CHINA FLEXIBLE PACKAGING HOLDINGS LIMITED
(Incorporated in Bermuda)
(Company Registration No. 33843)

PROPOSED CAPITAL REORGANISATION

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1. INTRODUCTION

The Board of Directors ("**Directors**") of China Flexible Packaging Holdings Limited (the "**Company**") wishes to announce that the Company is proposing to undertake a reorganisation of its share capital to, *inter alia*, reduce the par value of each ordinary share in the share capital of the Company ("**Share**") to US$0.01 and eliminate its accumulated losses (the "**Proposed Capital Reorganisation**").

As at the date of this announcement, the authorised share capital of the Company is US$300,000,000 divided into 20,000,000 Shares with a par value of US$15.00 each, of which 4,860,956 Shares have been issued and fully paid or credited as fully paid.

The Proposed Capital Reorganisation will involve the following:

(a) the issued and paid-up share capital of the Company be reduced by cancelling the paid-up share capital of the Company to the extent of US$14.99 on each of the Shares with a par value of US$15.00 in issue on the Effective Date (as defined below) ("**Capital Reduction**") such that each issued Share with a par value of US$15.00 shall be treated as one (1) fully paid Share with a par value of US$0.01 as at the Effective Date and any liability of the holder of such Shares to make any further contribution to the share capital of the Company on each such Share shall be treated as satisfied;

(b) subject to and forthwith upon the Capital Reduction taking effect, all of the authorised but unissued Shares with a par value of US$15.00 each in the share capital of the Company (which shall include, without limitation, the authorised but unissued Shares resulting from the Capital Reduction) be cancelled and the authorised share capital of the Company of US$300,000,000 be diminished by such amount representing the amount of Shares so cancelled (the "**Authorised Capital Diminution**"), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased to US$300,000,000 by the creation of such number of Shares with a par value of US$0.01 each as shall represent the difference between 30,000,000,000 Shares with a par value of US$0.01 each and the number of Shares with a par value of US$0.01 in issue after the Capital Reduction (the "**Authorised Capital Increase**");

(c) the share premium account of the Company be reduced by cancelling the entire sum of US$47,953,899.12 standing to the credit of the share premium account as at 31 October 2015 (the "**Share Premium Reduction**");

(d) subject to and forthwith upon the Capital Reduction and Share Premium Reduction taking effect, the credit arising from the Capital Reduction in the sum of US$72,865,730.44 and the credit arising from the Share Premium Reduction in the sum of US$47,953,899.12 be credited to the contributed surplus account of

the Company (the "**Crediting of Contributed Surplus**") and the sum of US$120,819,629.56 in the contributed surplus account of the Company be utilised to set-off against the Accumulated Losses (as defined below) in full; and

(e) any credit balance in the contributed surplus account of the Company be utilised in such manner as may be determined by the Directors in accordance with the bye-laws of the Company ("**Bye-laws**") and all applicable laws.

2. RATIONALE

After the Company's Shares were consolidated on 14 August 2015 and during the three (3)-month period prior to 19 January 2016, the Shares have been trading between approximately S$0.36 and approximately S$0.61 with a volume weighted average price of approximately S$0.46, which is below the existing par value per Share of US$15.00. The concept of par value is applicable to the Company as it is a company incorporated in Bermuda. Under the laws of Bermuda, which (unlike certain other jurisdictions such as Singapore) have yet to abolish the concept of par value, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. The Proposed Capital Reorganisation will provide the Company with greater flexibility to issue new Shares in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares.

Further, based on the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the latest financial year ended 31 October 2015, the paid-up share capital of the Company which is lost or unrepresented by available assets ("**Accumulated Losses**") of the Company as at 31 October 2015 amounted to RMB763,795,000 (being equivalent to US$120,340,478.50 based on a foreign currency exchange rate of US$1:RMB6.34695 as at 31 October 2015). The cancellation of capital no longer represented by assets would result in the par value of the Shares more closely reflecting the value of the Company's underlying assets and consequently the capital employed by the Company's business.

