

CHANGJIANG FERTILIZER HOLDINGS LIMITED

(Registration Number: 200713878D)

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors of the Company together with its subsidiaries, (the “Group”) refers to the Group’s first quarter ended 31 March 2015 results announcement (“1Q 2015 results announcement”) released to SGX-ST via SGXNet on 30 April 2015.

The following information is in response to the SGX-ST’s queries dated 15 May 2015:

1) We note that the Company has no business operations but note that there are some significant expenses incurred. Please provide the following details:-

(a) Breakdown and elaborate on ‘Selling and distribution expenses’ of RMB 35,000 and ‘General and administrative expenses’ of RMB3.391 million in 1Q2015 despite the shutdown of all the Company’s plants since FY2013/14.

Company’s reply:

The Selling and distribution expenses of RMB35,000 relates to staff costs of RMB35,000 for sales staff.

The breakdown of “General and administrative expenses” for continuing operations for 1Q2015 is as follows:

General and administrative expenses (in RMB’000)	Spore’s listco	China subsidiaries	Total	%
Staff costs and related expenses ⁽¹⁾	370	207	577	17.0
Work stoppage expenses-direct and indirect labour costs, electricity ⁽²⁾	-	1,256	1,256	37.1
Directors’ remuneration	332	-	332	9.8
Exchange loss ⁽³⁾	814	-	814	24.0
Audit ,secretarial fee, Singapore Exchange Securities and Central Depository charges	157	-	157	4.6
Others administrative expenses	166	89	255	7.5
Total	1,839	1,552	3,391	100.0

Notes:

- 1) Staff costs and related expenses relates to the accrued salaries for Singapore staff in Singapore's listco and administrative staff of the plant in Hanshou for 1Q2015.
- 2) Direct and indirect labour costs, electricity are charged to work stoppage expenses for costs incurred by the plant in Hanshou for 1Q2015.
- 3) Exchange loss arose because of the translation of RMB denominated balances owing to subsidiaries to Singapore dollar in the Singapore listco's books.

(b) Breakdown and elaborate on 'General and administrative expenses' of RMB3.246 million for discontinued operations in 1Q2015 despite the shutdown of all the Company's plants since FY2013/14.

Company's reply:

The breakdown of "General and administrative expenses" for discontinued operations in 1Q2015 is as follows:

General and administrative expenses	RMB'000	%
Staff costs and related expenses ⁽¹⁾	1,178	36.3
Work stoppage expenses-direct and indirect labour costs ⁽²⁾	1,930	59.5
Others administrative expenses	138	4.2
Total	3,246	100.0

Notes:

- 1) Staff costs and related expenses relates to the accrued salaries of administrative staff in Miluo and Xiangyin plants for 1Q2015.
- 2) Direct and indirect labour costs are charged to work stoppage expenses for the accrual of the workers' salaries in Miluo and Xiangyin plants for 1Q2015.

2) We note that there is 'Staff costs' for continuing operations of RMB2.099 million in 1Q2015. Please provide the following details:-

Company's reply:

(a) Who are the staff

The staff under continuing operations are the workers that are still on the payroll of the plant in Hanshou, in the various departments of production, technical, warehouse, general, finance and administrative and management. For the Singapore's listco are management staff.

(b) How many staff are there

The staff count for continuing operations amounted to 347 (Singapore and Hanshou) while discontinued operations are 842 (Miluo and Xiangyin) as at 31 March 2015.

(c) Why is 'Staff costs' still RMB5.217 million in 1Q2015 when operations have ceased since FY2013/14.

The staff costs of RMB5.217 million relates to the staff costs of the 3 plants in china and the Singapore's listco for 1Q2015. Due to the ongoing negotiation with local governments, we are unable to terminate the labour contracts as the terms of compensation settlement with the workers are not concluded yet. As such, we continue to accrue for the salaries of the workers in the interim.

3) We note on page 11 of the Results Announcement the statement that for 1Q2015, selling and distribution expenses decreased by approximately 20.7% as compared to 1Q2014 and this was in line with no revenue generated. We note there was no sales, hence please explain why was there selling and distribution expenses.

Company's reply:

The selling and distribution expenses relates to the salaries of sales staff.

4) We note on page 12 of the Results Announcement the increase in current liabilities of RMB5.3 million or 9.3% from RMB57.4 million as at 31 December 2014 to RMB62.8 million as at 31 March 2015. Please provide a breakdown with major items and explain and elaborate on significant balances.

Company's reply:

The breakdown of "total liabilities" is as follows:

RMB'000	31/3/2015	31/12/2014	Increase/ (Decrease)
Loan from former controlling shareholder ⁽¹⁾	5,599	5,834	(235)
Other payables and accruals ⁽²⁾	12,195	10,786	1,409
Breakdown as below:-			
-staff salaries payable ⁽³⁾	2,646	1,152	1,494
-provision for social welfare and social security contribution	5,679	5,678	1
-due to professionals (auditors, company secretary, independent directors etc)	3,786	3,951	(165)
-others payable	84	5	79
Amount due to directors	1,192	267	925
	18,986	16,887	2,099
Current income tax liabilities	12,762	12,762	-
Liabilities under continuing operations	31,748	29,649	2,099
Liabilities directly associated with disposal group classified as held for sale			
Other payables and accruals	11,305	8,054	3,251
Breakdown as below:-			
-staff salaries payable ⁽³⁾	3,769	1,303	2,466
-provision for social welfare and social security contribution	5,947	5,295	652
-others payable	1,589	1,456	133
Current income tax liabilities	19,687	19,687	-
Liabilities under discontinued operations	30,992	27,741	3,251
Total liabilities	62,740	57,390	5,350

Notes:

- (1) Loan from former controlling shareholder pertains to loan from Zhu Cheng Bao. With effect from 16 May 2013, Zhu Cheng Bao has ceased to be the controlling shareholder of the Group.
- (2) The increase in staff salaries payable was mainly due to the accrual of staff salaries for the workers in the plant in Hanshou and Singapore's listco for 1Q2015.
- (3) The increase in staff salaries payable was mainly due to the accrual of staff salaries for the workers in the plants in Miluo and Xiangyin for 1Q2015.

BY ORDER OF THE BOARD

Changjiang Fertilizer Holdings Limited

Zhu Xue Cheng

Acting Chairman and Executive Director

19 May 2015