the Group recorded a net loss attributable to shareholders of RMB 220.9 million.

Financial Position

As at 31 December 2014, our total current assets were RMB39.6 million as compared to RMB83.6 million as at 31 December 2013. The decrease was mainly due to the decrease of RMB62.3 million in trade and other receivables and the decrease of RMB16.6 million in cash and bank balances.

The decrease was partially offset by the increase in RMB39.4 million in assets held for sale as at 31 December 2014. It arose from the reclassification of property, plant and equipment and intangible assets held by the Group in Miluo and Xiangyin plants. Miluo and Xiangyin plants have received notifications from the government to cease their operations. As such, the property, plant and equipment and intangible assets located in these two plants were reclassified from non-current assets to "Assets held for sale" under current assets.

As at 31 December 2014, trade and other receivables comprise mainly other receivables amounting to RMB0.2 million. Compared to 31 December 2013, the decrease in trade and other receivables was mainly due to the allowance for impairment charges totalling RMB57.9 million provided on trade receivables, advances to suppliers and deposit paid for property, plant and equipment.

REVIEW OF OPERATIONS

Non-current assets include land use rights with net book value of approximately RMB14.1 million as at 31 December 2014 as compared to RMB49.1 million as at 31 December 2013, and property, plant and equipment with net book value of approximately RMB5.2 million as at 31 December 2014 as compared to RMB136.1 million as at 31 December 2013. The decrease in non-current assets from RMB185.2 million as at 31 December 2013 to RMB19.4 million as at 31 December 2014 was mainly due to:

i) RMB117.0 million of impairment on property, plant and equipment and RMB6.0 of impairment on intangible assets arising from the valuation assessment by the independent valuer;

ii) RMB39.4 million of reclassification of property, plant and equipment and intangible assets located in our Miluo and Xiangyin plants to "Assets held for sale" under current assets and;

iii) amortisation of land use rights and depreciation of property, plant and equipment.

Our current liabilities comprised other payables and income tax payable. As at 31 December 2014, total current liabilities were RMB57.4 million. The increase in current liabilities of RMB9.9 million or 20.9% from RMB47.5 million as at 31 December 2013 to RMB57.4 million as at 31 December 2014 was mainly due to the increase in trade and other payables. Miluo and Xiangyin plants have received notifications from the government to cease their operations. As such, the liabilities of the 2 subsidiaries operating in Miluo and Xiangyin plants were reclassified from current liabilities to "liabilities of disposal group classified as held for sale".

As at 31 December 2014, trade and other payables comprised of the liabilities of the continuing operations, which is the liabilities of the subsidiary operating in Hanshou and the Singapore listco. They comprised mainly accrual and other payables amounting to RMB10.8 million, and amount due to shareholders of RMB6.1 million. The increase was due to timing differences in payments made to the other creditors and advances from shareholders.

As at 31 December 2014, provision for tax amounted to RMB12.7 million. The decrease in provision for tax of RMB19.7 million was mainly due to the classification of the tax provisions of Miluo and Xiangyin plants to "liabilities of disposal group classified as held for sale".

Cash Flow Management

For FY2014, the Group has a net cash outflow of RMB16.6 million due to net cash used in operating activities amounting to RMB16.6 million. The increase of RMB6.3 million in net cash used in operating activities for FY2014 as compared to FY2013 was mainly due to the increase in loss for FY2014 as compared to FY2013 after adding back the non-cash adjustments.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company (together with its subsidiaries, the "Group") is committed to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the Company's shareholders. The Board works with the Management in achieving this objective and the Management is accountable to the Board. This report describes the Group's corporate governance practices and structures that were put in place during the financial year ended 31 December 2014 with specific reference to the principles and guidelines of the Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (the "2012 Code"), and where applicable, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The Board is responsible for the overall performance of the Group. It sets the Company's values and standards and ensures that the necessary financial and human resources are in place for the Company to achieve its objectives by:

- approving policies, strategies and financial objectives of the Group and monitoring the performance of the Group, including the release of financial results and timely announcements of material transactions;
- approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, material acquisitions and disposals of assets, interested person transaction of a material nature and convening of shareholders' meetings;
- reviewing the processes for evaluating the adequacy of internal controls, risk management, including financial, operational and compliance risk areas identified by the Audit Committee that are required to be strengthened for assessment and its recommendation on actions to be taken to address and monitor the areas of concern;
- advising Management on major policy initiatives and significant issues and monitoring its performance against set goals;
- approving dividend payments or other returns to shareholders;
- approving all Board appointments or re-appointments and appointments of key management personnel as well as reviewing their compensation packages; and
- overseeing the proper conduct of the Company's business and assuming responsibility for corporate governance.

The Board objectively makes decisions in the interests of the Group and has delegated specific responsibilities to three Board committees, namely, the Audit Committee ("AC"), the Nominating Committee ("NC) and the Remuneration Committee ("RC"). The committees have the authority to examine particular issues and report to the Board with their recommendations. The composition and term of reference of the AC, NC and RC are set out further in this report.

The Board conducts meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full year financial results, and as and when it deems necessary. The Articles of Association provide for Board meetings to be conducted by way of teleconferencing or videoconferencing.

The approval of the Board is required for any maters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business.

CORPORATE GOVERNANCE REPORT

The number of meetings of the Board and Board committees held in the financial year ended 31 December 2014 and the attendance of each Board member at these meetings are disclosed as follows:

	BOARD			AC			NC			RC		
		No. of meetings			No. of meetings			No. of meetings			No. of meetings	
Name	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Mr Cai Jian Hua	C [1]	4	4	–	4	4 [4]	M	1	1	–	1	1 [4]
Mr Zhu Xue Cheng	M [1]	4	3	–	4	3 [4]	–	1	1 [4]	–	1	1 [4]
Mr Guo Zhen Kai	M	4	2	M	4	2	–	1	1 [4]	M	1	1
Mr Teo Moh Gin [2]	M	4	1	C	4	1	M	1	–	C	1	–
Mr See Yen Tarn [3]	M	4	2	C	4	2	M	1	1	C	1	1
Mr Aloysius Wee Meng Seng	M	4	4	M	4	4	C	1	1	M	1	1

Notes:

(1) Following the end of the financial year ended 31 December 2014, Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months from 1 March 2015 to 1 September 2015. In Mr Cai's absence, his duties as the Chairman of the Board will be undertaken by Mr Zhu Xue Cheng as Acting Chairman.

(2) Mr Teo Moh Gin was appointed as Lead Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee with effect from 25 September 2014.

(3) Mr See Yen Tarn stepped down as Lead Independent Director, Chairman of the Audit Committee and and Chairman of the Remuneration Committee with effect from 25 April 2014. Mr See Yen Tarn, being eligible for re-election at the annual general meeting of the Company held on 25 April 2014, had given notice to the Company of his intention for not seeking re-election.

(4) Attended the meetings as an invitee.

(5) C = Chairman, M = Member.

The Company provides its directors with background information on its history, mission and values. The Company also provides ongoing education on Board processes and best practices. The Directors also have opportunities to meet with Management to gain a better understanding of the business operations. As the Group has no production and revenue, Mr Teo has not visited the Group's business operations, however, he has met the Management on several occasions to understand the Group's businesses and discuss strategic plans and objectives.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board comprises five Directors, two of whom are Executive Directors, and three are Independent Non-Executive Directors. The Executive Directors are Mr Cai Jian Hua and Mr Zhu Xue Cheng. The Independent Non-Executive Directors are Mr Teo Moh Gin, Mr Guo Zhen Kai and Mr Aloysius Wee Meng Seng. Mr See Yen Tarn stepped down as Lead Independent Director and Chairman of the Audit Committee with effect from 25 April 2014.

Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months from 1 March 2015 to 1 September 2015. In Mr Cai's absence, his duties as the Chairman of the Board will be undertaken by Mr Zhu Xue Cheng as Acting Chairman.

Mr See Yen Tarn stepped down as Lead Independent Director and Chairman of the Audit Committee with effect from 25 April 2014. Mr Teo Moh Gin was appointed as Lead Independent Director and Chairman of the Audit Committee with effect from 25 September 2014.

The Directors bring with them a wealth of expertise and experience in areas such as accounting, finance, law, business and management, industry knowledge and strategic planning. The profiles of the Directors are set out in the "Board of Directors" section of this Annual Report. The Board is of the view that its current composition is appropriate to facilitate effective decision making, taking into account the size, nature and scope of the Group's operations. As three-fifths of the Board is independent, the Board has a substantial independent element to ensure objective judgment is exercised on corporate affairs.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for the workings of the Board and, together with the AC, ensuring the integrity and effectiveness of the governance process of the Board. As announced on 28 February 2015, Mr Cai Jian Hua, the Executive Chairman of the Company, is taking a leave of absence from his duties for a period of six months with effect from 1 March 2015 to 1 September 2015. During such period, Mr Cai will not be carrying out any duties on behalf of the Company. In Mr Cai's absence, his duties as the Chairman of the Board will be undertaken by Mr Zhu Xue Cheng as Acting Chairman. Mr Zhu is also an Executive Director and the Deputy CEO of the Company managing the Group's current business.

Mr Soh Chun Bin was appointed as CEO on 1 October 2014. He is responsible for the overall management and execution of the Company's business and affairs outside of the People's Republic of China. He takes a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

The role of the Executive Chairman is separate from that of the CEO. In addition, the independent directors exercise objective and important judgment on corporate matters, thus ensuring a balance of power and authority. Major decisions on significant matters are made in consultation with the entire Board. To ensure that there is no concentration of power and authority vested in one individual, Mr Teo Moh Gin has been appointed as the Lead Independent Director. The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels of the Executive Chairman or CEO, or where such contact is not possible or inappropriate.

The Chairman leads the Board to ensure its effectiveness on all aspects of its role, ensures effective communication with shareholders, and encourages constructive relations between the Board and Management, as well as between Board members. He also takes a lead role in promoting high standards of corporate governance.

PRINCIPLE 4: BOARD MEMBERSHIP

The members of the NC are as follows:

Mr Aloysius Wee Meng Seng (Chairman)
Mr Teo Moh Gin
Mr Cai Jian Hua*

* *Mr Cai's duties as a member of the NC will be undertaken by Mr Zhu Xue Cheng during Mr Cai's leave of absence from 1 March 2015 to 1 September 2015.*

The NC is responsible for the following matters:

(i) the review of Board succession plans for directors, in particular, the Chairman and CEO;

(ii) the development of a process for evaluation of the performance of the Board, its Board committees and directors;

(iii) the review of training and professional development programs for the Board; and

(iv) the appointment and re-appointment of directors (including alternate directors, if applicable).