The amount of credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company and will be utilised to set-off against the Accumulated Losses in full. The Directors will, as long as the Company is solvent, be authorised to utilise any credit balance in the contributed surplus account of the Company in such manner as they may determine in accordance with the Bye-laws and all applicable laws. Subject to the Bye-laws and all applicable laws, the Proposed Capital Reorganisation will increase the credit balance in the contributed surplus account of the Company and provide the Company with greater flexibility in relation to future distributions, if any, out of contributed surplus. Shareholders of the Company ("**Shareholders**") should note that whether or not the Company will make a distribution out of contributed surplus and the timing and amount of distribution to be paid will depend on the Company's earnings, financial position including cash flow position, future capital requirements, future plans and other relevant factors. As at the date hereof, Shareholders should note that there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.

The Directors are therefore of the view that the Proposed Capital Reorganisation will mitigate the limitations generally associated with the concept of par value, allow for a more meaningful financial reporting and provide the Company with flexibility on its future capital structure to enable the Company to take advantage of opportunities as and when

they arise.

3. EFFECT OF THE PROPOSED CAPITAL REORGANISATION

Upon the Proposed Capital Reorganisation taking effect:

(a) the par value of each issued and unissued Share will be reduced from US$15.00 to US$0.01;

(b) the issued share capital will be US$48,609.56 (divided into 4,860,956 Shares with a par value of US$0.01 each). The number of issued Shares will remain unchanged at 4,860,956 Shares;

(c) the share premium account of the Company will be reduced from US$47,953,899.12 to zero; and

(d) the authorised share capital will remain unchanged at US$300,000,000, but will be divided into 30,000,000,000 Shares with a par value of US$0.01 each, instead of 20,000,000 Shares with a par value of US$15.00 each.

Upon the Proposed Capital Reorganisation becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of, each Shareholder or depositor as a result of the Proposed Capital Reorganisation. The Shares with a par value of US$0.01 each will rank *pari passu* in all respects with each other. Other than the costs and expenses incurred in relation to the Proposed Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

The amount of credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company and utilised to set-off against the Accumulated Losses in full.

4. CONDITIONS PRECEDENT FOR THE PROPOSED CAPITAL REORNANISATION

The implementation of the Proposed Capital Reorganisation is subject to, *inter alia*, the following:

(a) the approval of the Shareholders for the Proposed Capital Reorganisation by way of a special resolution at the special general meeting of the Company to be held on 23 February 2016 (the "**SGM**"), that is to say, the Proposed Capital Reorganisation has to be approved by a resolution passed by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, voting in person or by duly authorised corporate representative or by proxy;

(b) compliance with relevant legal procedures and requirements under Bermuda law and Singapore law (if any) to effect the Proposed Capital Reorganisation; and

(c) the receipt of all necessary approvals (if any) from the regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

Section 46(2)(b) of the Companies Act 1981 of Bermuda ("**Bermuda Act**") in respect of share capital reduction provides that no company shall reduce the amount of its share capital if, on the date the reduction is to be effected, there are reasonable grounds for

believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.

5. EFFECTIVE DATE

The effective date of the Proposed Capital Reorganisation, if approved by Shareholders at the SGM, will be 18 March 2016, or such other date as the Directors may determine in accordance with the Bermuda Act and announced by the Company ("**Effective Date**").

6. FINANCIAL EFFECTS

Save for the costs and expenses relating to the Proposed Capital Reorganisation, the implementation of the Proposed Capital Reorganisation will not have any effect on the net tangible assets, earnings and gearing of the Group.

No capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors has any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company). To the best of the knowledge of the Directors, none of the substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company).

8. CIRCULAR TO SHAREHOLDERS

The Company has on 29 January 2016 despatched to Shareholders a circular ("**Circular**") containing further details of the Proposed Capital Reorganisation and the notice of the SGM ("**Notice of SGM**"). Copies of the Circular and the Notice of SGM are also available on the website of the Singapore Exchange Securities Trading Limited at www.sgx.com.

By Order of the Board

Zeng Hanming
Chairman

Date: 29 January 2016