

# CHANGJIANG FERTILIZER HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200713878D)

## DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “**Board**”) of Changjiang Fertilizer Holdings Limited (the “**Company**”) refers to the unaudited full year financial results announcements for the financial year ended 31 December 2015 (“**FY2015**”) released via the SGXNet on 29 February 2016 (the “**Unaudited Financial Statements**”). Further reference is made to the Audited Financial Statements of the Company for FY2015 (the “**Audited Financial Statements**”) in the Annual Report of the Company for FY2015 released via SGXNet on 8 July 2016.

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and Audited Financial Statements for FY2015. The material differences and the reasons for such material differences are set out in the explanatory notes below.

### 1(a) Statement of profit or loss and other comprehensive income

|                                                                        | For the financial year ended |                 |                 |                  |
|------------------------------------------------------------------------|------------------------------|-----------------|-----------------|------------------|
|                                                                        | 31/12/2015                   | 31/12/2015      |                 |                  |
|                                                                        | RMB'000                      | RMB'000         |                 |                  |
|                                                                        | Unaudited                    | Audited         | Difference      | Explanation Note |
| <b>Continuing operations</b>                                           |                              |                 |                 |                  |
| Sales                                                                  | -                            | -               | -               |                  |
| Cost of sales                                                          | -                            | -               | -               |                  |
| Gross profit                                                           | -                            | -               | -               |                  |
| Expenses                                                               |                              |                 |                 |                  |
| -Selling and distribution expenses                                     | -                            | -               | -               |                  |
| -General and administrative expenses                                   | (4,367)                      | (4,051)         | 316             |                  |
| Loss before income tax                                                 | (4,367)                      | (4,051)         | 316             |                  |
| Income tax expense                                                     | -                            | -               | -               |                  |
| <b>Loss from continuing operations</b>                                 | (4,367)                      | (4,051)         | 316             |                  |
| <b>Discontinued operations</b>                                         |                              |                 |                 |                  |
| Loss from discontinued operations                                      | (19,853)                     | (52,569)        | (32,716)        | A                |
| <b>Total loss</b>                                                      | <u>(24,220)</u>              | <u>(56,620)</u> | <u>(32,400)</u> |                  |
| <b>Other comprehensive income:</b>                                     |                              |                 |                 |                  |
| Items that may be reclassified subsequently to profit or loss:         |                              |                 |                 |                  |
| Currency translation differences arising from consolidation            | 344                          | 19              | (325)           |                  |
| Other comprehensive income, net of tax                                 | 344                          | 19              | (325)           |                  |
| Total comprehensive loss attributable to equity holders of the Company | <u>(23,876)</u>              | <u>(56,601)</u> | <u>(32,725)</u> |                  |