When appointing new directors, the NC will, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The NC will evaluate potential candidates by undertaking background checks, assessing individual competency, management skills, relevant experience and qualifications.

CORPORATE GOVERNANCE REPORT

The NC notes the requirement under the 2012 Code for companies to fix the maximum number of listed company board representations that their directors may hold and to disclose this in their annual report. The NC will deliberate on this and details of such directorships and other principal commitments of the Directors will be disclosed in the next annual report in respect of the financial year ending 31 December 2014. As time requirements are subjective, the NC recognises that its assessment of each Director's ability to discharge his or her duties adequately should not be confined to the sole criterion of the number of his or her board representations. Thus, it will also take into account contributions by Directors during Board and Board Committee meetings and their attendance at such meetings, in addition to each of their principal commitments.

The NC is also responsible for recommending a framework for the evaluation of the Board's and each individual Director's performance for the approval of the Board, the results of which will be taken into consideration during the process of re-appointment of Directors to the Board. Relevant considerations in the evaluation may include attendance at the meetings of the Board and Board Committees, active participation during these meetings and the quality of his or her contributions. Each member of the NC will abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination.

The Company's Articles of Association require not less than one-third of the Directors to retire from office by rotation at every annual general meeting ("AGM") and all Directors to retire from office at least once every three years. The retiring Directors are eligible for re-election at the meeting at which they retire. In addition, any new Director appointed during the year will have to retire at the AGM following his appointment but will be eligible for re-election if he so desires.

The NC has recommended to the Board that Mr Teo Moh Gin, Mr Aloysius Wee Meng Seng and Mr Guo Zhen Kai be nominated for re-appointment at the forthcoming AGM and the Board has accepted the NC's recommendation.

PRINCIPLE 5: BOARD PERFORMANCE

The fiduciary responsibilities of the Board include the following:

- to conduct itself with proper due diligence and care;
- to act in good faith;
- to comply with applicable laws; and
- to act in the best interests of the Company and its shareholders at all times.

In addition, the Board is charged with the key responsibilities of leading the Group and setting strategic directions.

The Company is of the belief that the Group's performance and that of the Board are directly related. The Company assesses the Board's performance based on its ability to steer the Group in the right direction and the support it renders to the Management. For the purpose of evaluating each individual Directors' performance, the NC takes into consideration a number of factors including the Director's attendance, participation and contributions at the meetings of the Board and Board committees, and other Company activities.

The NC has adopted a formal system of assessing the performance and effectiveness of the Board as a whole. The evaluation of the Board is conducted annually. The performance criteria for the Board evaluation covers, amongst others, size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging the Board's principal responsibilities and standards of conduct of the Board members.

As part of the process, all Directors are required to complete a board evaluation questionnaire which is then collated by the Company Secretary and presented to the NC together with comparatives from the previous years' results. The evaluation exercise provides feedback from each Director, his view on the Board, procedures, processes and effectiveness of the Board as a whole.

CORPORATE GOVERNANCE REPORT

For FY2014, the NC is generally satisfied with the Board performance evaluation results which indicated areas of strengths and those that could be improved further. No significant issues were identified. The NC has discussed the results with Board members who agreed to work on areas that could be improved further.

PRINCIPLE 6: ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfil its responsibilities, Management regularly provides the Board with information about the Group. Board papers are prepared for each meeting of the Board and are circulated in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings.

The members of the Board, in their individual capacity, also have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities.

All Directors have separate and independent access to Management and the Company Secretary. The Company Secretary attends all Board and Board committee meetings and is responsible for ensuring compliance with the requirements of the Companies Act and those of the Listing Manual.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The members of the RC are as follows:

Mr Teo Moh Gin (Chairman)
Mr Aloysius Wee Meng Seng
Mr Guo Zhen Kai

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and the Management, and for employees related to the Executive Directors and controlling shareholders of the Group. The RC also determines specific remuneration packages for each Executive Director. The recommendations of the RC on remuneration of Directors will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The remuneration for Executive Directors comprises both a fixed and a variable component. The fixed component includes a base salary and benefits, while the variable component is in the form of a performance-based bonus which is payable upon the achievement of the Group Profit Before Tax targets specified in their individual service agreements. In determining the remuneration packages of the Executive Directors, the Company also takes into account the performance of the Group and that of the Executive Directors. There has been no change to the service agreements of the two Executive Directors. In addition, no performance-based bonus is payable to any of the Executive Directors in respect of FY2014 as the respective Group Profit Before Tax targets have not been met for the relevant period. Independent Non-Executive Directors receive directors' fees that are commensurate with their individual responsibilities. Such fees comprise of a basic retainer fee as director and additional fees for serving on Board committees and are subject to approval by the shareholders at the AGM.

The Company adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary, while the variable component is in the form of a variable bonus that is linked to the Group's performance.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

1. Directors' Remuneration

The remuneration of the Directors of the Group (to the nearest thousand dollars) for the financial year ended 31 December 2014 is as follows:

	Salary / Directors' fees	Bonus	Benefits in kind	Share options	Share-based incentives	Other long-term incentives	Total compensation
	%	%	%	%	%	%	(S$'000)
Executive Directors							
Mr Cai Jian Hua	100	–	–	–	–	–	200
Mr Zhu Xue Cheng	100	–	–	–	–	–	160
Independent Non-Executive Directors							
Mr Guo Zhen Kai	100	–	–	–	–	–	10
Mr Teo Moh Gin (1)	100						15
Mr See Yen Tarn(2)	100	–	–	–	–	–	17
Mr Aloysius Wee Meng Seng	100	–	–	–	–	–	45

Notes:

(1) Mr Teo Moh Gin was appointed as Lead Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee with effect from 25 September 2014.

(2) Mr See Yen Tarn stepped down as Lead Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee with effect from 25 April 2014. Mr See Yen Tarn, being eligible for re-election at the annual general meeting of the Company held on 25 April 2014, had given notice to the Company of his intention for not seeking re-election.

2. Key Executives' Remuneration

The remuneration bands of the top five key management personnel of the Group (who are not Directors or the CEO) for the financial year ended 31 December 2014 is as follows:

	Salary	Bonus	Benefits in kind	Share options	Share-based incentives	Other long-term incentives
	%	%	%	%	%	%
Below S$250,000						
Mr Soh Chun Bin - Chief Executive Officer	100	–	–	–	–	–
Mr Kelvin Ho - Chief Financial officer (appointed on 4 July 2014)	100	–	–	–	–	–
Mr Victor Sebastian Loy Jit Chung - Chief Financial officer (resigned on 2 May 2014)	100	–	–	–	–	–
Mr Peng Liang(1) - Vice-President of Procurement	100	–	–	–	–	–
Mr Bin Xiao Min - Vice-President–Accounting and Finance	100	–	–	–	–	–

Note:

(1) Mr Peng Liang, who is the Vice-President of Procurement of Machineries and Facilities, is the brother-in-law of Mr Zhu Xue Cheng, an Executive Director. Mr Peng's remuneration did not exceed S$50,000.

CORPORATE GOVERNANCE REPORT

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2014 was S$168,000.

There are no termination, retirement and post-employment benefits that may be granted to the CEO, the Directors and the top five key management personnel (who are not Directors or the CEO).

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's position and prospects.

The Management currently provides the Board with appropriately detailed operation reviews of the Group's performance, position and prospects on a regular basis. The Board will update the Shareholders on the operations and financial position of the Company through quarterly and full year announcements, as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for ensuring that the Management maintains a sound system of internal controls. Due to the Group's production activities being halted during the financial year being reported on, no internal audit was carried out for FY2014. The external auditors, during the course of their audit during the financial year being reported on, reported on matters relating to internal controls. Any material non-compliance and recommendation for improvement were reported to the AC. Nonetheless, the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Based on the external auditors' reports, the actions taken by the Management, the on-going review and continuing efforts in enhancing internal controls and processes, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls and risk management that has been maintained by the Management throughout the financial year being reported on is adequate and effectively meets the needs of the Group in its current business environment, and addresses the financial, operational, compliance and information technology risks.

In line with the 2012 Code, the AC, with the concurrence of the Board, has also adopted a management assurance confirmation statement ("Management Assurance Statement") confirming that the financial records of the Company have been properly maintained, that the Company's financial statements give a true and fair view of the Group's operations and finances, and that an effective risk management system and internal control system has been put in place. The Management Assurance Statement will be signed by the CEO and the Chief Financial Officer and tabled at each quarterly and full year meeting. For the financial year ended 31 December 2014, the Board has obtained a duly signed Management Assurance statement.

PRINCIPLE 12: AUDIT COMMITTEE

The members of the AC are as follows:

Mr Teo Moh Gin	(Chairman)
Mr Aloysius Wee Meng Seng	
Mr Guo Zhen Kai	

The AC is responsible for assisting the Board in discharging its responsibilities to safeguard the assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.

CORPORATE GOVERNANCE REPORT

The AC meets periodically to perform the following functions:

(i) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(ii) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

(iii) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(iv) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(v) meeting with the external auditors and internal auditors, in each case without the presence of the management, at least annually;

(vi) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(vii) reviewing the audit plans and reports of the Company's internal and external independent auditors;

(viii) reviewing the financial statements and external auditors' report before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(ix) reviewing the internal control and procedures, and ensuring co-ordination between the external auditors and the management, reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which auditors may wish to discuss (in the absence of the management where necessary);

(x) reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position;

(xi) reviewing and approving interested person transactions, if any, falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(xii) reviewing any potential conflicts of interest and ensuring that procedures for resolving such conflicts are sufficient and strictly adhered to by the Company;

(xiii) reviewing the effectiveness and adequacy of internal accounting and financial control procedures;

(xiv) reviewing the adequacy of the Company's business risk management process;

(xv) undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(xvi) generally undertaking such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

The AC meets with the external and internal auditors (where applicable) without the presence of management, at least once a year.

