

CHANGJIANG FERTILIZER HOLDINGS LIMITED



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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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.

		3rd quarter ended			9 months ended		
	Note	30/9/2014 RMB'000 Unaudited	30/9/2013 RMB'000 Unaudited	Increase / (Decrease) %	30/9/2014 RMB'000 Unaudited	30/9/2013 RMB'000 Unaudited	Increase / (Decrease) %
Revenue	1	-	-	(100.0)	-	32,578	(100.0)
Cost of sales		-	-	(100.0)	-	(29,219)	(100.0)
Gross profit		-	-	(100.0)	-	3,359	(100.0)
Other income	2	258	491	(47.5)	645	1,247	(48.3)
Selling and distribution expenses		(58)	(63)	(7.9)	(174)	(253)	(31.2)
General and administrative expenses		(47,196)	(33,108)	42.6	(61,630)	(56,515)	9.1
Finance expenses		-	(949)	(100.0)	-	(3,059)	(100.0)
Loss before income tax	3	(46,996)	(33,629)	39.8	(61,159)	(55,221)	10.8
Income tax expense		(610)	(2,505)	(75.6)	(1,831)	(7,291)	(74.9)
Net Loss		<u>(47,606)</u>	<u>(36,134)</u>	31.7	<u>(62,990)</u>	<u>(62,512)</u>	0.8
Attributable to:							
Equity holder of the Company		<u>(47,606)</u>	<u>(36,134)</u>	31.7	<u>(62,990)</u>	<u>(62,512)</u>	0.8

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 third quarter and nine months ended 30 September 2014

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	Increase /	30/9/2014	30/9/2013	Increase /
	RMB'000	RMB'000	(Decrease)	RMB'000	RMB'000	(Decrease)
	Unaudited	Unaudited	%	Unaudited	Unaudited	%
Loss for the period, net of tax	(47,606)	(36,134)	31.7	(62,990)	(62,512)	0.8
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation	600	(91)	N.M	(20)	1,052	N.M
Total comprehensive income/(loss) attributable to equity holders of the Company	(47,006)	(36,225)	29.8	(63,010)	(61,460)	2.5

Note:

"N.M": denotes not meaningful.

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

(1) Revenue

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	Increase /	30/9/2014	30/9/2013	Increase /
	RMB'000	RMB'000	(Decrease)	RMB'000	RMB'000	(Decrease)
	Unaudited	Unaudited	%	Unaudited	Unaudited	%
Nitrogenous fertilizer	-	-	-	-	22,070	(100.0)
Ammonia	-	-	-	-	9,834	(100.0)
Methanol	-	-	-	-	674	(100.0)
	<u>-</u>	<u>-</u>	-	<u>-</u>	<u>32,578</u>	(100.0)

(2) Other Income

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	Increase /	30/9/2014	30/9/2013	Increase /
	RMB'000	RMB'000	(Decrease)	RMB'000	RMB'000	(Decrease)
	Unaudited	Unaudited	%	Unaudited	Unaudited	%
Interest income	8	98	(91.8)	40	363	(89.0)
Government grant	-	216	(100.0)	-	648	(100.0)
Others	<u>250</u>	<u>177</u>	41.2	<u>605</u>	<u>236</u>	156.4
	<u>258</u>	<u>491</u>	(47.5)	<u>645</u>	<u>1,247</u>	(48.3)

1(a)(ii) Notes to the income statements (cont'd)

(3) Loss before tax

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

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	Increase /	30/9/2014	30/9/2013	Increase/
	RMB'000	RMB'000	(Decrease)	RMB'000	RMB'000	(Decrease)
	Unaudited	Unaudited	%	Unaudited	Unaudited	%
Amortisation and depreciation	933	6,352	(85.3)	2,810	19,288	(85.4)
Allowance for impairment of trade receivables	13,377	-	100.0	13,377	-	100.0
Allowance for impairment of advance to suppliers	22,086	-	100.0	22,086	-	100.0
Inventories written down	4,146	-	100.0	4,146	-	100.0
Loss on disposal of plant and equipment	-	-	-	-	55	(100.0)
Impairment on plant and equipment	-	20,000	(100.0)	-	20,000	(100.0)
Changes in inventories	187	-	100.0	296	3,683	(91.9)
Electricity	147	127	15.7	420	6,605	(93.6)
Staff costs	5,318	4,912	8.3	16,294	16,174	0.7
Interest expense	-	949	(100.0)	-	3,059	(100.0)
Purchase of raw materials and consumables	-	-	-	-	15,313	(100.0)

