

CHANGJIANG FERTILIZER HOLDINGS LIMITED



(Incorporated in Singapore on 30 July 2007)
(Registration Number: 200713878D)

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

		2 nd quarter ended			1 st half ended		
	Note	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %
Revenue	1	-	14,883	(100.0)	-	32,578	(100.0)
Cost of sales		-	(13,482)	(100.0)	-	(29,219)	(100.0)
Gross profit		-	1,401	(100.0)	-	3,359	(100.0)
Other income	2	189	344	(45.1)	386	756	(48.9)
Selling and distribution expenses		(58)	(95)	(38.9)	(116)	(191)	(39.3)
General and administrative expenses		(5,083)	(11,283)	(54.9)	(14,434)	(23,407)	(38.3)
Finance expenses		-	(991)	(100.0)	-	(2,109)	(100.0)
Loss before income tax	3	(4,952)	(10,624)	(53.4)	(14,164)	(21,592)	(34.4)
Income tax expense		(610)	(2,498)	(75.6)	(1,221)	(4,786)	(74.5)
Net loss		<u>(5,562)</u>	<u>(13,122)</u>	(57.6)	<u>(15,385)</u>	<u>(26,378)</u>	(41.7)
Attributable to:							
Equity holders of the Company		<u>(5,562)</u>	<u>(13,122)</u>	(57.6)	<u>(15,385)</u>	<u>(26,378)</u>	(41.7)

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Consolidated statement of comprehensive income for the second quarter and half year ended 30 June 2014

	2 nd quarter ended			1 st half ended		
	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %
Loss for the period, net of tax	(5,562)	(13,122)	(57.6)	(15,385)	(26,378)	(41.7)
<i>Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss</i>						
Currency translation differences arising from consolidation	(165)	881	N.M	(620)	1,143	N.M
Total comprehensive loss attributable to equity holders of the Company	(5,727)	(12,241)	(53.2)	(16,005)	(25,235)	(36.6)

Note:

"N.M": denotes not meaningful.

1(a)(ii) Notes to the income statements

(1) Revenue

	2 nd quarter ended			1 st half ended		
	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %
Nitrogenous fertilizer	-	9,978	(100.0)	-	22,070	(100.0)
Ammonia	-	4,598	(100.0)	-	9,834	(100.0)
Methanol	-	307	(100.0)	-	674	(100.0)
	<u>-</u>	<u>14,883</u>	<u>(100.0)</u>	<u>-</u>	<u>32,578</u>	<u>(100.0)</u>

(2) Other Income

	2 nd quarter ended			1 st half ended		
	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %	30/6/2014 RMB'000 Unaudited	30/6/2013 RMB'000 Unaudited	Increase / (Decrease) %
Interest income	12	100	(88.0)	31	265	(88.3)
Government grant	-	216	(100.0)	-	432	(100.0)
Others	177	28	532.1	355	59	501.7
	<u>189</u>	<u>344</u>	<u>(45.1)</u>	<u>386</u>	<u>756</u>	<u>(48.9)</u>

(3) Loss before tax

The Group's loss before tax is determined after charging/(crediting) the following:

	2 nd quarter ended			1 st half ended		
	30/6/2014 RMB'000	30/6/2013 RMB'000	Increase / (Decrease)	30/6/2014 RMB'000	30/6/2013 RMB'000	Increase / (Decrease)
Amortisation and depreciation	(1,079) ⁽¹⁾	6,424	N.M	1,878	12,876	(85.4)
Loss on disposal of plant and equipment	-	-	-	-	56	(100.0)
Changes in inventories	-	1,964	(100.0)	110	3,683	(97.0)
Electricity	135	2,689	(95.0)	273	6,479	(95.8)
Staff costs	5,278	5,692	(7.3)	10,976	11,262	(2.5)
Interest expense	-	991	(100.0)	-	2,109	(100.0)
Purchase of raw materials and consumables	-	6,739	(100.0)	-	15,313	(100.0)

Notes:

1. The negative amortisation and depreciation expense was due to reversal of amortisation and depreciation expenses overprovided in 1Q2014.
2. "N.M": denotes not meaningful.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
ASSETS				
Current Assets				
Cash and bank balances	10,851	16,670	92	328
Trade and other receivables	58,574	62,494	34	46
Inventories	4,332	4,443	-	-
	73,757	83,607	126	374
Assets held for sale ⁽¹⁾	101,781	-	-	-
	175,538	83,607	126	374
Non-current Assets				
Investment in subsidiaries	-	-	208,021	208,021
Property, plant and equipment	66,968	136,096	13	22
Intangible asset	14,604	49,136	-	-
	81,572	185,232	208,034	208,043
Total Assets	257,110	268,839	208,160	208,417
LIABILITIES				
Current Liabilities				
Trade and Other payables	18,056	15,001	29,222	27,011
Current income tax liability	33,669	32,449	-	-
Total liabilities	51,725	47,450	29,222	27,011
NET ASSETS	205,385	221,389	178,938	181,406
EQUITY				
Share capital	216,788	216,788	216,788	216,788
Treasury shares	(108)	(108)	(108)	(108)
Statutory reserve	71,998	71,998	-	-
Restructuring reserve	(102,828)	(102,828)	-	-
Currency translation reserve	(1,359)	(739)	(1,093)	(474)
Retained earnings/ (accumulated losses)	20,894	36,278	(36,649)	(34,800)
TOTAL EQUITY	205,385	221,389	178,938	181,406

Note:

- Assets held for sale as at 30 June 2014 arose from the reclassification of property, plant and equipment and intangible assets held by the Group in Miluo and Xiangyin plants. As mentioned in our previous announcements, Miluo and Xiangyin plants have received notifications from the government to cease their operations in the existing factories which are located in urban areas of the cities for the purposes of the re-development of the cities. 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.

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

Amount repayable in one year or less, or on demand

(RMB'000)

As at 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

The Group does not have any bank borrowings as at 30 June 2014 and 31 December 2013.