CORPORATE GOVERNANCE REPORT

The Group's external auditors, Nexia TS Public Accounting Corporation, is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The aggregate amount of fees paid and payable to the external auditors for the financial year ended 31 December 2014 was S$50,000.No non-audit services were provided by the external auditors for the same period.

The Board of Directors and the AC, having reviewed the adequacy of the resources and experience of Nexia TS Public Accounting Corporation, the audit engagement partner assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, are satisfied that the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

The AC has also reviewed and recommended a whistle blowing policy which provides for the mechanisms by which employees may, in confidence, raise concerns about any possible corporate improprieties in matters of financial reporting and other matters, as well as to decide on any appropriate courses of action. The set of guidelines, which was reviewed by the AC and approved by the Board, will be made available to all employees.

Any changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors.

PRINCIPLE 13: INTERNAL AUDIT

The Audit Committee has the responsibility to establish an independent internal audit function, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognized professional bodies.

In light of the Group's production activities being halted during the financial year being reported on, no internal audit was carried out for FY2014.

PRINCIPLES 14 TO 16: SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND CONDUCT AT SHAREHOLDER MEETINGS

It is the policy of the Company to ensure that all shareholders are informed of all major developments that impact the Group in a timely manner. Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

(i) results and annual reports announced or issued within the mandatory period;

(ii) material information disclosed in a timely manner via SGXNET and the news release; and

(iii) AGMs.

Shareholders can vote for resolutions or appoint up to two proxies to attend and vote at all general meetings on his/ her behalf using a proxy form sent with the annual report. The participation of shareholders at AGMs, which is also attended by the Directors and the external auditors, is encouraged as it is the principal forum for dialogue with shareholders. During the AGM, there is an open question and answer session at which shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs.

For FY2014, the Directors do not recommend payment of dividends to shareholders due to the loss position of the Group as well as the need to conserve cash for the Group's working capital and operational use.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual, the Group has adopted an internal compliance code for securities transactions by undertaken by all Directors and employees.

All directors and employees must refrain from dealing in the Company's securities on short-term considerations and when they are in possession of unpublished material price sensitive information in relation to the Company and/or its subsidiaries or associated companies. Directors and employees are also not to deal in the Company's securities during the period beginning one month before the date of the announcement of the full year and half-year results, and two weeks before the date of the announcement of the quarterly results. Directors and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

MATERIAL CONTRACTS

Save as disclosed in the financial statements, there were no material contracts entered into by the Company or its subsidiaries in which the CEO, any Director, or controlling shareholder had an interest.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board. For the financial year reported on, there were no interested person transactions entered into. The Group does not have a general mandate from shareholders in relation to interested person transactions.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Cai Jian Hua
Zhu Xue Cheng
Guo Zhen Kai
Teo Moh Gin (appointed on 25 September 2014)
Aloysius Wee Meng Seng

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
Company	**At 31.12.2014**	**At 1.1.2014**	**At 31.12.2014**	**At 1.1.2014**
(No. of ordinary shares)				
Cai Jian Hua	90,900,590	90,900,590	–	–
Zhu Xue Cheng	–	–	16,666,666	16,666,666

By virtue of Section 7 of Singapore Companies Act (Cap. 50) (the "Act"), Cai Jian Hua is deemed to have an interest in the shares of all the Company's subsidiaries at the end of the financial year.

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Teo Moh Gin (Chairman, Lead Independent Director)
Guo Zhen Kai (Independent Director)
Aloysius Wee Meng Seng (Independent Director)

All members of the Audit Committee were non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions as defined under Chapter 9 of the SGX-ST Listing Manual to ensure that they are on normal commercial terms and not prejudicial to the interest of the Company or its shareholders.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Zhu Xue Cheng
Acting Chairman

Guo Zhen Kai
Independent Director

1 April 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 27 to 69 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(ii) at the date of this statement, based on the assumptions and measures undertaken as described in Note 4 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Zhu Xue Cheng
Acting Chairman

Guo Zhen Kai
Independent Director

1 April 2015

INDEPENDENT AUDITOR'S REPORT

to the Members of Changjiang Fertilizer Holdings Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Changjiang Fertilizer Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 69, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Going concern

   (i) As disclosed in Note 4 to the financial statements, the Group incurred total comprehensive losses of RMB219,768,000 (2013: RMB318,961,000) and net cash outflows from its operating activities of RMB16,582,000 (2013: RMB10,325,000) for the financial year ended 31 December 2014. Furthermore, the Group's and the Company's current liabilities exceeded their current assets by RMB17,754,000 and RMB30,115,000 (2013: Net current assets of RMB36,157,000 and net current liabilities of RMB26,637,000) respectively and the Company was in net liability position of RMB7,132,000 (2013: net asset of RMB181,406,000) as at 31 December 2014.

   (ii) Due to persistent weak demand for the Group's products, the Group could not satisfy the minimum threshold levels required for production in order to justify the costs involved, the production activities in all the three production plants of the Group have ceased since previous financial year.

   (iii) As disclosed in Note 9 to the financial statements, the Group's wholly-owned subsidiary, Miluo Jincheng Shiye Co., Ltd ("JC Miluo") has received a notice from the local environment protection agency informing it that, in connection with the urbanisation development plans of the city including the initiatives taken by the city to clean up the environment in urban areas, JC Miluo is required to take steps towards the winding-down of its operations in its existing factory which is located in an urban area of the city and relocate the factory (the "City-Redevelopment").

   (iv) As disclosed in Note 9 to the financial statements, the Group's wholly-owned subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") has also been notified by a local government agency that it will be also affected by the City-Redevelopment. However, as at the date of this report, Changjiang Huafei has not received any formal notification.

INDEPENDENT AUDITOR'S REPORT

to the Members of Changjiang Fertilizer Holdings Limited

Report on the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

1. Going concern (continued)

(v) As disclosed in Note 8 to the financial statements, JC Miluo and Changjiang Huafei were granted a tax preferential policy by Miluo City People's Government of China and Xiangyin County People's Government of China to pay a minimum of RMB2.1 million and RMB1.0 million from FY2009 and FY2010 and increase by 40% and 25% on an annual basis until FY2013 and FY2014 respectively. The provision for income tax for the other subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou") is currently calculated based on the standard rate of income tax in People's Republic of China of 25%. The Group recorded current tax liabilities of RMB32,449,000 (2013: RMB32,449,000) as at 31 December 2014. As at the date of this report, the Group has not made any payments to the local tax authorities since financial year 2010.

(vi) On 28 February 2015, the Company announced that the Executive Chairman and Executive Director of the Company, Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months with effect from 1 March 2015 to 1 September 2015 to sort out his personal matters. During such period, Mr Cai will not be carrying out any duties on behalf of the Company. In Mr Cai's absence, his duties as the Chairman of the Board of Directors will be undertaken by Mr Zhu Xue Cheng as Acting Chairman. Mr Zhu is an Executive Director and the Deputy Chief Executive Officer of the Company. The Company does not envision any negative impact on the performance of the Company arising as a result of Mr Cai's absence.

These conditions above indicate that there is an existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, these financial statements are prepared on a going concern basis because of the following assumptions and measures undertaken by management and the Board of Directors:

(a) The Group and the subsidiaries are currently in negotiation with the local government to work out the arrangement to put the land ("land use rights") of JC Miluo and Changjiang Huafei on which the factories are currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo's and Changjiang Huafei's own account.

(b) The Group and the subsidiaries are currently in negotiation with a third party to rent out the existing production facilities of its subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd or to produce new products using existing facilities, or to dispose the subsidiary on a going concern basis.

(c) As disclosed in Note 28(3)(a), the proposed share placement of approximately S$359,900, equivalent to RMB1,674,000.

(d) As disclosed in Note 28(3)(b), the proposed convertible loan of approximately S$359,900, equivalent to RMB1,674,000.

(e) Potential acquisition of a new business.

If the Group and the Company are unable to continue their operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

INDEPENDENT AUDITOR'S REPORT

to the Members of Changjiang Fertilizer Holdings Limited

Report on the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

1. Going concern (continued)

   The ability of the Group and the Company to continue their operation in foreseeable future and to meet their financial obligations as and when they fall due depend on the favourable outcome of the assumptions and measures undertaken as disclosed above. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

2. Total assets

   The Group's total assets as at 31 December 2014 amounted to RMB59,011,000 (2013: RMB268,839,000). The realisation of the total assets will depend on the favourable outcome of the assumptions and measures undertaken as mentioned in Note 1(a) and 1(b) above. Based on the information available to us, we are unable to satisfy ourselves as to the appropriateness of the carrying amount of total assets.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2011

Singapore

1 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Continuing operation			
Sales	5	–	–
Cost of sales		–	–
Gross loss		–	–
Expenses			
- Selling and distribution		(183)	(175)
- Administrative		(84,029)	(80,971)
Loss before income tax		(84,212)	(81,146)
Income tax expense	8	–	–
Loss from continuing operations		(84,212)	(81,146)
Discontinued operations			
Loss from discontinued operations	9(d)	(136,675)	(239,294)
Total loss		(220,887)	(320,440)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		1,119	1,479
Other comprehensive income, net of tax		1,119	1,479
Total comprehensive loss attributable to equity holders of the Company		(219,768)	(318,961)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted loss per share			
From continuing operations		(23.40)	(22.55)
From discontinued operations		(37.97)	(66.49)
	10	(61.37)	(89.04)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

as at 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	85	16,670	73	328
Trade and other receivables	12	187	62,494	43	46
Inventories	13	–	4,443	–	–
		272	83,607	116	374
Assets of disposal group classified as held for sale	9(b)	39,364	–	–	–
		39,636	83,607	116	374
Non-current assets					
Investments in subsidiaries	14	–	–	22,983	208,021
Property, plant and equipment	15	5,255	136,096	–	22
Intangible assets	16	14,120	49,136	–	–
		19,375	185,232	22,983	208,043
Total assets		59,011	268,839	23,099	208,043
LIABILITIES					
Current liabilities					
Other payables	17	16,887	15,001	30,231	27,011
Current income tax liabilities		12,762	32,449	–	–
		29,649	47,450	30,231	27,011
Liabilities directly associated with disposal group classified as held for sale	9(c)	27,741	–	–	–
Total liabilities		57,390	47,450	30,231	27,011
NET ASSETS/(LIABILITIES)		1,621	221,389	(7,132)	181,406
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	216,788	216,788	216,788	216,788
Treasury shares	18	(108)	(108)	(108)	(108)
Statutory reserves	19	71,998	71,998	–	–
Restructuring reserve	20	(102,828)	(102,828)	–	–
Currency translation reserve	21	380	(739)	645	(474)
(Accumulated losses)/retained profits	22	(184,609)	36,278	(224,457)	(34,800)
TOTAL EQUITY		1,621	221,389	(7,132)	181,406