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	
	30/9/2014 RMB'000 Unaudited	31/12/2013 RMB'000 Audited	30/9/2014 RMB'000 Unaudited	31/12/2013 RMB'000 Audited
ASSETS				
Current Assets				
Cash and bank balances	6,576	16,670	81	328
Trade and other receivables	22,813	62,494	101	46
Inventories	-	4,443	-	-
	29,389	83,607	182	374
Assets held for sale ⁽¹⁾	101,781	-	-	-
	131,170	83,607	182	374
Non-current Assets				
Investment in subsidiaries	-	-	208,021	208,021
Property, plant and equipment	66,164	136,096	8	22
Intangible asset	14,476	49,136	-	-
	80,640	185,232	208,029	208,043
Total Assets	211,810	268,839	208,211	208,417
LIABILITIES				
Current Liabilities				
Trade and Other payables	19,151	15,001	30,057	27,011
Current income tax liability	34,280	32,449	-	-
Total liabilities	53,431	47,450	30,057	27,011
NET ASSETS	158,379	221,389	178,154	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	(759)	(739)	(494)	(474)
Retained earnings/(accumulated losses)	(26,712)	36,278	(38,032)	(34,800)
TOTAL EQUITY	158,379	221,389	178,154	181,406

Note:

- Assets held for sale as at 30 September 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 September 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

The Group does not have any bank borrowings as at 30 September 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.

	3rd quarter ended		9 months ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Net loss	(47,606)	(36,134)	(62,990)	(62,512)
Adjustments for:				
Amortisation and depreciation	933	6,352	2,810	19,228
Allowance for impairment of trade receivables	13,377	-	13,377	-
Allowance for impairment of advance to suppliers	22,086	-	22,086	-
Impairment on plant and equipment	-	20,000	-	20,000
Loss on disposal of plant and equipment	-	-	-	56
Unrealised currency translation gain	602	(101)	(18)	1,057
Deferred grant gain recognition	-	(216)	-	(648)
Interest income	(8)	(98)	(40)	(363)
Interest expense	-	949	-	3,059
Income tax expense	610	2,505	1,831	7,291
	(10,006)	(6,743)	(22,944)	(12,832)
Changes in working capital				
Trade and other receivables	297	2,451	4,218	26,077
Inventories	4,333	-	4,442	3,683
Trade and other payables	1,095	2,330	4,150	(2,797)
Cash generated from/(used in) operations	(4,281)	(1,962)	(10,134)	14,131
Interest received	8	98	40	363
Interest paid	-	(949)	-	(3,059)
Income tax paid	-	-	-	-
Net cash provided by/(used in) operating activities	(4,273)	(2,813)	(10,094)	11,435
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	46,450
Repayment of borrowings	-	-	-	(88,050)
Withdrawal of short-term bank deposits pledged to banks	-	-	-	20,000
Net cash used in financing activities	-	-	-	(21,600)
Net decrease in cash and bank balances	(4,273)	(2,813)	(10,094)	(10,165)
Cash and bank balances at beginning of financial period	10,851	110,098	16,670	117,461
Effect of currency translation on cash and bank balances	(2)	11	-	-
Cash and bank balances at end of financial period	<u>6,576</u>	<u>107,296</u>	<u>6,576</u>	<u>107,296</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 RMB'000	Treasury Shares RMB'000	Statutory RMB'000	Restructuring Reserve RMB'000	Currency Translation Reserve RMB'000	Retained Earnings/ (Accumulated losses) RMB'000	Total Equity 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	216,788	(108)	71,998	(102,828)	(1,359)	20,894	205,385
Total comprehensive loss for the period from 1/7/2014 – 30/9/2014	-	-	-	-	600	(47,606)	(47,006)
As at 30 September 2014	<u>216,788</u>	<u>(108)</u>	<u>71,998</u>	<u>(102,828)</u>	<u>(759)</u>	<u>(26,712)</u>	<u>158,379</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	216,788	(108)	71,999	(102,828)	(1,075)	330,339	515,115
Total comprehensive loss for the period from 1/7/2013 – 30/9/2013	-	-	-	-	(91)	(36,134)	(36,225)
As at 30 September 2013	<u>216,788</u>	<u>(108)</u>	<u>71,999</u>	<u>(102,828)</u>	<u>(1,166)</u>	<u>294,205</u>	<u>478,890</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)	(1,050)	(1,215)
As at 30 June 2014	216,788	(108)	(1,093)	(36,648)	178,939
Total comprehensive loss for the period 1/7/2014– 30/9/2014	-	-	599	(1,384)	(785)
As at 30 September 2014	<u>216,788</u>	<u>(108)</u>	<u>(494)</u>	<u>(38,032)</u>	<u>178,154</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	216,788	(108)	(810)	(32,676)	183,194
Total comprehensive loss for the period 1/7/2013– 30/9/2013	-	-	(90)	(1,210)	(1,300)
As at 30 September 2013	<u>216,788</u>	<u>(108)</u>	<u>(900)</u>	<u>(33,886)</u>	<u>181,894</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 September 2014 and 30 September 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 September 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 September 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.

