



Changtian Plastic & Chemical Limited

First Quarter Financial Statements for the Three Months Ended 31 March 2017

Changtian Plastic & Chemical Limited (the “Company”) was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 9 November 2007.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Change
	31/3/2017	31/3/2016	
	<Unaudited>	<Unaudited>	
	RMB'000	RMB'000	%
Revenue	10,121	9,684	4.5
Cost of sales	(6,864)	(6,584)	4.3
Gross profit	3,257	3,100	5.1
Other income	8,996	1,866	382.1
Selling and distribution costs	(622)	(615)	1.1
Administrative expenses	(11,665)	(5,776)	102.0
Loss before income tax	(34)	(1,425)	(97.6)
Income tax expense	(11)	(423)	(97.4)
Loss for the period and attributable to the owners of the Company	(45)	(1,848)	(97.6)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period and attributable to the owners of the Company	(45)	(1,848)	(97.6)

Notes:

1. The Company was incorporated in Bermuda under the Bermuda Companies Act 1981 on 29 March 2007 as an exempted company with limited liability and listed on the Main Board of the SGX-ST on 9 November 2007. The principal activity of the Company is investment holding.
2. Loss for the period is arrived at after charging/(crediting) the followings:

	Group		
	Three months ended		
	31/3/2017	31/3/2016	Change
	<Unaudited>	<Unaudited>	
	RMB'000	RMB'000	%
Interest income	(12)	(1,866)	(99.4)
Depreciation of property, plant and equipment	292	151	93.4
Exchange loss, net	12	23	(47.8)
Amortization of prepaid premium for leasehold land under operating leases	104	103	1.0

1(b) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	<Unaudited>	<Audited>	<Unaudited>	<Audited>
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	-	-	486,991	488,615
Property, plant and equipment	986,266	948,385	-	-
Prepaid premium for leasehold land under operating leases	19,287	19,391	-	-
Deposits	337	27,900	-	-
	<u>1,005,890</u>	<u>995,676</u>	<u>486,991</u>	<u>488,615</u>
Current assets				
Inventories	2,025	1,917	-	-
Trade receivables	11,700	11,583	-	-
Prepayments, deposits and other receivables	104,685	92,926	156	27
Current tax assets	43	12	-	-
Cash and cash equivalents	41,780	65,098	-	-
	<u>160,233</u>	<u>171,536</u>	<u>156</u>	<u>27</u>
Current liabilities				
Trade payables	2,074	2,662	-	-
Accruals and other payables	117,582	118,038	2,629	2,476
Current tax liabilities	2,350	2,350	-	-
	<u>122,006</u>	<u>123,050</u>	<u>2,629</u>	<u>2,476</u>
Net current assets/(liabilities)	<u>38,227</u>	<u>48,486</u>	<u>(2,473)</u>	<u>(2,449)</u>
Non-current liabilities				
Deferred tax liabilities	4,650	4,650	-	-
Net assets	<u>1,039,467</u>	<u>1,039,512</u>	<u>484,518</u>	<u>486,166</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	166,295	166,295	166,295	166,295
Reserves	873,172	873,217	318,223	319,871
Total equity	<u>1,039,467</u>	<u>1,039,512</u>	<u>484,518</u>	<u>486,166</u>

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Three months ended	
	31/3/2017	31/3/2016
	<Unaudited>	<Unaudited>
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(34)	(1,425)
Adjustments for:		
Interest income	(12)	(1,866)
Depreciation of property, plant and equipment	292	151
Amortization of prepaid premium for leasehold land under operating leases	104	103
Operating profit/(loss) before working capital changes	350	(3,037)
(Increase)/decrease in inventories	(108)	576
(Increase)/decrease in trade receivables	(117)	707
Increase in prepayments, deposits and other receivables	(11,759)	(365)
Decrease in trade payables	(588)	(183)
Increase in accruals and other payables	694	116
Cash used in operations	(11,528)	(2,186)
Income tax paid	(42)	-
Interest received	12	1,866
Net cash used in operating activities	(11,558)	(320)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(39,323)	(154,843)
Decrease/(increase) in deposits	27,563	(1,026)
Net cash used in investing activities	(11,760)	(155,869)
Net decrease in cash and cash equivalents	(23,318)	(156,189)
Cash and cash equivalents at beginning of period	65,098	776,431
Cash and cash equivalents at end of period	41,780	620,242