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

	Share capital RMB'000	Treasury shares RMB'000	Statutory reserves RMB'000	Restructuring reserve RMB'000	Currency translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
2014							
Beginning of financial year	216,788	(108)	71,998	(102,828)	(739)	36,278	221,389
Total comprehensive loss for the financial year	–	–	–	–	1,119	(220,887)	(219,768)
End of financial year	216,788	(108)	71,998	(102,828)	380	(184,609)	1,621
2013							
Beginning of financial year	216,788	(108)	71,998	(102,828)	(2,218)	356,718	540,350
Total comprehensive loss for the financial year	–	–	–	–	1,479	(320,440)	(318,961)
End of financial year	216,788	(108)	71,998	(102,828)	(739)	36,278	221,389

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Total loss		(220,887)	(320,440)
Adjustments for:			
- Amortisation and depreciation		3,480	25,725
- Property, plant and equipment written off		–	54
- Allowance for impairment of property, plant and equipment	6	116,971	248,891
- Allowance for impairment of trade receivables	6	13,377	2,501
- Allowance for impairment of advances to suppliers	6	22,086	9,518
- Allowance for impairment of intangible assets	6	6,042	–
- Allowance for impairment of deposit paid for property, plant and equipment	6	22,396	–
- Inventories written down	6	4,256	10,439
- Income tax expense		–	9,850
- Deferred government grant	9(d)	–	(12,128)
- Interest income from bank deposits		(44)	(456)
- Finance expense		–	4,120
- Unrealised currency translation losses		1,122	1,503
		(31,201)	(20,423)
Change in working capital			
- Trade and other receivables		4,448	30,586
- Inventories		187	3,683
- Other payables		9,940	(20,507)
Cash used in operations		(16,626)	(6,661)
Interest received		44	456
Interest paid		–	(4,120)
Income tax paid		–	–
Net cash used in operating activities		(16,582)	(10,325)
Cash flows from investing activities			
Deposit for potential acquisition of business assets		–	(22,396)
Net cash used in investing activities		–	(22,396)
Cash flows from financing activities			
Repayment of borrowings		–	(88,050)
Bank deposits pledged for borrowings		–	20,000
Net cash used in financing activities		–	(68,050)
Net decrease in cash and cash equivalents		(16,582)	(100,771)
Cash and cash equivalents			
Beginning of financial year		16,670	117,461
Effects of currency translation on cash and cash equivalents		(3)	(20)
End of financial year	11	85	16,670

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Changjiang Fertilizer Holdings Limited on 1 April 2015.

1 General information

Changjiang Fertilizer Holdings Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 30 Raffles Place, Level 17 Chevron House, Singapore 048622.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 14.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi ("RMB") and have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 and Note 4.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group, except for business combination under common control.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.2 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

Acquisition of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The financial statements of the Group have been prepared as if the Group structure, immediately after the transaction, has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party;
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control;
- The comparative figures of the Group represent the statement of comprehensive income, statement of cash flows and statement of changes in equity have been prepared as if the combination had occurred from the date when the combining entities or businesses first came under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiaries are taken to restructuring reserve. Cash paid/payable arising from the acquisition under common control is also taken to the restructuring reserve.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment including buildings and workshops are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Construction-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Machinery and equipment	5 to 15 years
Buildings and workshops	20 to 40 years
Office equipment	5 to 12 years
Motor vehicles	8 to 15 years
Catalyst	3 to 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2 Significant accounting policies (continued)

2.5 Intangible assets

Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 32.5 to 50 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.6 Impairment of non-financial assets

Property, plant and equipment
Intangible assets
Investments in subsidiaries

Property, plant and equipment, intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available for sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

At the end of the financial year, the Company does not hold any of the financial assets except for loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.7 Financial assets (continued)

(a) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) and "cash and cash equivalents" (Note 11) on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.9 Leases

When the Group is the lessee:

The Group leases offices under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.10 Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Where the grant receivable relates to an asset, the fair value of the grant is recognised as deferred capital grant on the balance sheet. The deferred capital grant is amortised to profit or loss on the straight-line basis over the estimated useful lives of relevant assets.

2.15 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2 Significant accounting policies (continued)

2.15 Revenue recognition (continued)

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from these sales is recognised when the Group has delivered the products to locations specified by its customers; the customers have accepted the products and the collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Pension benefits

The Group is required to provide certain staff pension benefits to its' employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as an expense in the period in which the related services are performed.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.17 Income taxes (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2.18 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollars. The financial statements are presented in Chinese Renminbi as the functional currency of the Group's operating subsidiaries is Chinese Renminbi.

2 Significant accounting policies (continued)

2.19 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors who are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2 Significant accounting policies (continued)

2.24 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.25 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of non-financial assets

Property, plant and equipment, intangible assets, and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, CGU, have been determined based on fair value less costs to sell calculations which is from the viewpoint of independent market participants. The carrying amounts of property, plant and equipment, intangible assets, and investments in subsidiaries at the balance sheet date are disclosed in Notes 15, 16 and 14 respectively.

An impairment charge of RMB116,971,000 and RMB6,042,000 (2013: RMB248,891,000 and RMB nil) (Note 6) was recognised for property, plant and equipment and intangible assets in the financial year ended 31 December 2014 based on fair value less cost to sell valued by an independent professional valuer, which reduced the carrying amounts of property, plant and equipment and intangible assets from RMB133,127,000 to RMB16,156,000 and RMB20,162,000 to RMB14,120,000 respectively. If the valuation of property, plant and equipment and intangible assets had been lower by 10%, the Group would have recognised a further impairment charge on property, plant and equipment and intangible assets by RMB1,616,000 and RMB1,412,000 (2013: RMB13,610,000 and RMB nil) respectively.

3 Critical accounting estimates, assumptions and judgements (continued)

(b) Net realisable value of inventories

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventories balance for any such declines. These require management to estimate future demand for products and their selling prices. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the balance sheet date and inherently involves estimates regarding the future expected realisable value. The usual consideration for determining the amount of allowance or write-down includes ageing analysis, utilisation of inventories, the purpose of the inventories held, category and condition of inventories and subsequent events. In general, such an evaluation process requires significant judgement which may materially affects the carrying amount of inventories at the balance sheet date. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the balance sheet date is disclosed in Note 13.

A write-down in inventories of approximately RMB4,256,000 (2013: RMB10,439,000) (Note 6) was recognised in the financial year ended 31 December 2014 based on management's estimates which reduced the carrying amount of inventories from RMB4,256,000 to RMB nil. If the management's estimates had been lower by 10%, the Group would have reduced the net realisable value of inventories by RMB nil (2013: RMB444,000).

(c) Impairment of receivables and advances to suppliers

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments and utilisation of advances to suppliers. If the financial conditions of the customers and suppliers were to deteriorate, resulting in an impairment of their ability to make payments and deliver the goods, additional allowances may be required in future periods. Management generally analyses trade receivables and advances to suppliers and analyses historical bad debt, customer/supplier concentrations, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Management reviews its receivables and advances to suppliers for objective evidence of impairment at least annually. Significant financial difficulties of the debtor and supplier, the probability that the debtor and supplier will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable date indicating that there has been a significant change in the payment ability of the debtor and delivery ability of supplier, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor and supplier operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amounts of trade and other receivables at the balance sheet date are disclosed in Note 12.

An impairment of trade receivables and advances to suppliers of approximately RMB13,377,000 and RMB22,086,000 (2013: RMB2,501,000 and RMB9,518,000) (Note 6) respectively, were recognised in the financial year ended 31 December 2014. If the net present values of estimated cash flows had been higher by 10% (2013: 10%) from management's estimates for all past due receivables and advances to suppliers, the allowance for impairment of the Group would have been lower by RMB1,588,000 and RMB3,160,000 (2013: RMB1,941,000 and RMB3,160,000) respectively.

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for the financial year ended 31 December 2014

4 Going concern

The Group incurred total comprehensive losses of RMB219,768,000 (2013: RMB318,961,000) and net cash outflows from its operating activities of RMB16,582,000 (2013: RMB10,325,000) for the financial year ended 31 December 2014. Furthermore, the Group's and the Company's current liabilities exceeded their current assets by RMB17,754,000 and RMB30,115,000 (2013: Net current assets of RMB36,157,000 and net current liabilities of RMB26,637,000) respectively and the Company was in net liability position of RMB7,132,000 (2013: net asset of RMB181,406,000) as at 31 December 2014.

Due to persistent weak demand for the Group's products, the Group could not satisfy the minimum threshold levels required for production in order to justify the costs involved, the production activities in all the three production plants of the Group have ceased since previous financial year.

In addition, as disclosed in Note 9 to the financial statements, the Group's wholly-owned subsidiary, Miluo Jincheng Shiye Co., Ltd ("JC Miluo") has received a notice from the local environment protection agency informing it that, in connection with the urbanisation development plans of the city including the initiatives taken by the city to clean up the environment in urban areas, JC Miluo is required to take steps towards the winding-down of its operations in its existing factory which is located in an urban area of the city and relocate the factory (the "City-Redevelopment").

Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") has also been notified by a local government agency that it will be also affected by the City-Redevelopment. However, as at the date of this report, Changjiang Huafei has not received any formal notification.

As disclosed in Note 8 to the financial statements, JC Miluo and Changjiang Huafei were granted a tax preferential policy by Miluo City People's Government of China and Xiangyin County People's Government of China to pay a minimum of RMB2.1 million and RMB1.0 million from FY2009 and FY2010 and increase by 40% and 25% on an annual basis until FY2013 and FY2014 respectively. The provision for income tax for the other subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou") is currently calculated based on the standard rate of income tax in People's Republic of China of 25%. The Group recorded current tax liabilities of RMB32,449,000 (2013: RMB32,449,000) as at 31 December 2014. As at the date of this report, the Group has not made any payments to the local tax authorities since financial year 2010.