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.

	3rd quarter ended		9 months ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	Unaudited	Unaudited	Unaudited	Unaudited
Net loss attributable to equity holders of the Company (RMB'000)	(47,606)	(36,134)	(62,990)	(62,512)
Loss per share for				
– Basic (RMB cents)	(13.23)	(10.04)	(17.50)	(17.37)
– On a fully dilutive basis ⁽¹⁾ (RMB cents)	(13.23)	(10.04)	(17.50)	(17.37)

Notes:

Basic earnings per share of the Group for the nine months ended 30 September 2014 is calculated by dividing the Group's net loss attributable to shareholders of approximately RMB62,990,000 (2013: RMB62,512,000) by the weighted average number of ordinary shares outstanding during the period of 359,900,000 (2013: 359,900,000).

For the nine months ended 30 September 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 September 2014 and 30 September 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 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
NAV per ordinary share ⁽¹⁾ (RMB cents)	44.01	61.51	49.50	50.54

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 September 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 nine months ended 30 September 2014 ("9M2014") as compared to the nine months ended 30 September 2013 ("9M2013")

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 9M2014. Thus, the production activities in all our 3 plants continued to be temporary halted for the whole of the 9M2014 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	3rd quarter ended				9 months ended			
	30/9/2014		30/9/2013		30/9/2014		30/9/2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Nitrogenous fertilizer	-	-	-	-	-	-	22,070	67.7
Ammonia ⁽¹⁾	-	-	-	-	-	-	9,834	30.2
Methanol	-	-	-	-	-	-	674	2.1
Total	-	-	-	-	-	-	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	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	%	30/9/2014	30/9/2013	%
Nitrogenous fertilizer	-	-	-	-	674	(100.0)
Liquid ammonia	-	-	-	-	2,444	(100.0)
Ammonia solution	-	-	-	-	525	(100.0)
Methanol	-	-	-	-	2,019	(100.0)

For both periods 9M2014 as compared to 9M2013 and 3Q2014 as compared to 3Q2013, comparison of the average selling prices was not meaningful. As mentioned above, no sales revenue was generated in 9M2014.

Sales volume of our products was as follows:

Sales Volume Ton	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	%	30/9/2014	30/9/2013	%
Nitrogenous fertilizer	-	-	-	-	32,769	(100.0)
Liquid ammonia	-	-	-	-	2,224	(100.0)
Ammonia solution	-	-	-	-	8,385	(100.0)
Methanol	-	-	-	-	334	(100.0)

For 9M2014 as compared to 9M2013, 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 9M2014.