Note: During the three months ended 31 March 2017, additions of property, plant and equipment amounted to RMB38,173,000, payments of RMB39,323,000 included payables to suppliers of property, plant and equipment of which RMB111,676,000 was unpaid and included under “Accruals and other payables” as at 31 December 2016.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group (Three months ended 31 March 2016)

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory and other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	166,295	329,523	32,298	102,545	425,631	1,056,292
Loss and total comprehensive income for the period	-	-	-	-	(1,848)	(1,848)
At 31 March 2016 (Unaudited)	166,295	329,523	32,298	102,545	423,783	1,054,444

Group (Three months ended 31 March 2017)

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory and other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	166,295	329,523	32,298	102,870	408,526	1,039,512
Loss and total comprehensive income for the period	-	-	-	-	(45)	(45)
At 31 March 2017 (Unaudited)	166,295	329,523	32,298	102,870	408,481	1,039,467

Company (Three months ended 31 March 2016)

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	166,295	329,523	(3,037)	492,781
Loss and total comprehensive income for the period	-	-	(1,450)	(1,450)
At 31 March 2016 (Unaudited)	166,295	329,523	(4,487)	491,331

Company (Three months ended 31 March 2017)

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	166,295	329,523	(9,652)	486,166
Loss and total comprehensive income for the period	-	-	(1,648)	(1,648)
At 31 March 2017 (Unaudited)	<u>166,295</u>	<u>329,523</u>	<u>(11,300)</u>	<u>484,518</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes in the Company's share capital for the three months ended 31 March 2016 and 31 March 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31/3/2017	31/12/2016
Total number of issued shares ('000)	<u>66,000</u>	<u>66,000</u>

There were no treasury shares as at 31 March 2017 and 31 December 2016.

1(d)(iv) A statement showing all sale and transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. As at 31 March 2017, the Company does not have any outstanding treasury shares.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted all the new/amended International Financial Reporting Standards ("new/amended IFRSs") that became effective on 1 January 2017. Except for the adoption of these new/amended IFRSs, the Group has consistently adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the year ended 31 December 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of the new/amended IFRSs does not have any material financial impact on the Group's financial statements.

6 Loss per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	Three months ended	
	31/3/2017	31/3/2016
	<Unaudited>	<Unaudited>
<u>Basic and diluted loss per share</u>		
Net loss attributable to the owners of the Company (RMB'000)	(45)	(1,848)
Number of ordinary shares in issue ('000)	66,000	66,000
Loss per share (RMB cents)	<u>(0.07)</u>	<u>(2.80)</u>

Diluted loss per share for the three months ended 31 March 2017 and 31 March 2016 are the same as basic loss per share as there is no dilutive potential ordinary share in existence during both periods.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	<Unaudited>	<Unaudited>	<Unaudited>	<Unaudited>
Net asset value per ordinary share (RMB cents)	1,575.0	1,575.0	734.1	736.6

Net asset value per ordinary share of the Group/Company is calculated based on:

- 1) The equity attributable to the owners of the Company as at 31 March 2017 and 31 December 2016; and
- 2) The number of ordinary shares of the Company in issue of 65,999,998 as at 31 March 2017 and 31 December 2016.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