On 28 February 2015, the Company announced that the Executive Chairman and Executive Director of the Company, Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months with effect from 1 March 2015 to 1 September 2015 to sort out his personal matters. During such period, Mr Cai will not be carrying out any duties on behalf of the Company. In Mr Cai's absence, his duties as the Chairman of the Board of Directors will be undertaken by Mr Zhu Xue Cheng as Acting Chairman. Mr Zhu is an Executive Director and the Deputy Chief Executive Officer of the Company. The Company does not envision any negative impact on the performance of the Company arising as a result of Mr Cai's absence.

These conditions above indicate that there is an existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, these financial statements are prepared on a going concern basis because of the following assumptions and measures undertaken:

(i) The Group and the subsidiaries are currently in negotiation with the local government to work out the arrangement to put the land ("land use rights") of JC Miluo and Changjiang Huafei on which the factories are currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo's and Changjiang Huafei's own account.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

4 Going concern (continued)

(ii) The Group and the subsidiaries are currently in negotiation with a third party to rent out the existing production facilities of its subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd or to produce new products using existing facilities, or to dispose the subsidiary on a going concern basis.

(iii) Proposed share placement of approximately S$359,900, equivalent to RMB1,674,000.

(iv) Proposed issuance of convertible loan of approximately S$359,900, equivalent to RMB1,674,000.

(v) Potential acquisition of a new business.

If the Group and the Company are unable to continue its operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

The ability of the Group and the Company to continue in operation in foreseeable future and to meet their financial obligations as and when they fall due depend on the favourable outcome of the assumptions and measures undertaken as disclosed above.

5 Revenue

No revenue is generated from continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

6 Expenses by nature

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of raw materials and consumables	–	–	–	15,313	–	15,313
Allowance for impairment of property, plant and equipment (Note 15)	60,367	56,225	56,604	192,666	116,971	248,891
Allowance for impairment of intangible assets	229	–	5,813	–	6,042	–
Amortisation of intangible assets (Note 16)	510	509	–	842	510	1,351
Depreciation of property, plant and equipment (Note 15)	2,970	3,366	–	21,008	2,970	24,374
Total amortisation, depreciation and impairment	64,076	60,100	62,417	214,516	126,493	274,616
Allowance for impairment of trade receivables [Note 25(b)(ii)]	–	–	13,377	2,501	13,377	2,501
Allowance for impairment of advances to suppliers	6,985	3,536	15,101	5,982	22,086	9,518
Allowance for impairment of deposit paid for property, plant and equipment	–	–	22,396	–	22,396	–
Auditor's fees						
- Auditor of the Company	242	904	–	–	242	904
Directors' fees	423	544	–	–	423	544
Electricity	592	876	–	5,862	592	6,738
Employee compensation (Note 7)	10,568	9,967	13,592	13,345	24,160	23,312
Write-down of inventories (Note 13)	–	3,920	4,256	6,519	4,256	10,439
Property, plant and equipment written off	–	54	–	–	–	54
Rental expense on operating leases	88	114	–	–	88	114
Repairs and maintenance	–	2	11	–	11	2
Changes in inventories	–	–	187	3,683	187	3,683
Other expenses	1,238	1,129	5,812	2,778	7,050	3,907
Total cost of sales, selling and distribution, and administrative expenses	84,212	81,146	137,149	270,499	221,361	351,645

7 Employee compensation

	Group	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	17,571	18,653
Employer's contribution to defined contribution plans including Central Provident Fund	6,589	4,659
	24,160	23,312

8 Income tax

(a) Income tax expense

	Group	
	2014	2013
	RMB'000	RMB'000
Tax expense attributable to loss is made up of:		
Loss for the financial year:		
From discontinued operations		
Current income tax - Foreign [Note 8(b)]	–	(9,850)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the PRC standard rate of income tax as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Loss before income tax from		
- Continuing operations	(84,212)	(71,296)
- Discontinued operations [Note 9(d)]	(136,675)	(239,294)
	(220,887)	(310,590)
Tax calculated at tax rate of 25% (2013: 25%)	(55,222)	(77,647)
Effects of:		
- Tax incentives	–	84,000
- Expenses not deductible for tax purposes	–	3,497
- Tax losses where no deferred tax has been recognised	55,222	–
Tax charge	–	9,850

(b) Income tax expense of foreign operations

On 2 December 2008, Miluo City People's Government of China granted the Group's subsidiary, Miluo Jincheng Shiye Co., Ltd ("JC Miluo"), a tax preferential policy whereby JC Miluo is required to pay a minimum of RMB2.1 million from FY2009 and subsequently increase by 40% on an annual basis until FY2013 to cover all taxes (e.g. VAT, Stamp Duty, Land Use Tax, Urban Real Estate Tax, Corporate Income Tax, etc). Any amount paid in excess of the minimum tax liability will be refunded (subject to the approval by Miluo City People's Government of China) to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

8 Income tax (continued)

(b) Income tax expense of foreign operations (continued)

On 9 February 2010, Xiangyin County People's Government of China granted the Group's subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), a tax preferential policy whereby Changjiang Huafei is required to pay a minimum of RMB1.0 million from FY2010 and subsequently increase by 25% on an annual basis until FY2014 to cover all taxes (e.g. VAT, Stamp Duty, Land Use Tax, Urban Real Estate Tax, Corporate Income Tax, etc). Any amount paid in excess of the minimum tax liability will be refunded (subject to the approval by Xiangyin County People's Government of China) to the Group.

The other subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou"), had applied for a preferential tax policy from Hanshou County People's Government of China. As at the balance sheet date, the subsidiary is still engaged in an ongoing negotiation with the local authorities. The provision for income tax for this entity is currently calculated based on the standard rate of income tax in the PRC of 25%.

Set out below are the taxes paid, net of tax refund, for subsidiaries under preferential tax policy:

	JC Miluo RMB'000	Changjiang Huafei RMB'000	Huafei Hanshou RMB'000	Total RMB'000
2014				
Tax paid:				
- VAT (net)	–	–	–	–
- Other taxes (e.g. Land and Real estate, City Maintenance, Other Business Taxes)	–	–	–	–
Indirect tax paid	–	–	–	–
Minimum tax liabilities:				
- Minimum tax payable based on preferential tax policy [(a)]	–	–	–	–
Income tax expense	–	–	–	–
2013				
Tax paid:				
- VAT (net)	57	–	–	57
- Other taxes (e.g. Land and Real estate, City Maintenance, Other Business Taxes)	113	–	–	113
Indirect tax paid	170	–	–	170
Minimum tax liabilities:				
- Minimum tax payable based on preferential tax policy	8,067	1,953	–	10,020
Income tax expense	7,897	1,953	–	9,850

(a) No minimum tax liabilities was provided for financial years ended 31 December 2014 as the subsidiaries in PRC are in net loss positions.

As at 31 December 2014, no deferred tax has been recognised for withholding taxes that will be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC as the Group is in a position to control the timing of the remittance of earnings and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The deferred tax liabilities not recognised is approximately RMB nil (2013: RMB18,070,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

9 Discontinued operations and disposal group classified as held for sale

The Group has three production plants located in PRC operated by its wholly-owned subsidiaries, namely Miluo Jincheng Shiye Co., Ltd ("JC Miluo"), Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), and Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou").

On 21 June 2013, the Group announced that JC Miluo has received a notice from the local environment protection agency informing it that, in connection with the urbanisation development plans of the city including the initiatives taken by the city to clean up the environment in urban areas, JC Miluo is required to take steps towards the winding-down of its operations in its existing factory which is located in an urban area of the city and relocate the factory (the "City-Redevelopment").

Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") has also been notified by a local government agency that it will be also affected by the City-Redevelopment. However, as at the date of this report, Changjiang Huafei has not received any formal notification.

The Group and the subsidiaries are currently in negotiation with the local government to work out the arrangement to put the land ("land use rights") of JC Miluo and Changjiang Huafei on which the factories are currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo's and Changjiang Huafei's own account.

The production activities of Huafei Hanshou has temporarily ceased its production since 2013. The Group and the subsidiaries are currently in negotiation with a third party to rent out the existing production facilities of its subsidiary, Hunan Changjiang Huafei Hanshou Co., Ltd or to produce new products using existing facilities, or to dispose the subsidiary on a going concern basis.

In view of the above, the entire assets and liabilities related to JC Miluo and Changjiang Huafei are classified as a disposal group held for sale on the balance sheet, and the entire results from JC Miluo and Changjiang Huafei are presented separately on the statement of comprehensive income as "Discontinued operations".

The Group is in the midst of negotiation with local government authority on the compensation relating to JC Miluo and Changjiang Huafei and expects that it will be completed within 12 months from the end of the reporting period.

(a) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Operating cash outflows	(16,326)	(10,627)
Investing cash outflows	–	(22,396)
Financing cash outflows	–	(68,050)
Total cash outflows	(16,326)	(101,073)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

9 Discontinued operations and disposal group classified as held for sale (Continued)

(b) Details of the assets in disposal group classified as held-for-sale are as follows:

	Group 2014 RMB'000
Property, plant and equipment	10,900
Intangible assets – "Land use rights"	28,464
Trade and other receivables [Note 9(b)(i)]	–
	39,364

(i) Trade and other receivables

	Group 2014 RMB'000
Trade receivables	
- Non-related parties	15,878
Less: Allowance for impairment of trade receivables [Note 25(b)(ii)]	(15,878)
Trade receivables - net	–
Advances to suppliers	21,083
Less: Allowance for impairment of advances to suppliers	(21,083)
Advances to suppliers - net	–
Deposits	22,396
Less: Allowance for impairment of deposit paid for property, plant and equipment [(a)]	(22,396)
Deposits - net	–
	–

(a) Allowance for impairment of deposit paid for property, plant and equipment is made in relation to abortion of potential acquisition of business assets as disclosed in Note 28(1).

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

	Group 2014 RMB'000
Other payables	8,054
Current income tax liabilities	19,687
	27,741

9 Discontinued operations and disposal group classified as held for sale (continued)

(d) The results of the discontinued operations are as follows:

	Group 2014 RMB'000	Group 2013 RMB'000
Revenue	–	32,578
Other income [(a)]	474	12,647
Expenses		
- Cost of sales	–	(39,658)
- Selling and distribution	(44)	(136)
- Administrative [(b)]	(137,105)	(230,705)
- Finance	–	(4,120)
Loss before tax from discontinued operations	(136,675)	(229,444)
Income tax expense	–	(9,850)
Loss for the financial year from discontinued operations	(136,675)	(239,294)

(a) Included in other income in financial year ended 31 December 2013 was an amount of RMB12,128,000 of government grants. There was no condition attached to the government grants. It relates to grants received for the acquisition of environmental friendly equipment for production activities undertaken by one of the Group's subsidiary in the PRC to promote technology advancement and eco-friendly environment.