Cost of sales, gross profit and gross profit margin

Cost of Sales RMB'000	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	%	30/9/2014	30/9/2013	%
Coal	-	-	-	-	16,216	(100.0)
Electricity	-	-	-	-	5,678	(100.0)
Direct labour	-	-	-	-	1,163	(100.0)
Depreciation	-	-	-	-	3,015	(100.0)
Others	-	-	-	-	3,147	(100.0)
Total	-	-	-	-	29,219	(100.0)

For 9M2014 as compared to 9M2013, our cost of sales decreased by 100.0%, as there was no production activities in 9M2014.

Coal

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	%	30/9/2014	30/9/2013	%
Coal consumption (ton)	-	-	-	-	22,233	(100.0)
Average coal purchase price (RMB/ton)	-	-	-	-	729	(100.0)
Coal consumption (RMB'000)	-	-	-	-	16,216	(100.0)

For 9M2014 as compared to 9M2013, our coal consumption decreased by 100.0%, as there was no production activities in 9M2014.

Electricity

	3rd quarter ended			9 months ended		
	30/9/2014	30/9/2013	%	30/9/2014	30/9/2013	%
Electricity consumption ('000 KWh)	-	-	-	-	13,350	(100.0)
Average price (RMB/KWh)	-	-	-	-	0.425	(100.0)
Electricity consumption (RMB'000)	-	-	-	-	5,678	(100.0)

The decrease in electricity consumption of 100.0% for 9M2014 as compared to 9M2013 was due to no production activities in 9M2014.

Direct labour

For 9M2014, the decrease in direct labour of 100.0% compared to 9M2013 was due to no production activities in 9M2014.

Depreciation

For 9M2014 as compared to 9M2013, depreciation decreased by 100.0%. This was due to no production activities in 9M2014.

Gross profit

For 9M2014 as compared to 9M2013, our gross profit decreased by 100.0%. This was due to no sales revenue generated in 9M2014.

Other income

The decrease in other income for 9M2014 as compared to 9M2013 was due mainly to the government grant of RMB0.6 million received in 9M2013.

For 3Q2014 as compared to 3Q2013, the decrease in other income by RMB0.2 million was due mainly to the government grant of RMB0.2 million received in 3Q2013.

Selling and distribution expenses

For 9M2014 and 3Q2014 as compared to 9M2013 and 3Q2013, our selling and distribution expenses decreased by 31.2% and 7.9% respectively as the result of the decrease in sales.

General and administrative expenses

For 9M2014 as compared to 9M2013, our general and administrative expenses increased by RMB5.1 million or 9.1%. The increase was due mainly to the provision of RMB13.4 million allowance for impairment of trade receivables and RMB22.1 million allowance for impairment of advance to suppliers made in 3Q2014. Management provided for the allowances for impairment after the assessment of the recoverability of the trade receivables and advance to suppliers. The increase was partially offset by the decrease in work stoppage costs incurred in 9M2014, arising mainly from lower depreciation charges 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 3Q2014 as compared to 3Q2013, our general and administrative expenses increased by RMB14.1 million or 42.6%. The increase was due mainly to the RMB13.4 million allowance for impairment of trade receivables and the RMB22.1 million allowance for impairment of advance to suppliers provided in 3Q2014. The increase was partially offset by the decrease in work stoppage costs incurred in 3Q2014, arising mainly from lower depreciation charges on lower fixed assets base due to the impairment charge provided last year.

Finance expenses

For 9M2014 as compared to 9M2013, our finance expenses decreased by RMB3.1 million or 100.0%. This was due to no bank borrowings in 9M2014.

For 3Q2014 as compared to 3Q2013, our finance expenses decreased by RMB0.9 million or 100.0%. This was due to no bank borrowings in 3Q2014.

Loss before income tax

Our loss before income tax increased by RMB5.9 million or 10.8% for 9M2014 compared to 9M2013. The increase was due mainly to the higher general and administrative expenses as explained above.

