



## CHANGTIAN PLASTIC & CHEMICAL LIMITED

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### RESPONSE TO SGX QUERY ON THE FIRST QUARTER FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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In response to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 29 May 2017 in relation to the announcement made on 10 May 2017, in relation to the first quarter financial statements of the Group for the three months ended 31 March 2017, 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

##### Query 1

In the Company's Financial Results, the Company recorded an amount of RMB11.67 million under Administrative Expenses for 1QFY2017, an increase of 102% (RMB5.9 million) from the amount of RMB5.78 million in 1QFY2016. We note that the Company has disclosed that the increase was due an increase of pre-operating expenses of RMB5.6 million for the development of the Nylon-6 chips business as well as increases in staff cost and other Pre-operating business of approximately RMB0.3 million. Please:-

- (a) Provide a breakdown of the Company's Administrative Expenses for 1QFY2017 in comparison to the Company's Administrative Expenses for 1QFY2016; and
- (b) Elaborate and quantify on the material type of costs incurred under Pre-operating Expenses for the development of the Nylon-6 chips business.

#### Company's Response

- (a) The breakdown of the Company's Administrative Expenses for 1QFY2017 in comparison to the Company's Administrative Expenses for 1QFY2016 are as follows:-

	1QFY17 RMB'000	1QFY16 RMB'000
Auditors' remuneration	277	260
Directors' remuneration	815	809
Salary and staff benefits	1,405	1,439
Pre-operating expenses	8,314	2,692
Professional fees	224	99
Rental expenses	182	182
Others	448	295
	<u>11,665</u>	<u>5,776</u>

(b) The breakdown of "Pre-operating expenses" for 1QFY17 and 1QFY16 are as follows:-

	1QFY17 RMB'000	1QFY16 RMB'000	Variance RMB'000
Staff costs	4,368	2,211	2,157
Electricity, water and gas	3,031	-	3,031
Amortization and depreciation	216	182	34
Others	699	266	433
	<u>8,314</u>	<u>2,659</u>	

The construction works of Nylon-6 Chip plant had been completed and fine-tuning of production lines was carried out in 1Q17. The subsidiary recruited more staffs to well-prepare for the commencement of Nylon-6 Chip business and increased the staff costs in the current period. The construction works of Nylon-6 Chip plant was processing in 1Q16 and the costs of electricity, water and gas were burdened by the constructor. Since the construction works had been completed at early 1Q17, all the utility costs were borne by the subsidiary.

By Order of the Board  
Yang Qingjin

Executive Chairman  
CHANGTIAN PLASTIC & CHEMICAL LIMITED  
31 May 2017