Details of any collateral

Nil.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	2nd quarter ended		1st half ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Net loss	(5,562)	(13,122)	(15,385)	(26,378)
Adjustments for:				
Amortisation and depreciation	(1,079)	6,424	1,878	12,876
Loss on disposal of plant and equipment	-	-	-	56
Unrealised currency translation differences	(163)	895	(620)	1,157
Deferred grant gain recognition	-	(216)	-	(432)
Interest income	(12)	(100)	(31)	(265)
Interest expense	-	991	-	2,109
Income tax expense	610	2,498	1,221	4,786
	<u>(6,206)</u>	<u>(2,630)</u>	<u>(12,937)</u>	<u>(6,091)</u>
Changes in working capital				
Trade and other receivables	1,410	10,586	3,920	23,627
Inventories	-	1,964	110	3,683
Trade and other payables	1,087	(497)	3,055	(5,127)
Cash generated from/(used in) operations	<u>(3,709)</u>	<u>9,423</u>	<u>(5,852)</u>	<u>16,092</u>
Interest received	12	100	31	265
Interest paid	-	(991)	-	(2,109)
Net cash provided by/(used in) operating activities	<u>(3,697)</u>	<u>8,532</u>	<u>(5,821)</u>	<u>14,248</u>
Cash flows from financing activities				
Proceeds from borrowings	-	46,450	-	46,450
Repayment of borrowings	-	(53,050)	-	(88,050)
Withdrawal of short-term bank deposits pledged to banks	-	-	-	20,000
Net cash used in financing activities	<u>-</u>	<u>(6,600)</u>	<u>-</u>	<u>(21,600)</u>
Net (decrease)/increase in cash and bank balances	(3,697)	1,932	(5,821)	(7,352)
Cash and bank balances at beginning of financial period	14,549	108,178	16,670	117,461
Effect of currency translation on cash and bank balances	(1)	(12)	2	(11)
Cash and bank balances at end of financial period	<u>10,851</u>	<u>110,098</u>	<u>10,851</u>	<u>110,098</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Treasury Shares	Statutory Reserve	Restructuring Reserve	Currency Translation Reserve	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
2014							
As at 1 January 2014	216,788	(108)	71,998	(102,828)	(739)	36,278	221,389
Total comprehensive loss for the period from 1/1/2014 – 31/3/2014	-	-	-	-	(455)	(9,822)	(10,277)
As at 31 March 2014	216,788	(108)	71,998	(102,828)	(1,194)	26,456	211,112
Total comprehensive loss for the period from 1/4/2014 – 30/6/2014	-	-	-	-	(165)	(5,562)	(5,727)
As at 30 June 2014	<u>216,788</u>	<u>(108)</u>	<u>71,998</u>	<u>(102,828)</u>	<u>(1,359)</u>	<u>20,894</u>	<u>205,385</u>
2013							
As at 1 January 2013	216,788	(108)	71,999	(102,828)	(2,218)	356,717	540,350
Total comprehensive loss for the period from 1/1/2013 – 31/3/2013	-	-	-	-	262	(13,256)	(12,994)
As at 31 March 2013	216,788	(108)	71,999	(102,828)	(1,956)	343,461	527,356
Total comprehensive loss for the period from 1/4/2013 – 30/6/2013	-	-	-	-	881	(13,122)	(12,241)
As at 30 June 2013	<u>216,788</u>	<u>(108)</u>	<u>71,999</u>	<u>(102,828)</u>	<u>(1,075)</u>	<u>330,339</u>	<u>515,115</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Treasury Shares	Currency Translation Reserve	Accumulated Losses	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
2014					
As at 1 January 2014	216,788	(108)	(474)	(34,800)	181,406
Total comprehensive loss for the period 1/1/2014 - 31/3/2014	-	-	(454)	(798)	(1,252)
As at 31 March 2014	216,788	(108)	(928)	(35,598)	180,154
Total comprehensive loss for the period 1/4/2014– 30/6/2014	-	-	(165)	(1,051)	(1,216)
As at 30 June 2014	<u>216,788</u>	<u>(108)</u>	<u>(1,093)</u>	<u>(36,649)</u>	<u>178,938</u>
2013					
As at 1 January 2013	216,788	(108)	(1,953)	(29,637)	185,090
Total comprehensive loss for the period 1/1/2013 - 31/3/2013	-	-	262	(1,334)	(1,072)
As at 31 March 2013	216,788	(108)	(1,691)	(30,971)	184,018
Total comprehensive loss for the period 1/4/2013– 30/6/2013	-	-	881	(1,705)	(824)
As at 30 June 2013	<u>216,788</u>	<u>(108)</u>	<u>(810)</u>	<u>(32,676)</u>	<u>183,194</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of Shares	Issued and paid-up share capital S\$
Total issued share capital as at 31 March 2010	360,000,000	44,371,772
Treasury shares arising from share buyback in 2Q2010	(100,000)	(22,500)
Total issued share capital excluding treasury shares as at 30 June 2014 and 30 June 2013	359,900,000	44,349,272

Save as disclosed above, the Company has no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 30 June 2014	As at 31 December 2013
Total number of issued shares excluding treasury shares	359,900,000	359,900,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 June 2014.

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

The figures have not been audited nor reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter.**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5 below, the Group had consistently applied the same accounting policies and methods of computation in the Group's financial statement for the current financial period as those applied for the most recently audited consolidated financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	2 nd quarter ended		1 st half ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	Unaudited	Unaudited	Unaudited	Unaudited
Net loss attributable to equity holders of the Company (RMB'000)	(5,562)	(13,122)	(15,385)	(26,378)
Earnings per share for				
– Basic ⁽¹⁾ (RMB cents)	(1.54)	(3.65)	(4.27)	(7.33)
– On a fully dilutive basis ⁽¹⁾ (RMB cents)	(1.54)	(3.65)	(4.27)	(7.33)

Note:

(1) Basic earnings per share of the Group for the half year ended 30 June 2014 is calculated by dividing the Group's net loss attributable to shareholders of approximately RMB15,385,000 (2013: RMB26,378,000) by the weighted average number of ordinary shares outstanding during the period of 359,900,000 (2013: 359,900,000).

