CHINA FLEXIBLE PACKAGING HOLDINGS LIMITED
(Incorporated In Bermuda)

CLARIFICATION ANNOUNCEMENT

In response to the queries from The Singapore Exchange Securities Trading Limited on 25 January 2017 regarding the announcement released by China Flexible Packaging Holdings Limited (the "Company") on 24 January 2017 in connection to an Emphasis of Matter included in the opinion of the independent joint external auditors of the Company, the Board of Directors (the "Board") of the Company wishes to provide the following clarifications:-

SGX's query 1:-

1. We refer to Auditor's Comment of Accounts on 24 January 2017 and its full year results for FY2016 announced on 30 December 2016. It is disclosed, among others, that (i) the auditor raised concerns over the Group's ability to continue as a going concern; and (ii) on the Company level, an impairment of RMB 107.2 million ("Impairment") was recorded on the carrying amount of the Company's investment in its subsidiaries ("Subsidiaries").

   Please provide particulars of these Subsidiaries;

Clarification 1 from the Company:-

The Company has a wholly-owned subsidiary, Full Best Limited, incorporated in the British Virgin Islands.

Full Best Limited, in turn, holds the following subsidiaries:

Name	Country of Incorporation	Group's Effective Interest	Principal Activities
Fortune Desire Group Limited	British Virgin Islands	100%	Investment holding
Winton International Investment Company Limited	Hong Kong	100%	Investment holding
Jieyang City Rui Xing Plastic Packaging Co., Ltd.	People's Republic of China	100%	Manufacture and sale of plastic packaging films
Jieyang City Yuntong Plastic Packaging Co., Ltd.	People's Republic of China	100%	Dormant Company

When the Company prepares its financial statements annually, it presents the financial statements of the Company (statement of financial position of the Company or "Company" level) as well as the consolidated financial statements, incorporating those of its subsidiaries (statement of financial position of the Group or "Group" level).

At the Company level, management has assessed and impaired its net investment in the subsidiary, Full Best Limited, to its recoverable amount, which was assessed based on the fair value less cost of disposal ("FVLCD") as at 31 October 2016. The net investment in subsidiary is presented on the Company level's statement of financial position.

At the Group level, the net investment in the subsidiaries is not presented on the statement of financial position of the Group as these are fully eliminated against their net assets upon consolidation. In other words, unlike the impairment of subsidiaries at the Company level as explained above, any impairment of the net investment in subsidiaries at the Group level will not appear on the statement of financial position of the Group as any such impairment will be reversed upon consolidation under general consolidation rules of International Financial Reporting Standards. The Group, however, assesses for impairment of the Group's assets, including property, plant and equipment and land use rights (or non-current assets), if there are indicators of impairment.

SGX's query 2:-

2. Please advise detailed explanations and bases for the Impairment;

Clarification 2 from the Company:-

The impairment loss was recognised in respect of the Company's investments in the subsidiary, Full Best Limited, to reduce the carrying amount of the subsidiary to its recoverable amount. The recoverable amount of the investment in the subsidiary was determined based on FVLCD. The impairment loss was recognized at the Company level during the current financial year because the FVLCD as determined by the Company's independent professional valuer in the current year was assessed to be lower as compared to the previous year, primarily due to losses made by the subsidiaries of Full Best Limited (largely arising from the two PRC subsidiaries which recorded operating losses) in the current financial year.

SGX's query 3:-

3. Please advise reasons as to why impairment was not made at the Group level in light of the same reasons for the Impairment as provided in question 2 above; and

Clarification 3 from the Company:-

As explained in Clarification 1 above, the impairment of the net investment in subsidiaries at the Company level is not relevant at the Group level as such investments are eliminated against the net assets of the subsidiaries at consolidation at the Group level's statement of financial position.

At the Group level, management assesses for impairment of assets if there are indicators of impairment. Owing to the loss for the current financial year, management has made an assessment about whether the Group's property, plant and equipment and land use rights are impaired. As explained in the notes to the accounts, the result of the assessment was that there was no impairment. Instead, based on the valuation report issued by the Company's independent professional valuer, it was assessed that the recoverable amount (using FVLCD) was higher than the carrying amounts of the Group's property, plant and equipment and land use rights (or non-current assets) as at 31 October 2016 and hence there was a surplus. Notwithstanding this surplus, management considered a number of factors including the fact that the surplus was insignificant to the carrying amount of the non-current assets, as well as the performance potential of the Group's non-current assets has not increased from the same plant and machineries being in use. Also in

accordance with IAS 36, as there had been no change in the estimates used in determining the FVLCD; accordingly it was determined that no reversal of impairment had to be made on the carrying values of the Group's non-current assets during the year ended 31 October 2016.

SGX's query 4:-

4. Please provide the Board's confirmation as to (i) whether the Group can continue as a going concern and also basis for such opinion; and (ii) whether sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner.

Clarification 4 from the Company:-

The Board confirms that the Group can continue as a going concern and the detailed basis has been disclosed in the earlier SGX announcement on 24 January 2017 in connection to an Emphasis of Matter opinion. The Board also confirms that sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner.

By order of the Board

Zeng Hanming
Chairman of the Board

26 January 2017