

CHANGJIANG FERTILIZER HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200713878D)

**EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2013**

The Board of Directors (the “Board”) of Changjiang Fertilizer Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that the Company’s Independent Auditor, Nexia TS Public Accounting Corporation, has issued its report (the “Independent Auditor’s Report”) on the consolidated financial statements of the Group for the financial year ended 31 December 2013, with the following emphasis of matter:-

Extract of Independent Auditor’s Report

“We draw attention to Note 4 to the financial statements. For the financial year ended 31 December 2013, the Group incurred gross loss of RMB7,080,000 (2012: Gross profit of RMB65,268,000), total comprehensive losses of RMB318,961,000 (2012: Total comprehensive income of RMB33,012,000) and net cash outflows from its operating activities of RMB10,325,000 (2012: Net cash inflows of RMB88,763,000). Due to 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 3 production plants of the Group are temporary halted during the financial year. In addition, as disclosed in Note 32(a), 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. An impairment charge of RMB248,891,000 (2012: RMBNil) was recognised for property, plant and equipment in the financial year ended 31 December 2013.

These conditions indicate the existence of a material uncertainty 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 is able to continue in the current operational existence and generate sufficient positive cash flows to discharge their liabilities in the normal course of business for the next twelve months.*
- (ii) The Group and the Company are currently in negotiation with the Miluo City government to work out the timing of the winding-down of the operations at the factory as well as the arrangement to put the land (“land use rights”) on which the factory is currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo’s own account.*

- (iii) *As disclosed in Note 32(b), on 27 December 2013, the Group, through its wholly-owned subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), entered into a Memorandum of Understanding ("the MOU") with Yueyang City Xinsheng Fuhfeifei Co., Ltd ("the Vendor"), in relation to a potential acquisition of the Vendor's business assets involving, inter alia, the production of compound fertilisers ("the Acquisition"). The Acquisition is expected to be completed in 2014 and will be a significant step taken by the Group and the Company towards the resumption of its fertiliser production and operations.*
- (iv) *The Group and the Company will continue to receive the financial support from the Company's major shareholder and the banking and other credit facilities from banks and other financial institutions will be made available to the Group and the Company.*

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 and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified with respect to this matter."

An extract of the relevant notes to the financial statements are attached to this announcement as Appendix I.

The Company's Annual Report for the financial year ended 31 December 2013, which will contain the Independent Auditor's Report and the Company's consolidated financial statements for the financial year ended 31 December 2013, will be despatched to shareholders and to the SGX-ST by 10 April 2014.

BY ORDER OF THE BOARD
CHANGJIANG FERTILIZER HOLDINGS LIMITED

Cai Jian Hua
Executive Chairman and Chief Executive Officer
1 April 2014

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

4 Going concern

For the financial year ended 31 December 2013, the Group incurred gross loss of RMB7,080,000 (2012: Gross profit of RMB65,268,000), total comprehensive losses of RMB318,961,000 (2012: Total comprehensive income of RMB33,012,000) and net cash outflows from its operating activities of RMB10,325,000 (2012: Net cash inflows of RMB88,763,000). Due to 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 3 production plants of the Group are temporary halted. In addition, as disclosed in Note 32(a), 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. An impairment charge of RMB248,891,000 (2012: RMBNil) was recognised for property, plant and equipment in the financial year ended 31 December 2013.

These conditions indicate the existence of a material uncertainty 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 is able to continue in the current operational existence and generate positive cash flows and discharge their liabilities in the normal course of business for the next twelve months.
- (ii) The Group and the Company are currently in negotiation with the Miluo City government to work out the timing of the winding-down of the operations at the factory as well as the arrangement to put the land ("land use rights") on which the factory is currently sited for sale by auction or otherwise, the proceeds of such sale whereof being for JC Miluo's own account.
- (iii) As disclosed in Note 32(b), on 27 December 2013, the Group, through its wholly-owned subsidiary, Changjiang Huafei (Hunan) Co., Ltd ("Changjiang Huafei"), entered into a Memorandum of Understanding ("the MOU") with Yueyang City Xinsheng Fuhefei Co., Ltd ("the Vendor"), in relation to a potential acquisition of the Vendor's business assets involving, inter alia, the production of compound fertilisers ("the Acquisition"). The Acquisition is expected to be completed in 2014 and will be a significant step taken by the Group and the Company towards the resumption of its fertiliser production and operations.
- (iv) The Group and the Company will continue to receive the financial support from the Company's major shareholder and the banking and other credit facilities from banks and other financial institutions will be made available to the Group and the Company.

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 and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

32 Significant events

(b) Potential acquisition of business assets

On 27 December 2013, the Group, through its wholly-owned subsidiary, Changjiang Huafei (Hunan) Co., Ltd, entered into a Memorandum of Understanding with Yueyang City Xinsheng Fuhfei Co., Ltd (“the Vendor”), in relation to a potential acquisition of the Vendor’s business assets involving, inter alia, the production of compound fertilisers (“the Acquisition”). The Acquisition is expected to be completed in 2014 and will be a significant step taken by the Group and the Company towards the resumption of its fertiliser production and operations.

The consideration payable for the Acquisition is approximately RMB136,730,000, out of which deposit amounting to RMB22,400,000 has been paid during the financial year ended 31 December 2013.

The terms and conditions of the Acquisition have not been finalised as at the date of the report and are subject to negotiations between the Group and the Vendor.