Our loss before income tax increased by RMB13.4 million or 39.8% for 3Q2014 compared to 3Q2013. The increase was due mainly to the higher general and administrative expenses as explained above.

Income tax expense

Lower income tax expense of RMB5.4million was recorded for 9M2014 as compared to 9M2013. This was due mainly to nil tax provision for our subsidiary in Miluo City for 9M2014. 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 9M2013, pro-rated tax provision of RMB5.8 million was provided whereas for 9M2014, as it was in a loss position, no tax provision was provided.

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

Current assets

As at 30 September 2014, our total current assets were RMB131.2 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 September 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 RMB10.1 million and decrease in trade and other receivables of RMB39.7 million.

As at 30 September 2014, trade and other receivables comprise mainly other receivables amounting to RMB0.4 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 mainly due to the allowance for impairment charges totalling RMB35.5 million provided on trade receivables and advances to suppliers.

Non-current assets

Non-current assets include land use rights with net book value of approximately RMB14.5 million as at 30 September 2014 as compared to RMB49.1 million as at 31 December 2013, and property, plant and equipment with net book value of approximately RMB66.2.million as at 30 September 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 RMB80.6 million as at 30 September 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 September 2014, the subsidiary of the Group, Hanshou, has not obtained the title deed of the land use right with net book value of RMB14.5 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 September 2014, total current liabilities were RMB53.4 million. The increase in current liabilities of RMB5.9 million or 12.6% from RMB47.5 million as at 31 December 2013 to RMB53.4 million as at 30 September 2014 was due mainly to the increase of RMB4.1 million in trade and other payables and increase of RMB1.8 million in income tax payable.

As at 30 September 2014, trade and other payables comprised mainly accrual and other payables amounting to RMB12.8 million, and amount due to shareholders of RMB6.3 million. The increase in accrual and other payables of RMB3.8 million and the increase in amount due to shareholders of RMB0.3 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 September 2014 amounted to approximately RMB158.4 million and comprised mainly share capital of RMB216.8 million and statutory reserve of RMB72.0 million, partially offset by restructuring reserve of RMB102.8 million and accumulated losses of RMB26.7 million and currency translation reserve of RMB0.8 million.

Review of cash flow statement for nine months ended 30 September 2014

For 9M2014, the Group has a net cash outflow of RMB10.1 million due to net cash used in operating activities amounting to RMB10.1 million.

For 3Q2014, the Group has a net cash outflow of RMB4.3 million due to net cash used in operating activities amounting to RMB4.3 million.

Net cash used in operating activities

The decrease of RMB10.1 million in net cash used in operating activities for 9M2014 as compared to 9M2013 was due mainly to the decrease in cash flows from changes in working capital amounting to RMB14.2 million. This was mainly due to the RMB13.4 million decrease in advances to suppliers in 9M2013 and RMB12.7 million decrease in trade and other receivables in 9M2013 as compared to the RMB4.2 million decrease in trade and other receivables in 9M2014.

The decrease of RMB4.3 million in net cash used in operating activities for 3Q2014 as compared to 3Q2013 was due mainly to the increase in loss for 3Q2014 as compared to 3Q2013.

Net cash flows used in financing activities

There was no cash inflow or outflow from financing activities for 9M2014 as compared to RMB21.6 million used in financing activities for 9M2013 as there were no financing activities in 9M2014.

There was no cash inflow or outflow from financing activities for 3Q2014 and 3Q2013 as there were no financing activities in 3Q2014 and 3Q2013.

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.

The fertilizer industry continues to be depressed and is unlikely to improve for the rest of this year. Negotiations with the local governments on Miluo and Xiangying are still ongoing. As a result, the Group is seeking suitable opportunities to diversify its business and will update the shareholders of its future plans in due course.

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 nine months ended 30 September 2014 and for the nine months ended 30 September 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
Company Secretary

14 November 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 nine months ended 30 September 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

CAI JIAN HUA
Executive Chairman

ZHU XUE CHENG
Deputy Chief Executive Officer

17 November 2014