CHANGTIAN PLASTIC & CHEMICAL LIMITED

RESPONSE TO SGX QUERY ON THE THIRD QUARTER FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

In response to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 27 November 2015 in relation to the announcement made on 12 November 2015, on the third quarter financial statements of the Group for the nine months ended 30 September 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

Query 1

We refer to page 3 of the results announcement. We note that 'Prepayments, deposits and other receivables' has increased from RMB2.197 million to RMB25.108 million. Please provide the following information:-

(a) Breakdown of 'Prepayments, deposits and other receivables' with details of underlying transactions.
(b) Details of payment to whom and reasons for the significant payment.

Company's Response

	31/12/2014 RMB'000	30/09/2015 RMB'000	Note
Proceed on disposal of property, plant and equipment unpaid by the purchaser	-	8,750	1
Interest receivable	2,000	1,200	2
VAT credit on acquisition of production lines	-	14,911	3
Prepayments and utility deposits	197	247	
	2,197	25,108	

Notes:-

1) It represents the receivable from Changzhou Daosheng Chemical Ltd, the purchaser ("**Daosheng**") on disposal of property, plant and equipment for 2-A2MPS. The Group disposed of production line and all relevant intellectual property rights of 2-A2MPS to Daosheng with the consideration of RMB12.5 million in late February 2015. According to the Sale and Purchase agreement, 30% of consideration (i.e. RMB3,750,000) been received by the Group within 7 working days from date of transfer. The remaining balance (i.e. RMB8,750,000) will be paid by the purchaser within a year from date of transfer.

2) It represents an interest receivable on time deposit at the balance sheet date. The Group had time deposit of RMB0.5 billion at Industrial and Commercial Bank of China and the relevant interest income had been accrued.

3) It represents the value-added tax ("**VAT**") payments made to the Tax Bureau of the People's Republic of China ("**PRC**") regarding the acquisition of Nylon-6 chip production lines. During the nine-months period ended 30 September 2015, the production lines and some auxiliary equipment for Nylon-6 chip business were shipped from overseas suppliers to the factory at Hui'an, Quanzhou City and the subsidiary, Zhong Lun Su Ye (Fujian) Co Ltd. ("**ZhongLun**") had paid RMB14.9 million of VAT on these acqisitions to the PRC Tax Bureau.

Query 2

We refer to page 14 of the results announcement. Please quantify and elaborate on 'VAT credit on acquisition of production lines'.

Company's Response

According to the PRC tax regulations and rules, the purchaser is liable to pay VAT on the acquisition or self-construction of property, plant and equipment. By referencing to the Circular of 財稅[2008]170號 issued by the PRC Tax Bureau on 19 December 2008, starting from 1 January 2009, the VAT paid on acquisition or self-construction of property, plant and equipment can be utilised to offset against the VAT expense on future sales revenue or other revenues which are subject to the VAT in the PRC of the same company. Since ZhongLun made the VAT as mentioned above and no revenue for the reporting period, so the Group recorded "VAT credit on acquisition of production lines" to prepayments, deposits and other receivables as at 30 September 2015.

By Order of the Board
Yang Qingjin

Executive Chairman
CHANGTIAN PLASTIC & CHEMICAL LIMITED
30 NOVEMBER 2015