8.1 Review on performance of the Group

	Three months ended				
	31/3/2017		31/3/2016		% of change
	<Unaudited> RMB'000	% of total	<Unaudited> RMB'000	% of total	
Revenue					
Adhesive tapes	6,483	64.0	3,797	39.2	70.7
Release papers	444	4.4	971	10.0	(54.3)
UV cured release film	3,194	31.6	4,916	50.8	(35.0)
Overall	<u>10,121</u>	<u>100.0</u>	<u>9,684</u>	<u>100.0</u>	<u>4.5</u>
Gross profit					
Adhesive tapes	1,396	42.9	169	5.4	726.0
Release papers	49	1.5	148	4.8	(66.9)
UV cured release film	1,812	55.6	2,783	89.8	(34.9)
Overall	<u>3,257</u>	<u>100.0</u>	<u>3,100</u>	<u>100.0</u>	<u>5.1</u>
					change of % point
		%		%	
Gross profit margin					
Adhesive tapes		21.6		4.5	17.1
Release papers		11.0		15.2	(4.2)
UV cured release film		56.7		56.6	0.1
Overall		<u>32.2</u>		<u>32.0</u>	<u>0.2</u>

8.1.1 Revenue

The Group's revenue increased by RMB0.4 million from RMB9.7 million for the three months ended 31 March 2016 ("1Q16") to RMB10.1 million for the three months ended 31 March 2017 ("1Q17"). Although the economic growth in the People's Republic of China (the "PRC") started to recover in 1Q17, the market demand of some existing products was still weak in the current period. The average selling price of all product segments was increased by 6.4%-9.9% in 1Q17, but sales volumes of release papers and UV cured release film were reduced significantly. Fortunately, their decrease on sales volume were partially offset by the increase of 55.3% for adhesive tapes in the current period. Thus, the overall sales revenue increased slightly by 4.5% in the current period.

8.1.2 Cost of sales and gross profit margin

Cost of sales increased by 4.3% or RMB0.3 million from RMB6.6 million for 1Q16 to RMB6.9 million for 1Q17. Although the depreciation increased by RMB0.1 million as a coating machine costing to RMB3.6 million was acquired in mid-2016, the price of major raw materials did not have significant fluctuations and the other variable costs increased in line with the growth of sales revenue. As a result, the gross profit increased slightly by 5.1% and gross profit margin increased by 0.2 percentage point in the current period.

8.1.3 Other income

Other income mainly consists of a compensation income of RMB8.9 million and bank interest income approximate to RMB12,000 for the period. The compensation income represents an amount received from the local government for compensating the financial losses suffered by the Group on capital expenditure on the original plot of land and the postponement of Nylon-6 chips development. The significant decrease of interest income was due to the decrease of bank balances in the current period.

8.1.4 Selling and distribution costs

Selling and distribution costs consist mainly of transportation expenses and staff costs. These costs increased lightly by 1.1% which was in line with the increase of sales revenue in 1Q17.

8.1.5 Administrative expenses

Administrative expenses increased by 102.0% or RMB5.9 million from RMB5.8 million for 1Q16 to RMB11.7 million for 1Q17. The increase was mainly due to increase of pre-operating

expenses for the development of Nylon-6 chips business from RMB2.7 million for 1Q16 to RMB8.3 million for 1Q17. Construction works of Nylon-6 Chip plant had been completed and fine-tuning of production lines was carried out in 1Q17. The subsidiary had recruited many staffs to better-prepare for the commencement of Nylon-6 Chip business and therefore, these led to the increases in staff costs and other pre-operating expenses in the current period.

8.1.6 Income tax expense

Income tax expense of the Group is calculated based on the statutory income tax rate of 25% of the assessable profits of a wholly-owned subsidiary of the Company, Xiamen Changtian Enterprise Co., Ltd, (“Changtian Enterprise”) as determined in accordance with the relevant PRC income tax rules and regulations.

8.1.7 Loss for the period

Loss for the period decreased by 97.6% from RMB1.8 million for 1Q16 to RMB45,000 for 1Q17. The Group’s increase in administrative expenses was offset partially by an increase in other income and gross profit in the current period.