(b) Included in administrative expense was an impairment charged of RMB56,604,000 and RMB5,813,000 (2013: RMB192,666,000 and RMB nil) recognised for property, plant and equipment and intangible assets for financial year ended 31 December 2014.

10 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2014	2013
Net loss attributable to equity holders of the Company (RMB'000)		
- continuing operations	(84,212)	(81,146)
- discontinued operations	(136,675)	(239,294)
	(220,887)	(320,440)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	359,900	359,900
Basic and diluted loss per share (RMB cents per share)		
- continuing operations	(23.40)	(22.55)
- discontinued operations	(37.97)	(66.49)
	(61.37)	(89.04)

There were no diluted loss per share for the financial years ended 31 December 2013 and 2014 as there were no potential ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

11 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	85	16,670	73	328

Included in cash at bank and on hand are bank deposits amounting to approximately RMB12,000 (2013: RMB16,342,000) which are not freely remissible for use by the Company because of currency exchange restriction in PRC.

12 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- Non-related parties	–	19,414	–	–
Less: Allowance for impairment of trade receivables [Note 25(b)(ii)]	–	(2,501)	–	–
Trade receivables - net	–	16,913	–	–
Advances to suppliers	10,521	31,603	–	–
Less: Allowance for impairment of advances to suppliers	(10,521)	(9,518)	–	–
Advances to suppliers - net	–	22,085	–	–
Deposits	163	23,496	19	46
Prepayment	24	–	24	–
	187	62,494	43	46

13 Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	–	4,443

The cost of inventories recognised as an expense and included in "loss from discontinued operations" amounted to RMB nil (2013: RMB28,852,000).

During the financial year ended 31 December 2014, the Group recognised a write-down in inventories of approximately RMB4,256,000 (2013: RMB10,439,000) included within "loss from discontinued operations" in the statement of comprehensive income (Note 6). The inventories - raw materials were written down to nil, as these inventories were considered obsolete.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

14 Investments in subsidiaries

	Company 2014 RMB'000	Company 2013 RMB'000
Equity investments, at cost	208,021	208,021
Less: Impairment losses	(185,038)	–
End of financial year	22,983	208,021

The subsidiaries incurred net losses for the financial years ended 31 December 2013 and 2014 and no profit is projected after the financial year ended 31 December 2014. Accordingly, the Directors believe the carrying amount of these assets in the Company's balance sheet exceeded its recoverable amount through its future use or sale, therefore, these assets are impaired to its recoverable amount as at 31 December 2014.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2014 %	Equity holding 2013 %
Held by the Company				
Tangjia Electric Technology (Shenzhen) Co., Ltd [(a)]	Investment holding	PRC	100	100
Changjiang Huafei (Hunan) Co., Ltd [(a)]	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100
Held by Tangjia Electric Technology (Shenzhen) Co., Ltd				
Miluo Jincheng Shiye Co., Ltd [(a)]	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100
Held by Changjiang Huafei (Hunan) Co., Ltd				
Hunan Changjiang Huafei Hanshou Co., Ltd [(a)]	Trading and manufacturing of nitrogenous fertilizer, ammonia and methanol	PRC	100	100

(a) *For the purpose of the consolidated financial statements, these financial statements have been audited by Nexia TS Public Accounting Corporation, Singapore.*

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

15 Property, plant and equipment

	Machinery and equipment RMB'000	Buildings and workshops RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Catalyst RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group							
2014							
Cost							
Beginning of financial year	289,319	69,241	901	2,742	14,065	169,700	545,968
Currency translation differences	–	(2)	(3)	–	–	–	(5)
Reclassified to disposal group	(251,337)	(49,089)	(403)	(2,115)	(14,065)	(93,200)	(410,209)
End of financial year	37,982	20,150	495	627	–	76,500	135,754
Accumulated depreciation and impairment losses							
Beginning of financial year	223,681	51,069	635	1,350	12,913	120,224	409,872
Currency translation differences	–	(2)	(3)	–	–	–	(5)
Depreciation charge (Note 6)	2,298	541	76	55	–	–	2,970
Impairment charge (Note 6)							
- Continuing operations	20,741	16,454	103	168	–	22,901	60,367
- Discontinued operations	27,718	742	44	615	910	26,575	56,604
Reclassified to disposal group	(241,500)	(48,654)	(383)	(1,749)	(13,823)	(93,200)	(399,309)
End of financial year	32,938	20,150	472	439	–	76,500	130,499
Net book value							
End of financial year	5,044	–	23	188	–	–	5,255

15 Property, plant and equipment (continued)

	Machinery and equipment RMB'000	Building and workshops RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Catalyst RMB'000	Construction-in-progress RMB'000	Total RMB'000
<u>Group</u>							
2013							
Cost							
Beginning of financial year	289,319	69,378	911	2,742	14,065	169,700	546,115
Currency translation differences	–	(7)	(4)	–	–	–	(11)
Write off	–	(130)	(6)	–	–	–	(136)
End of financial year	289,319	69,241	901	2,742	14,065	169,700	545,968
Accumulated depreciation and impairment losses							
Beginning of financial year	114,521	10,544	393	662	10,576	–	136,696
Currency translation differences	–	(5)	(2)	–	–	–	(7)
Depreciation charge (Note 6)							
- Continuing operations	2,598	615	91	62	–	–	3,366
- Discontinued operations	17,275	1,654	47	154	1,878	–	21,008
Impairment charge (Note 6)							
- Continuing operations	1,457	1,123	29	17	–	53,599	56,225
- Discontinued operations	87,830	37,216	81	455	459	66,625	192,666
Write off	–	(78)	(4)	–	–	–	(82)
End of financial year	223,681	51,069	635	1,350	12,913	120,224	409,872
Net book value							
End of financial year	65,638	18,172	266	1,392	1,152	49,476	136,096

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

15 Property, plant and equipment (continued)

During the financial year ended 31 December 2014, an impairment charge of RMB116,971,000 (2013: RMB248,891,000) (Note 6) was recognised for property, plant and equipment based on fair value less cost to sell valued by an independent professional valuer, which reduced the carrying amounts of property, plant and equipment from RMB133,126,000 to RMB16,155,000. The impairment charge was made due to the cessation of the Group's operations due to persistent weak demand in the market for the Group's products since financial year ended 31 December 2013.

Valuation of property, plant and equipment

This is a non-recurring fair value derived using market value approach, using observable inputs by making reference to sales evidence as available in the market. These are regarded as Level 2 fair values. The valuations are based on the assets' highest-and-best-use, performed by Hunan Public Assets Appraisal Co., Limited, an independent professional with a recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

	Building and workshops RMB'000	Office equipment RMB'000	Total RMB'000
Company			
2014			
Cost			
Beginning of financial year	42	53	95
Currency translation differences	(2)	(3)	(5)
End of financial year	40	50	90
Accumulated depreciation			
Beginning of financial year	34	39	73
Currency translation differences	(2)	(3)	(5)
Depreciation charge	8	14	22
End of financial year	40	50	90
Net book value			
End of financial year	–	–	–
2013			
Cost			
Beginning of financial year	179	63	242
Currency translation differences	(7)	(4)	(11)
Disposals	(130)	(6)	(136)
End of financial year	42	53	95
Accumulated depreciation			
Beginning of financial year	109	34	143
Currency translation differences	(5)	(2)	(7)
Depreciation charge	8	11	19
Disposals	(78)	(4)	(82)
End of financial year	34	39	73
Net book value			
End of financial year	8	14	22

16 Intangible assets

	Group	
	2014	2013
	RMB'000	RMB'000
Land use rights		
Cost		
Beginning	56,015	56,015
Reclassified to disposal group	(39,459)	–
End of financial year	16,556	56,015
Accumulated amortisation and impairment losses		
Beginning of financial year	6,879	5,528
Amortisation charge (Note 6)		
- Continuing operations	510	509
- Discontinued operations	–	842
Impairment charge (Note 6)		
- Continuing operations	229	–
- Discontinued operations	5,813	–
Reclassified to disposal group	(10,995)	–
End of financial year	2,436	6,879
Net book value		
End of financial year	14,120	49,136

On June 2010, a subsidiary of the Group, Hunan Changjiang Huafei Hanshou Co., Ltd ("Huafei Hanshou"), signed an agreement with Hunan Handan Huagong Co., Ltd. ("previous owner") for the acquisition of land use right, associated factory and plant and machinery owned by the previous owner. As at 31 December 2014, Huafei Hanshou is still in the process of obtaining the title deed of the land use right with carrying amount of RMB14,120,000 (2013: RMB14,858,000) from the relevant authorities. Notwithstanding the fact that Huafei Hanshou is in the process of obtaining the title deed of the land use right, Huafei Hanshou considers that it has obtained the right to use through contractual arrangement with the previous owner; hence it expects the transfer of title deed in future should have no major difficulties.

During the financial year ended 31 December 2014, an impairment charge of RMB6,042,000 (2013: RMB nil) (Note 6) was recognised for intangible assets – land use rights based on fair value less cost to sell valued by an independent professional valuer, which reduced the carrying amounts of intangible assets – land use rights from RMB48,626,000 to RMB42,584,000. The impairment charge was made due to the cessation of the Group's operations due to persistent weak demand in the market for the Group's products since financial year ended 31 December 2013.

Valuation of intangible assets – land use rights

This is a non-recurring fair value derived using market value approach, using observable inputs by making reference to sales evidence as available in the market. Sales prices of comparable assets are adjusted for difference in key attributes such as land area of the land use right and is therefore within the Level 2 of the fair value hierarchy.

The valuations are based on the assets' highest-and-best-use, performed by Hunan Public Assets Appraisal Co., Limited, an independent professional valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the assets being valued.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

17 Other payables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from former controlling shareholder	5,834	6,047	5,834	6,047
Accruals for operating expenses	4,951	5,988	2,638	1,302
Other payables	5,835	2,966	1,550	820
Amount due to a subsidiary	–	–	19,942	18,842
Amount due to a director	267	–	267	–
	16,887	15,001	30,231	27,011

Loan from former controlling shareholder, amount due to a subsidiary and amount due to a director are unsecured, interest-free and repayable on demand.

