CHANGTIAN PLASTIC & CHEMICAL LIMITED

RESPONSE TO SGX QUERY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

In response to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 March 2016 in relation to the announcement made on 25 February 2016, on the financial statements of the Group for the year ended 31 December 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 note on page 13 of the Results Announcement that "other losses in the current year represents an impairment loss of RMB15.1 million made to certain property, plant and equipment for manufacturing of UV cured release film as their carrying amounts exceeded recoverable amounts (i.e. value in use) at the balance sheet date". Please explain what was the value of these equipment and reason why the impairment of RMB15.1 million is so significant.

Company's Response

During the year, due to the unexpected downward trend in the PRC's economy, less customers' orders were received. Revenue and gross profit for the UV cured release film segment had decreased by 38.7% from approximately RMB30 million to approximately RMB18 million and by 43.4% from approximately RMB9 million to approximately RMB5 million respectively, and the Group does not expect an increase in the revenue and profits in this business segment in the foreseeable future. The Group considers that these factors indicate the economic performance of the property, plant and equipment attributable to the UV cured release film segment is worse than previously expected. Based on these indicators, in accordance with International Accounting Standard No. 36, the Group carried out a review of the recoverable amounts of these related property, plant and equipment as at 31 December 2015. The recoverable amounts of the above assets were determined on the basis of their value-in-use and the pre-tax discount rate used in measuring value-in-use was 28.3% per annum. As the recoverable amounts of these property, plant and equipment were approximately RMB2.4 million and the net carrying amount before recognizing the current year's impairment loss was approximately RMB17.5 million, an impairment loss of RMB15.1 million was therefore recognized.

By Order of the Board
Yang Qingjin

Executive Chairman
CHANGTIAN PLASTIC & CHEMICAL LIMITED
8 March 2016