**1(b) Statement of Financial Position as at 31 December 2015**

|                                                                                       |      | Group                        |                            |                       | Company                      |                            |                       |
|---------------------------------------------------------------------------------------|------|------------------------------|----------------------------|-----------------------|------------------------------|----------------------------|-----------------------|
|                                                                                       | Note | 2015<br>RMB'000<br>Unaudited | 2015<br>RMB'000<br>Audited | RMB'000<br>Difference | 2015<br>RMB'000<br>Unaudited | 2015<br>RMB'000<br>Audited | RMB'000<br>Difference |
| ASSETS                                                                                |      |                              |                            |                       |                              |                            |                       |
| Current assets                                                                        |      |                              |                            |                       |                              |                            |                       |
| Cash and cash equivalents                                                             |      | 6                            | 1                          | (5)                   | 1                            | 1                          | -                     |
|                                                                                       |      | 6                            | 1                          | (5)                   | 1                            | 1                          | -                     |
| Assets of disposal group<br>classified as held-for-sale                               | B    | 58,739                       | 28,469                     | (30,270)              | -                            | -                          | -                     |
|                                                                                       |      | 58,745                       | 28,470                     | (30,275)              | 1                            | 1                          | -                     |
| Non-current assets                                                                    |      |                              |                            |                       |                              |                            |                       |
| Investments in subsidiary<br>corporations                                             | C    | -                            | -                          | -                     | 22,983                       | -                          | (22,983)              |
|                                                                                       |      | -                            | -                          | -                     | 22,983                       | -                          | (22,983)              |
| Total assets                                                                          |      | 58,745                       | 28,470                     | (30,275)              | 22,984                       | 1                          | (22,983)              |
| LIABILITIES                                                                           |      |                              |                            |                       |                              |                            |                       |
| Current liabilities                                                                   |      |                              |                            |                       |                              |                            |                       |
| Other payables                                                                        | D    | 13,990                       | 13,998                     | 8                     | 34,139                       | 13,998                     | (20,141)              |
|                                                                                       |      | 13,990                       | 13,998                     | 8                     | 34,139                       | 13,998                     | (20,141)              |
| Liabilities directly associated<br>with disposal group classified<br>as held-for-sale | F    | 67,010                       | 69,452                     | 2,442                 | -                            | -                          | -                     |
| Total liabilities                                                                     |      | 81,000                       | 83,450                     | 2,450                 | 34,139                       | 13,998                     | (20,141)              |
| NET LIABILITIES                                                                       |      | (22,255)                     | (54,980)                   | (32,725)              | (11,155)                     | (13,997)                   | (2,842)               |
| EQUITY                                                                                |      |                              |                            |                       |                              |                            |                       |
| Capital and reserves<br>attributable to equity<br>holders of the Company              |      |                              |                            |                       |                              |                            |                       |
| Share capital                                                                         |      | 216,788                      | 216,788                    | -                     | 216,788                      | 216,788                    | -                     |
| Treasury shares                                                                       |      | (108)                        | (108)                      | -                     | (108)                        | (108)                      | -                     |
| Statutory reserves                                                                    |      | 71,998                       | 71,998                     | -                     | -                            | -                          | -                     |
| Restructuring reserve                                                                 |      | (102,828)                    | (102,828)                  | -                     | -                            | -                          | -                     |
| Currency translation reserve                                                          |      | 724                          | 399                        | (325)                 | 989                          | 664                        | (325)                 |
| Accumulated losses                                                                    |      | (208,829)                    | (241,229)                  | (32,400)              | (228,824)                    | (231,341)                  | (2,517)               |
| TOTAL EQUITY                                                                          |      | (22,255)                     | (54,980)                   | (32,725)              | (11,155)                     | (13,997)                   | (2,842)               |

**1(c) Consolidated Statement of Cash flows for the financial year ended 31 December 2015**

|                                                                                                   | Note | 2015<br>RMB'000<br>Unaudited | 2015<br>RMB'000<br>Audited | RMB'000<br>Difference |
|---------------------------------------------------------------------------------------------------|------|------------------------------|----------------------------|-----------------------|
| Cash flows from operating activities                                                              |      |                              |                            |                       |
| Total loss                                                                                        |      | (24,220)                     | (56,620)                   | (32,400)              |
| Adjustments for:                                                                                  |      |                              |                            |                       |
| - Allowance for impairment of property, plant and equipment                                       | E    | -                            | 5,255                      | 5,255                 |
| - Allowance for impairment of intangible assets                                                   | E    | -                            | 14,120                     | 14,120                |
| - Loss on the remeasurement of assets classified as held-for-sale to fair value less cost to sell | E    | -                            | 10,900                     | 10,900                |
| - Unrealised currency translation losses                                                          |      | 345                          | 19                         | (326)                 |
|                                                                                                   |      | (23,875)                     | (26,326)                   | (2,451)               |
| Change in working capital                                                                         |      |                              |                            |                       |
| - Trade and other receivables                                                                     |      | 187                          | 187                        | -                     |
| - Other payables                                                                                  | F    | 23,609                       | 26,060                     | 2,451                 |
| Cash used in operations                                                                           |      | (79)                         | (79)                       | -                     |
| Interest received                                                                                 |      | -                            | -                          | -                     |
| Net cash used in operating activities                                                             |      | (79)                         | (79)                       | -                     |
| Net decrease in cash and cash equivalents                                                         |      | (79)                         | (79)                       | -                     |
| Cash and cash equivalents                                                                         |      |                              |                            |                       |
| Beginning of financial year                                                                       |      | 85                           | 85                         | -                     |
| Effects of currency translation on cash and cash equivalents                                      |      | -                            | -                          | -                     |
| End of financial year                                                                             |      | 6                            | 6                          | -                     |