For the half year ended 30 June 2014 and 2013, the basic and diluted loss per share of the Group were the same as there were no potential diluting ordinary shares outstanding as at 30 June 2014 and 30 June 2013.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

Net asset value (“NAV”)

	Group		Company	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
NAV per ordinary share ⁽¹⁾ (RMB cents)	57.07	143.13	49.72	50.90

Note:

- (1) NAV per ordinary share was calculated based on the number of ordinary shares excluding treasury shares which was 359,900,000 as at 30 June 2014 and 31 December 2013.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:-
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of income statement of the Group for the half year ended 30 June 2014 (“1H2014”) as compared to the half year ended 30 June 2013 (“1H2013”)

Revenue

As there is a growing trend for farmers to prefer compound fertilizers over traditional fertilizers, demand for our Group’s product continued to be persistently weak in 1H2014. Thus, the production activities in all our 3 plants continued to be temporary halted for the whole of the 1H2014 with no sales revenue generated as the weak demand could not satisfy the minimum threshold levels required for production to justify the operational costs incurred.

Revenue by Products	2 nd quarter ended				1 st half ended			
	30/6/2014		30/6/2013		30/6/2014		30/6/2013	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
Nitrogenous fertilizer	-	-	9,978	(100.0)	-	-	22,070	(100.0)
Ammonia ⁽¹⁾	-	-	4,598	(100.0)	-	-	9,834	(100.0)
Methanol	-	-	307	(100.0)	-	-	674	(100.0)
Total	-	-	14,883	(100.0)	-	-	32,578	(100.0)

Note:

- (1) Ammonia comprises ammonia solution and liquid ammonia.

Average selling prices of our products were as follows:

RMB per ton	2 nd quarter ended			1 st half ended		
	30/6/2014	30/6/2013	%	30/6/2014	30/6/2013	%
Nitrogenous fertilizer	-	677	(100.0)	-	674	(100.0)
Liquid ammonia	-	2,479	(100.0)	-	2,444	(100.0)
Ammonia solution	-	539	(100.0)	-	525	(100.0)
Methanol	-	1,966	(100.0)	-	2,019	(100.0)

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, comparison of the average selling prices was not meaningful. As mentioned above, no sales revenue was generated in 1H2014.

Sales volume of our products were as follows:

Sales Volume Ton	2 nd quarter ended			1 st half ended		
	30/6/2014	30/6/2013	%	30/6/2014	30/6/2013	%
Nitrogenous fertilizer	-	14,739	(100.0)	-	32,769	(100.0)
Liquid ammonia	-	1,001	(100.0)	-	2,224	(100.0)
Ammonia solution	-	3,931	(100.0)	-	8,385	(100.0)
Methanol	-	156	(100.0)	-	334	(100.0)

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, sales volume of all of our products has decreased in the range of 100.0%. The decrease in sales volume of all of our products was due to no production activities in 1H2014.

Cost of sales, gross profit and gross profit margin

Cost of Sales RMB'000	2 nd quarter ended			1 st half ended		
	30/6/2014	30/6/2013	%	30/6/2014	30/6/2013	%
Coal	-	7,081	(100.0)	-	16,216	(100.0)
Electricity	-	2,648	(100.0)	-	5,678	(100.0)
Direct labour	-	581	(100.0)	-	1,163	(100.0)
Depreciation	-	1,508	(100.0)	-	3,015	(100.0)
Others	-	1,664	(100.0)	-	3,147	(100.0)
Total	-	13,482	(100.0)	-	29,219	(100.0)

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, our cost of sales decreased by 100.0%, as there was no production activities in 1H2014.

Coal

	2 nd quarter ended			1 st half ended		
	30/6/2014	30/6/2013	%	30/6/2014	30/6/2013	%
Coal consumption (ton)	-	9,750	(100.0)	-	22,233	(100.0)
Average coal purchase price (RMB/ton)	-	726	(100.0)	-	729	(100.0)
Coal consumption (RMB'000)	-	7,081	(100.0)	-	16,216	(100.0)

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, our coal consumption decreased by 100.0%, as there was no production activities in 1H2014.

Electricity

	2nd quarter ended			1st half ended		
	30/6/2014	30/6/2013	%	30/6/2014	30/6/2013	%
Electricity consumption ('000 KWh)	-	5,880	(100.0)	-	13,350	(100.0)
Average price (RMB/KWh)	-	0.450	(100.0)	-	0.425	(100.0)
Electricity consumption (RMB'000)	-	2,648	(100.0)	-	5,678	(100.0)

The decrease in electricity consumption of 100.0% for both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013 was due to no production activities in 1H2014.

Direct labour

For 1H2014 and 2Q2014, the decrease in direct labour of 100.0% compared to 1H2013 and 2Q2013 was due to no production activities in 1H2014.