8.2 Review on financial positions and cash flows of the Group

8.2.1 Non-current assets

Property, plant and equipment increased by 4.0% or RMB37.9 million from RMB948.4 million as at 31 December 2016 to RMB986.3 million as at 31 March 2017. The increase was mainly due to the increase of construction in progress and the acquisition of machinery and equipment for Nylon-6 chips business in the current period. Besides, some machinery and equipment were delivered and completely installed at Nylon-6 chips plant and the relevant deposits made at or before 31 December 2016 were transferred to property, plant and equipment in 1Q17. Thus, the deposits decreased from RMB27.9 million as at 31 December 2016 to RMB0.3 million as at 31 March 2017.

8.2.2 Current assets and cash flows

Current assets of the Group decreased from RMB171.5 million as at 31 December 2016 to RMB160.2 million as at 31 March 2017. The Group continued to maintain the inventory at a minimum level for meeting the customers’ demands, so the inventories increased from RMB1.9 million as at 31 December 2016 to RMB2.0 million as at 31 March 2017. Since the Group’s sales revenue increased in the current period, its trade receivables also increased

slightly from RMB11.6 million as at 31 December 2016 to RMB11.7 million as at 31 March 2017. Moreover, the increase of VAT credit on acquisition of property, plant and equipment also increased the prepayments, deposits and other receivables by RMB11.8 million in the current period.

The Group used net cash of RMB11.5 million and RMB11.8 million in its operating activities and investing activities respectively, so its cash and cash equivalents decreased by RMB23.3 million from RMB65.1 million as at 31 December 2016 to RMB41.8 million as at 31 March 2017 in the current period.

8.2.3 Current liabilities

Current liabilities of the Group decreased marginally from RMB123.1 million as at 31 December 2016 to RMB122.0 million as at 31 March 2017. The Group made the settlements to the suppliers of machinery and equipment for Nylon-6 chips development in accordance with the repayment schedules.

8.2.4 Non-current liabilities

Non-current liabilities of the Group as at 31 March 2017 and 31 December 2016 represented the deferred tax liabilities in relation to withholding tax on undistributed profits of Changtian Enterprise.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

For the Nylon-6 Chip Development, the construction works of Nylon-6 Chip Plant had completed in early 2017 and the fine-tuning of production lines is at the final stage. Upon satisfactory results of fine-tuning, the trial production will be commenced immediately. Subject to the satisfactory trial run, the Company anticipates to begin the commercial production and sales in the third quarter 2017. In view of the shortfall of cash and cash equivalents with the unpaid capital expenditure, the Group had obtained a written confirmation from its principal banker in the PRC in early 2017, which

confirmed the availability of a credit line up to RMB300 million, the terms and conditions will be finalized at date of agreement but include a pledge of the Group's plant and equipment. The Group will make further announcements about development of Nylon-6 Chip Business at the appropriate point in time.

The market condition for our products remains very competitive and the Company will continue to implement stringent cost control measures to maintain the profitability of existing products.

11. Dividend

a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

c) Date Payable

Not applicable.

d) Books Closure Date

Not applicable.

12. If no dividend has been declared/ recommended, a statement to that effect

No dividend has been declared or recommended for 1Q17.

13. Interested Person Transactions

Interested person transaction carried out during the three months ended 31 March 2017:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transaction conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000
Rental paid to Jinyoung (Xiamen) Advanced Materials Co., Ltd ("Xiamen Jinyoung")	575	N/A

Note: Rental paid to Xiamen Jinyoung, in which Mr. Chen Yongfu and Mr. Yang Qingjin, directors of the Company, and Mr. Yang Jie, who is the son of Mr. Yang Qingjin, have beneficial interests, were made with reference to the 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.

14. Confirmation pursuant to Rule 720(1)

Changtian Plastic & Chemical Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Yang Qingjin
Executive Chairman
10 May 2017

CHANGTIAN PLASTIC & CHEMICAL LIMITED
(Incorporated in the Bermuda)

CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, Chen Yongfu and Qiu Wei Cai, being two directors of Changtian Plastic & Chemical Limited (“the Company”), hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the first financial quarter results of the Group for the financial period ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Yongfu
Deputy Chairman

Qiu Wei Cai
Finance Director

Date: 10 May 2017