Loan from former controlling shareholder pertains to loan from Zhu Cheng Bao. However, with effect from 16 May 2013, Zhu Cheng Bao has ceased to be the controlling shareholder of the Group.

18 Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Issued share capital	Treasury shares
			RMB'000	RMB'000
<u>**Group and Company**</u>				
2014				
Beginning and end of financial year	360,000,000	(100,000)	216,788	(108)
2013				
Beginning and end of financial year	360,000,000	(100,000)	216,788	(108)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

<u>Treasury shares</u>

The Company acquired 100,000 of its shares in the open market in financial year 2010. The total amount paid to acquire the shares was RMB108,000 and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

19 Statutory reserves

In accordance with the relevant laws and regulations of the PRC, companies in the PRC are required to set aside general funds by way of appropriation from their statutory net profit, as reported in the PRC statutory financial statements, at a rate to be determined by the directors of the Group. The directors have decided that 10% to 15% of the statutory net profit, as reported in the statutory financial statements of the subsidiaries in PRC, be appropriated each year to the general reserve funds.

The reserve funds may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Beginning of financial year	71,998	71,998	–	–
Transfer from retained profits [(a)]	–	–	–	–
End of financial year	71,998	71,998	–	–

(a) No general funds have been set aside in financial year ended 31 December 2013 and 2014 as the subsidiaries in PRC are in net loss positions.

20 Restructuring reserve

Business combination involving entities under common control are accounted for by applying the "pooling-of-interest method" accounting principles [Note 2.2(a)(ii)]. The acquisition of the subsidiaries by the Company was pursuant to the Restructuring Exercise in connection with the listing of the Company on the SGX-ST.

The restructuring reserve represents the difference between the cost of investment and nominal value of share capital of the merged subsidiaries. The restructuring reserve is non-distributable.

21 Currency translation reserve

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Beginning of financial year	(739)	(2,218)	(474)	(1,953)
Currency translation differences arising from consolidation	1,119	1,479	1,119	1,479
End of financial year	380	(739)	645	(474)

Currency translation reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

22 Accumulated losses/(retained profits)

(a) Retained profits of the Group are distributable.

(b) Movement in accumulated losses for the Company is as follows:

	Company	
	2014	2013
	RMB'000	RMB'000
Beginning of financial year	(34,800)	(29,637)
Net loss	(189,657)	(5,163)
End of financial year	(224,457)	(34,800)

23 Commitments

Operating lease commitments – where the Group is a lessee

The Group leases offices from non-related party under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Not later than one year	77	75

24 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation (representing compensation to directors and executive officers of the Group) is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	2,662	2,680
Employer's contribution to defined contribution plans	75	78
Directors' fees	423	544
	3,160	3,302

Included in the above is total compensation to executive directors of the Company amounting to RMB1,743,000 (2013: RMB1,779,000).

25 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group does not have significant exposure to currency risk as it operates only in the PRC. Revenue and expenses are predominantly denominated in Chinese Renminbi.

(ii) Price risk

The Group is not exposed to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets and liabilities, the Group's income and expense are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade receivables and cash and cash equivalents. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining cash deposits where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Executive Directors based on ongoing credit evaluation. As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group has no significant concentrations of credit risk for each class of its financial assets as at 31 December 2014.

As at 31 December 2013, the Group's trade receivables comprise four debtors that individually represented 10 - 25% of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

25 Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
By types of customers		
Companies	–	16,849
Individuals	–	2,565
	–	19,414

(i) Finance assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks in the PRC. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record and good supply record with the Group.

(ii) Finance assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Past due over 6 months	–	1,526	–	–

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Past due over 6 months	15,878	17,888	–	–
Less: Allowance for impairment	(15,878)	(2,501)	–	–
	–	15,387	–	–
Beginning of financial year	2,501	–	–	–
Allowance made (Note 6)	13,377	2,501	–	–
Reclassified to disposal group [Note 9(b)(i)]	(15,878)			
End of financial year (Note 12)	–	2,501	–	–

The impaired trade receivables arise mainly from sales to customers of which the balances have been long overdue.

25 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

The Group manages the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating requirements. All the financial liabilities of the Group are current. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on a gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Net debt	16,802	–
Total equity	1,621	221,389
Total capital	18,423	221,389
Gearing ratio (times)	10.37	–

There is no externally imposed capital requirements on the Group for the financial years ended 31 December 2013 and 2014.

(e) Fair value measurements

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

25 Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets, except for the following:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and receivables [(a)]	248	57,079	92	374
Financial liabilities at amortised cost [(b)]	24,941	15,001	30,231	27,011

(a) Excluding advances to suppliers.

(b) Including "other payables" amounting to RMB8,054,000 from discontinued operations as at 31 December 2014.

26 Segment information

Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. Currently, the business segments operate only in the PRC and they are nitrogenous fertilizer, ammonia and methanol segments.

Certain property, plant and equipment, land use rights, and their depreciation and amortisation charges are not allocated to any of the three reportable business segments, as these property, plant and equipment, and land use rights can be used for any of the reportable segments and their usage cannot be attributable to a reportable business segment solely as they served common purposes for all the reportable segments. As a result, they are included in the "common and all other segments" column.

Other service included is investment holding, which is not included within the reportable operating segments, as this is not included in the reports provided to the Directors. The result of this operation, if any, is included in the "common and all other segments" column.

26 Segment information (continued)

The segment information provided to the Directors for the reportable segments are as follows:

	Nitrogenous fertilizer RMB'000	Ammonia RMB'000	Methanol RMB'000	Common and all other segments RMB'000	Total RMB'000
<u>Group</u>					
2014					
Sales to external parties	–	–	–	–	–
Gross profit/(loss)	–	–	–	–	–
Other income					474
Selling and distribution expense					(227)
Administrative expense					(221,134)
Loss before income tax					(220,887)
Income tax expense					–
Net loss					(220,887)
Net loss includes:					
- Depreciation	–	–	–	2,970	2,970
- Amortisation	–	–	–	510	510
- Allowance for impairment of trade receivables [(a)]	9,676	3,421	280	–	13,377
Total assets	1,076	255	472	57,208	59,011
Total liabilities	–	–	–	57,390	57,390

(a) Impairment of trade receivables of RMB13,377,000 arises from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

26 Segment information (continued)

	Nitrogenous fertilizer RMB'000	Ammonia RMB'000	Methanol RMB'000	Common and all other segments RMB'000	Total RMB'000
Group					
2013					
Sales to external parties	22,070	9,834	674	–	32,578
Gross profit/(loss)	2,876	766	(353)	(10,369)	(7,080)
Other income					12,647
Selling and distribution expense					(311)
Administrative expense					(311,726)
Finance expense					(4,120)
Loss before income tax					(310,590)
Income tax expense					(9,850)
Net loss					(320,440)
Net loss includes:					
- Depreciation	1,819	2,565	1,764	18,226	24,374
- Amortisation	–	–	–	1,351	1,351
- Property, plant and equipment written off	–	–	–	54	54
- Allowance for impairment of trade receivables [(a)]	1,896	569	36	–	2,501
Total assets	22,914	11,436	8,240	226,249	268,839
Total assets includes:					
Disposals of property, plant and equipment	–	–	–	(54)	(54)
Total liabilities	–	–	–	47,450	47,450

(a) *Impairment of trade receivables of RMB2,501,000 arises from discontinued operations.*

There are no sales between segments. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the statement of comprehensive income.

The management assesses the performance of the operating segments based on gross profit. Selling and distribution expense, administrative expense and other income are not allocated to segments as these expenses are driven by the Group corporate activities. This measurement basis excludes the effects of expenditure from the operating segments such as allowances for impairment of property, plant and equipment, inventories written off and allowances for impairment of advances to suppliers.

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the property, plant and equipment, inventories and receivables attributable to each segment. All assets are allocated to reportable segments other than cash and cash equivalents, advances paid to suppliers, other receivables, deposits for property, plant and equipment, common property, plant and equipment, and intangible assets.

26 Segment information (continued)

(a) Revenue from products

Revenue from external customers is derived from the sale of nitrogenous fertilizer, liquid ammonia, ammonia solution and methanol. Breakdown of the revenue is as follows:

	2014 RMB'000	2013 RMB'000
Sales for discontinued operations		
Nitrogenous fertilizer	–	22,070
Liquid ammonia [(a)]	–	5,434
Ammonia solution [(a)]	–	4,400
Methanol	–	674
	–	32,578

(a) Liquid ammonia and ammonia solution are combined under "Ammonia" in the operating segments.

(b) Geographical information

The Group's three business segments operate only in the PRC.

27 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

- Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 102: Share-based payment (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 103: Business Combinations (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 108: Operating Segments (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 16: Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 24: Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 38: Intangible Assets (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 113: Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 40: Investment Property (effective for annual periods beginning on or after 1 July 2014)
- FRS 114: Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

27 New or revised accounting standards and interpretations (continued)

- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 105: Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 107: Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 19: Employee Benefits (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 34: Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2016)
- FRS 115: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- FRS 109: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

28 Significant events

(1) Abortion of potential acquisition of business assets

On 28 February 2015, the Company announced with reference to the announcement dated 27 December 2013 in respect of the entry by its wholly-owned subsidiary Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei") into a Memorandum of Understanding dated 27 December 2013 ("MOU") with Yueyang City Xinsheng Fuhefei Co., Ltd (the "Vendor"), in relation to a potential acquisition of the Vendor's business assets (the "Assets") involving, *inter alia*, the production of compound fertilisers (the "Acquisition").

Subsequently, the Group had received an opinion from the Hunan Fertilizer Association containing, *inter alia*, the following findings:

(a) a significant amount of financial resources and working capital may be required to sustain the operations of the Assets; and

(b) the state of the fertiliser industry is becoming more saturated and volatile.

In view of the above, the management is of the view that it would not be in the Group's interests for Changjiang Huafei to proceed with the Acquisition. The Group has notified the Vendor of its intention to terminate the MOU and the Acquisition by way of a letter dated 28 February 2015. Arising from the termination, the Group has decided to provide an allowance of impairment of deposit paid, amounted to RMB22,396,000 [Note 9(b)(i)].