Depreciation

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, depreciation decreased by 100.0%. This was due to no production activities in 1H 2014.

Gross profit

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, our gross profit decreased by 100.0%. This was due to no sales revenue generated in 1H 2014.

Other income

The decrease in other income for 1H2014 as compared to 1H2013 was due mainly to the government grant of RMB0.4 million received in 1H2013.

For 2Q2014 as compared to 2Q2013, the decrease in other income by RMB0.2 million was due mainly to the government grant of RMB0.2 million received in 2Q2013.

Selling and distribution expenses

For both periods 1H2014 as compared to 1H2013 and 2Q2014 as compared to 2Q2013, our selling and distribution expenses decreased by 39.3% from a half year to half year and 38.9% on quarter to quarter basis. This was in line with the decrease in sales.

General and administrative expenses

For 1H2014 as compared to 1H2013, our general and administrative expenses decreased by RMB9.0 million or 38.3%. The decrease was due mainly to the lower work stoppage costs incurred in 1H2014, arising mainly from lower depreciation charges of RMB7.6 million on lower fixed assets base due to the impairment charge provided last year. Work stoppage costs which consisted of mainly depreciation and labour costs incurred by the plants during the plants' shut down was charged to general and administrative expenses.

For 2Q2014 as compared to 2Q2013, our general and administrative expenses decreased by RMB6.2 million or 53.4%. The decrease was due mainly to the lower work stoppage costs incurred in 2Q2014, arising mainly from lower depreciation charges of RMB5.6 million on lower fixed assets base due to the impairment charge provided last year. Work stoppage costs which consisted of mainly depreciation and labour costs incurred by the plants during the plants' shut down was charged to general and administrative expenses.

Finance expenses

For 1H2014 as compared to 1H2013, our finance expenses decreased by RMB2.1 million or 100.0%. This was due to no bank borrowings in 1H2014.

For 2Q2014 as compared to 2Q2013, our finance expenses decreased by RMB0.9 million or 100.0%. This was due to no bank borrowings in 2Q2014.

Loss before income tax

Our loss before income tax decreased by RMB7.4 million or 34.4% for 1H2014 compared to 1H2013. The decrease was due mainly to the lower general and administrative expenses and finance expenses as explained above.

Our loss before income tax decreased by RMB5.7 million or 53.4% for 2Q2014 compared to 2Q2013. The decrease was due mainly to the lower general and administrative expenses and finance expenses as explained above.

Income tax expense

Lower income tax expense of RMB3.6 million was recorded for 1H2014 as compared to 1H2013. This was due mainly to nil tax provision for our subsidiary in Miluo City for 1H2014. Our subsidiary in Miluo City, under a preferential tax policy, was required to pay a minimum of RMB2.1 million to cover all taxes for FY2008 (including VAT, stamp duty, land use tax and urban real estate tax), with an increase of 40% in each subsequent year until FY2013. Thus for 1H2013, pro-rated tax provision of RMB3.8 million was provided whereas for 2Q2014, as it was in a loss position, no tax provision was provided.

Review of financial position of the Group as at 30 June 2014

Current assets

As at 30 June 2014, our total current assets were RMB175.6 million as compared to RMB83.6 million as at 31 December 2013. The increase was mainly due to RMB101.8 million in assets held for sale as at 30 June 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 in the existing factories which are located in urban areas of the cities for the purposes of the re-development of the cities. 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. The increase in current assets was partially offset by the decrease in cash and bank balances of RMB5.8 million and decrease in trade and other receivables of RMB3.9 million.

As at 30 June 2014, trade and other receivables comprise mainly trade receivables amounting to RMB13.4 million, advances paid to our suppliers amounting to RMB22.1 million and advance payment for property, plant and equipment amounting to RMB22.4 million. Compared to 31 December 2013, the decrease in trade and other receivables was due mainly to the decrease in trade receivables of RMB3.5 million due to collections received.

Non-current assets

Non-current assets include land use rights with net book value of approximately RMB14.6 million as at 30 June 2014 as compared to RMB49.1 million as at 31 December 2013, and property, plant and equipment with net book value of approximately RMB67.0million as at 30 June 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 RMB81.6 million as at 30 June 2014 was due mainly to the RMB101.8 million 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 amortization of land use rights and depreciation of property, plant and equipment.

