



CHANGTIAN PLASTIC & CHEMICAL LIMITED

RESPONSE TO SGX QUERY ON THE SECOND QUARTER FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

In response to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 14 August 2015 in relation to the announcement made on 13 August 2015, on the second quarter financial statements of the Group for the half year ended 30 June 2015, the Board of Directors (the "**Board**") of Changtian Plastic & Chemical Limited (the "**Company**") together with its subsidiaries (the "**Group**") wish to provide the following additional information:-

SGX-ST's Query

We refer to page 16 of the Company's Results Announcement. We note 'Rental expenses to Xiamen Changtian Plastic & Chemical Co., Ltd' of RMB 1.15 million in which Mr. Chen Yongfu, a director of the Company, and Ms Chen Baohua, who is the wife of Mr Yang Qingjin, a director of the Company, and the sister of Mr Chen Yongfu, have beneficial interests, were made with reference to the valuation report dated 5 March 2007 prepared by an independent valuer. As the valuation report was prepared sometime back, Audit Committee to confirm that rental expenses of RMB 1.15 million is arms' length.

Company's Response

On 21 May 2007, the Company's subsidiary, Xiamen Changtian Enterprise Co., Ltd. entered into a lease agreement (as amended by a supplemental lease agreement dated 6 July 2007) with Xiamen Changtian Plastic & Chemical Limited. The lease is for a period of 20 years commencing 1 January 2007 to 31 December 2026 at an annual rent of RMB2.3 million. The annual rent was determined by a valuation report dated 5 March 2007 prepared by an independent valuer, LCH (Asia-Pacific) Surveyors Limited. The annual rental payable after the first three years of the lease is subject to review every three years and may be adjusted based on an independent valuers' valuation to ascertain prevailing market price. The board of directors reviews occasionally the market price through the internet searching after the first three years and no material difference with our annual rent was found. Therefore, the Audit Committee considers the annual rent of RMB2.3 million is fair and on arm's length.

By Order of the Board
Yang Qingjin

Executive Chairman
CHANGTIAN PLASTIC & CHEMICAL LIMITED
14 AUGUST 2015