Nevertheless, the Group is in the process of seeking legal advice in respect of pursuing the refund of the deposit paid in financial year ended 31 December 2013.

28 Significant events (continued)

(2) Leave of absence of Executive Chairman and Executive Director

On 28 February 2015, the Company announced that the Executive Chairman and Executive Director of the Company, Mr Cai Jian Hua is taking a leave of absence from his duties for a period of six months with effect from 1 March 2015 to 1 September 2015 to sort out his personal matters. During such period, Mr Cai will not be carrying out any duties on behalf of the Company. In Mr Cai's absence, his duties as the Chairman of the Board of Directors will be undertaken by Mr Zhu Xue Cheng as Acting Chairman. Mr Zhu is an Executive Director and the Deputy Chief Executive Officer of the Company. The Company does not envision any negative impact on the performance of the Company arising as a result of Mr Cai's absence.

(3) (a) Proposed placement

On 27 March 2015, the Company has entered into a placement agreement with Zhu Qiu Ping, Huang Xiao Wen, Zheng Xin Jian and Luo Qing Feng ("Placees") that the Company has agreed to allot and issue an aggregate of 17,995,000 new ordinary shares in the share capital of the Company ("New Shares"), at S$0.02 for each new share for an aggregate consideration of S$359,900. The Company has given undertaking to the Placees that (i) the proceeds from the placement agreement shall be utilised for corporate head office expenses (including any such outstanding liabilities) and investment in any new businesses or assets outside of the People's Republic of China (the "PRC"), but shall not be used for general working capital for operation of the Company's fertilizer business; and (ii) such proceeds shall not be repatriated to the PRC. The completion of the proposed placement is conditional upon, *inter alia*, receipt of approval in-principle from the SGX-ST for the listing of and quotation of the New Shares on the official list of the SGX-ST and such approval being in full force and effect.

(b) Proposed convertible loan

On 27 March 2015, the Company has entered into a convertible loan agreement with Mr Fong Kim Chit for an unsecured interest-free convertible loan of a principal amount of S$359,900, convertible into 17,995,000 new ordinary shares in the capital of the Company ("Conversion Shares") at a conversion price of S$0.02. The full principal amount of the loan shall be repaid by the Company to Mr Fong Kim Chit free of interest on 31 July 2015 or such other date as the parties may agree in writing unless there is any acquisition of any Singapore-based income generating assets ("Acquisition Event") or the loan is fully converted into conversion shares.

Upon the occurrence of an Acquisition Event before the repayment date, the full principal amount of the convertible loan shall be converted into the Conversion Shares. The completion of the proposed convertible loan is conditional upon, *inter alia*, receipt of approval in-principle for the listing and quotation of the Conversion Shares on the main board of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended, and where such approval is subject to conditions, such conditions to be so fulfilled in all material respects.

STATISTICS OF SHAREHOLDINGS

As at 12 March 2015

Class of shares : Ordinary share

No. of shares (excluding treasury shares): 359,900,000

Voting rights : One vote per share

As at 12 March 2015, the total number of treasury shares held is 100,000

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	4,717	82.36	47,643	0.01
100 - 1,000	384	6.70	90,044	0.03
1,000 - 10,000	163	2.85	1,092,674	0.30
10,001 - 1,000,000	443	7.74	35,702,455	9.92
1,000,001 AND ABOVE	20	0.35	322,967,184	89.74
TOTAL	**5,727**	**100.00**	**359,900,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JINCHEN INVESTMENT HOLDINGS PTE. LTD.	70,880,000	19.69
2	CAI JIAN HUA	67,360,001	18.72
3	PHILLIP SECURITIES PTE LTD	50,653,364	14.07
4	EQUINOX INVESTMENT GROUP LTD	38,880,000	10.80
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	31,468,907	8.74
6	CHINA HUI XIN INVESTMENT MANAGEMENT LTD	16,666,666	4.63
7	XU NAIQUN	10,368,000	2.88
8	CITIBANK CONSUMER NOMINEES PTE LTD	7,217,135	2.01
9	CITIBANK NOMINEES SINGAPORE PTE LTD	7,202,241	2.00
10	RHB SECURITIES SINGAPORE PTE. LTD.	5,331,782	1.48
11	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,420,048	0.67
12	SINGAPORE NOMINEES PRIVATE LIMITED	2,110,000	0.59
13	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,000,000	0.56
14	OCBC SECURITIES PRIVATE LIMITED	1,970,340	0.55
15	DBS NOMINEES (PRIVATE) LIMITED	1,909,846	0.53
16	SKYVEN GROWTH OPPORTUNITIES FUND PTE LTD	1,500,000	0.42
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,442,575	0.40
18	POH CHEE YONG	1,268,000	0.35
19	RAFFLES NOMINEES (PTE) LIMITED	1,243,279	0.35
20	LEE WEE KIAT	1,075,000	0.30
	TOTAL	**322,967,184**	**89.74**

STATISTICS OF SHAREHOLDINGS

As at 12 March 2015

SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2015

	No. of Shares (excluding treasury shares)			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
CAI JIAN HUA[1]	90,900,590	25.26	–	–
EQUINOX INVESTMENT GROUP LTD[2]	88,880,000	24.70	–	–
GKG INVESTMENT HOLDINGS PTE LTD[3]	–	–	88,880,000	24.70
GOH GEOK KHIM[3]	–	–	88,880,000	24.70
GOH YEW LIN[3]	–	–	88,880,000	24.70
JINCHEN INVESTMENT HOLDINGS PTE. LTD.	70,880,000	19.69	–	–
CHENG DE YOU[4]	–	–	70,880,000	19.69

Notes:

(1) 23,540,589 shares are held under nominee's account with Maybank Kim Eng Securities Pte Ltd

(2) 50,000,000 shares are held under nominee's account with Phillip Securities Pte Ltd

(3) Deemed to be interested in all the shares held by Equinox Investment Group Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(4) Deemed to be interested in all the shares held by Jinchen Investment Holdings Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

RULE 723 OF SGX-ST

Based on the above information and to the best knowledge of the Directors and Substantial Shareholders of the Company, 25.72% of the issued shares of the Company are held by the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 55 Market Street #03-01 Singapore 048941 on 29 April 2015 at 10 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To re-elect Mr Teo Moh Gin being a Director who retires pursuant to Article 97 of the Company's Articles of Association. [Explanatory Note 1] (Resolution 2)

3. To re-elect Mr Aloysius Wee Meng Seng being a Director who retires pursuant to Article 91 of the Company's Articles of Association. [Explanatory Note 2] (Resolution 3)

4. To re-elect Mr Guo Zhen Kai being a Director who retires pursuant to Article 91 of the Company's Articles of Association. [Explanatory Note 3] (Resolution 4)

5. To approve the payment of Directors' Fees of S$87,422 for the financial year ended 31 December 2014. [2013: S$110,123] (Resolution 5)

6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Directors to fix their remuneration. (Resolution 6)

As Special Business

To consider and, if deemed fit, to pass the following Resolutions with or without modifications:-

6. SHARE ISSUE MANDATE

THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "Companies Act") and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

I. (a) issue and allot shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(b) make or grant offers, agreements or options (collectively, "Instruments") that may or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and;

NOTICE OF ANNUAL GENERAL MEETING

II. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:-

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued share capital of the Company (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (excluding treasury shares)(as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be calculated based on the issued share capital of the Company (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidated or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(d) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company (the "AGM") or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest. [Explanatory Note 4] (Resolution 7)

7. To transact any other business that may properly be transacted at an Annual General Meeting.

By Order of the Board

Ng Joo Khin
Company Secretary

Singapore, 10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(1) Resolution 2 - Mr Teo Moh Gin will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee. He is considered independent pursuant to Rule 704(8) of the SGX-ST Listing Rules.

(2) Aloysius Wee Meng Seng will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He is considered independent pursuant to Rule 704(8) of the SGX-ST Listing Rules.

(3) Guo Zhen Kai will, upon re-election as Director of the Company, remain a member of the Audit Committee and Remuneration Committee. He is considered independent pursuant to Rule 704(8) of the SGX-ST Listing Rules.

(4) Resolution 7 - If passed, this Resolution will empower the Directors, effective until (i) the conclusion of the next Annual General Meeting of the Company; (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or (iii) the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number of issued shares in the capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Resolution is passed, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII or Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

3. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as hedeems fit.

4. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

5. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.

6. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50).

7. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

8. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 30 Raffles Place, Chevron House, Level 17, Singapore 048622 not less than 48 hours before the time appointed for holding of the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

NOTICE OF ANNUAL GENERAL MEETING

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submit an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member proxy(ies) and/or representative(s) to personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CHANGJIANG FERTILIZER HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Reg. No. 200713878D)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Changjiang Fertilizer Holdings Limited , this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________ (full name in capital letters) NRIC No./Passport No./Company No. ____________________ of (full address) being a member/members of Changjiang Fertilizer Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend and to vote for me/ us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 55 Market Street #03-01 Singapore 048941 on 29 April 2015 at 10 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/ proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the Annual General Meeting and at any adjournment thereof.)

	ORDINARY BUSINESS	**For**	**Against**
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.		
Resolution 2	To re-elect Mr Teo Moh Gin, a Director retiring pursuant to Article 97 of the Company's Articles of Association.		
Resolution 3	To re-elect Mr Aloysius Wee Meng Seng, a director retiring pursuant to Article 91 of the Company's Articles of Association.		
Resolution 4	To re-elect Mr Guo Zhen Kai, a director retiring pursuant to Article 91 of the Company's Articles of Association.		
Resolution 5	To approve payment of Directors' Fees.		
Resolution 6	To re-appoint Auditors.		
	SPECIAL BUSINESS		
	Ordinary Resolutions:		
Resolution 7	To approve and adopt the Share Issue Mandate.		

Dated this __________ day of ____________________ 2015

Total Number of Shares held in :	
CDP Register	
Register of Members	

____
Signature(s) of members(s) or Common Seal

IMPORTANT : PLEASE READ THE NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstained as he thinks fit.

5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.

7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

9. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 30 Raffles Place, Chevron House, Level 17, Singapore 048622, not less than 48 hours before the time appointed for holding of the Annual General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

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Changjiang Fertilizer Holdings Limited

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