As at 30 June 2014, the subsidiary of the Group, Hanshou, has not obtained the title deed of the land use right with net book value of RMB14.6 million (2013: RMB14.9 million) as the management is still engaged in on-going negotiation with local authority to transfer the title deed of the land use right from previous owner to the Group.

Current liabilities

Our current liabilities comprised trade and other payables and income tax payable. As at 30 June 2014, total current liabilities were RMB51.7 million. The increase in current liabilities of RMB4.3 million or 9.0% from RMB47.5 million as at 31 December 2013 to RMB51.7 million as at 30 June 2014 was due mainly to the increase of RMB3.1 million in trade and other payables and increase of RMB1.2 million in income tax payable.

As at 30 June 2014, trade and other payables comprised mainly accrual and other payables amounting to RMB11.6 million, and amount due to shareholders of RMB6.5 million. The increase in accrual and other payables of RMB2.3 million and the increase in amount due to shareholders of RMB0.4 million were due to timing differences in payments made to the other creditors and advances from shareholders.

Total shareholders' equity

Total shareholders' equity as at 30 June 2014 amounted to approximately RMB205.4 million and comprised mainly retained earnings of approximately RMB20.9 million, share capital of RMB216.8 million and statutory reserve of RMB72.0 million, partially offset by restructuring reserve of RMB102.8 million and currency translation reserve of RMB1.4 million.

Review of cash flow statement for half year ended 30 June 2014

For 1H2014, the Group has a net cash outflow of RMB5.8million due to net cash used in operating activities amounting to RMB5.8 million.

For 2Q2014, the Group has a net cash outflow of RMB3.7million due to net cash used in operating activities amounting to RMB3.7 million.

Net cash used in operating activities

The decrease of RMB20.1 million in net cash used in operating activities for 1H2014 as compared to 1H2013 was due mainly to the decrease in cash flows from changes in working capital amounting to RMB15.1 million. This was mainly due to the RMB13.4 million decrease in advances to suppliers in 1H2013 as compared to advances to suppliers remaining unchanged in 1H2014 and RMB10.2 million decrease in trade and other receivables in 1H2013 as compared to RMB3.9 million decrease in 1H2014.

The decrease of RMB12.2 million in net cash used in operating activities for 2Q2014 as compared to 2Q2013 was due mainly to the decrease in cash flows from changes in working capital amounting to RMB9.6 million. This was mainly due to the RMB5.4 million decrease in advances to suppliers in 2Q2013 as compared to advances to suppliers remaining unchanged in 2Q2014. and RMB5.0 million decrease in trade and other receivables in 2Q2013 as compared to RMB1.4 million decrease in 2Q2014

Net cash flows used in financing activities

There was no cash inflow or outflow from financing activities for 1H2014 as compared to RMB21.6 million used in financing activities for 1H2013 as there were no financing activities in 1H2014.

There was no cash inflow or outflow from financing activities for 2Q2014 as compared to RMB6.6 million used in financing activities for 2Q2013 as there were no financing activities in 2Q2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Farmers continue to prefer compound fertilizers over traditional fertilizers and this continue to affect the demand for our products. This trend is most likely to persist and will adversely affect our business outlook for the rest of the year.

As previously announced, the local governments of Miluo and Xiangying have notified us that our plants in Jincheng and Xiangyin are required to cease operations for the purposes of the re-development of the cities. As a result, the Company is in the midst of reviewing its business continuity plans as well as continuing with the respective local governments on related compensations.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? No.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended.

13. Interested person transactions

There were no interested person transactions entered for the half year ended 30 June 2014 and for the half year ended 30 June 2013. The Group is not required to have a general mandate from shareholders for IPTs under Rule 920(1)(a)(ii).

BY ORDER OF THE BOARD

Ng Joo Khin

13 August 2014

CONFIRMATION BY THE BOARD

We, Cai Jian Hua and Zhu Xue Cheng, being two Directors of Changjiang Fertilizer Holdings Limited ("the Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

CAI JIAN HUA

Executive Chairman and Chief Executive Officer

ZHU XUE CHENG

Executive Director

13 August 2014