**Explanation for the variances for 1(a) to 1(c)**

- (A) The increase in net loss from discontinued operations was due to impairment and tax expenses amounting to RMB 32.7 million provided for under discontinued operations in the Audited Financial Statements as follows:
- (i) Allowance for impairment of Property, Plant and Equipment ("PPE") of RMB16.2 million was provided for to further write down the value of PPE in all three production plants in PRC to nil. Management has assessed the fair value less cost of disposal of PPE to be negligible considering that the PPE in question are in a state of disrepair and there has been a lack of regular servicing to maintain them in good working condition.
  - (ii) Allowance for impairment of land use rights of RMB14.1 million was provided for in subsidiary corporation, Hunan Changjiang Huafei Hanshou Co as the title deed of the land use rights has yet to be transferred to said subsidiary corporation and hence, no commercial value was assigned to it.
  - (iii) Income tax expense of RMB2.4 million provided for in FY2015 for under-provision of tax in prior years for subsidiary corporation, Changjiang Huafei (Hunan) Co., Ltd.
- (B) The decrease of RMB30.3 million in assets of disposal group classified as held-for-sale under Unaudited Financial Statements of RMB58.7 million to RMB28.4 million under Audited Financial Statements was due to RMB16.2 million allowance for impairment of PPE and RMB14.1 million allowance for impairment of land use rights as explained under note (A)(i) and A(ii).

- (C) The decrease in investment in subsidiaries at the Company level was due to a RMB22.9 million impairment charge for the Company's investment in its PRC subsidiary corporations. The PRC subsidiary corporations incurred net losses for the past few financial years and the Directors have plans to dispose of these entities after the financial year ended 31 December 2015. Accordingly, the Directors believe the recoverable amount of these assets in the Company's balance sheet is RMB Nil. Hence, the investment in the PRC corporations are fully impaired as at 31 December 2015.
- (D) The decrease in other payables of RMB20.1 million at the Company level was due to the waiver of amount due to its subsidiary corporation, Miluo Jincheng Shiye Co., Ltd. During the current financial year, the Company and its subsidiary corporation have been contemplating a waiver of the amount owing from the Company of RMB20.1 million. On 13 June 2016, both parties formalised the waiver by entering into an agreement.
- (E) Allowance for impairment of PPE of RMB5.3 million and loss on the remeasurement of assets classified as held-for-sale to fair value less cost to sell of RMB10.9 million relates to the RMB16.2 million allowance for impairment of PPE in all three production plants in PRC as explained under note (A)(i). Allowance for impairment of intangible assets of RMB14.1 million relates to allowance for impairment of land use rights of RMB14.1 million provided in subsidiary corporation, Hunan Changjiang Huafei Hanshou Co as explained under note (A)(ii).
- (F) The increase of RMB2.4 million in liabilities directly associated with disposal group classified as held-for-sale under balance sheet and the increase of RMB2.4 million in other payables under the cashflow statement was mainly due to the increase in income tax liabilities arising from income tax of RMB2.4 million provided in FY2015 for under-provision of tax in prior years for subsidiary corporation, Changjiang Huafei (Hunan) Co., Ltd as explained under note (A)(iii).

By Order of the Board of Directors

**CHANGJIANG FERTILIZER HOLDINGS LIMITED**

Daniel Long Chee Tim

Acting Chief Executive Officer and Executive Director

8 July 2016