CHINA FLEXIBLE PACKAGING HOLDINGS LIMITED

(Incorporated in Bermuda)

RESPONSES TO SGX QUERIES – FULL YEAR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

In response to the queries from The Singapore Exchange Securities Trading Limited, the Board of Directors (the "Board") of China Flexible Packaging Holdings Limited (the "Company") wishes to provide the following information:-

SGX's query:-

1. Paragraph 8 in page 13 stated that "The decrease (in PPE book value of RMB 103.1mil) was attributable to impairment loss of RMB 72.4 mil" and others. Please provide a breakdown of aforesaid impairment by tabulating the following:

(i) itemized assets for which impairment loss has been provided for;

(ii) for each of the assets listed in (i), disclose the following:
   (a) the carrying amount as of 31 October 2014;
   (b) carrying amount as of 31 October 2015;
   (c) the Value in use of 31 October 2015 ("VIU");
   (d) the fair value less costs of disposal as of 31 October 2015 ("FVLCD"); and
   (e) the impairment loss provided and the rationale for the impairment accordingly.

Response from the Company:-

Impairment loss has been provided for the non-current assets of two of the Group's PRC operating subsidiaries namely, Jieyang City Rui Xing Plastic Packaging Company Limited ("Ruixing") and Jieyang City Yuntong Plastic Packaging Company Limited ("Yuntong") for the year ended 31 October 2015. The details of their carrying amount, VIU ("Value in Use") and FVLCD ("Fair Value Less Cost of Disposal") are as follows:

(i) Ruixing:

	Carrying amount as at 31 October 2014 [1] RMB'000	FVLCD as at 31 October 2015 RMB'000	VIU as at 31 October 2015 RMB'000	Carrying amount as at 31 October 2015 [2] RMB'000
PROPERTY, PLANT AND EQUIPMENT				
Leasehold Buildings	**131,133**	83,480	78,388	**83,480**
Plant and Machinery	**117,738**	40,234	35,991	**40,234**
Motor Vehicles	**-**	-	-	**-**
Sub-total	**248,871**	123,714	114,379	**123,714**
LAND USE RIGHTS	**30,833**	38,400	34,466	**38,400**
	279,704	162,114	148,845	**162,114**

(ii) Yuntong:

	Carrying amount as at 31 October 2014 [1] RMB'000	FVLCD as at 31 October 2015 RMB'000	VIU as at 31 October 2015 [3] RMB'000	Carrying amount as at 31 October 2015 [2] RMB'000
PROPERTY, PLANT AND EQUIPMENT				
Leasehold Buildings	**6,814**	17,486	-	**17,486**
Plant and Machinery	**5,072**	16,373	-	**16,373**
Motor Vehicles	**39**	125	-	**125**
Sub-total	**11,925**	33,984	-	**33,984**
LAND USE RIGHTS	**6,003**	13,034	-	**13,034**
	17,928	47,018	-	**47,018**

1: Carrying amount as at 31 October 2014 under VIU valuation basis

2: Carrying amount as at 31 October 2015 under FVLCD valuation basis

3: In FY2015, no VIU was prepared for Yuntong as there were no reliable basis and assumptions to project the entity's future cash flow given that (i) Yuntong has ceased operation in November 2015 due to production performance issues and market price fluctuation in low shrinkage BOPP products, and (ii) the Board may permanently close down the operation of the production line no.3 within the next twelve months in view of the persistent production performance issues and a possible return of land to the PRC authorities resulting from the expiry of its land use rights in September 2016.

4: No impairment loss or reversal was provided for the property, plant and equipment of the Group's inactive corporate entity. Their carrying amount as at 31 October 2015 was approximately RMB8,000 (RMB11,000 as at 31 October 2014).

Change of use of the higher of FVLCD and VIU in FY2015

In FY2014, the recoverable amount of the non-current assets was determined based on a VIU calculation (which was higher than FVLCD) on Ruixing's and Yuntong's cash-generating units. In FY2015, the FVLCD was higher than VIU in the case of Ruixing. Accordingly, Ruixing's non-current assets (including property, plant and equipment and land use rights) were adjusted to its FVLCD amount. In FY2015, no VIU was prepared for Yuntong and accordingly, Yuntong's non-current assets (including property, plant and equipment and land use rights) were adjusted to its FVLCD amount.

Amount and rationale of the impairment reversal/(loss) on the Group's non-current assets:

The impairment loss and reversal provided for the non-current assets of Ruixing and Yuntong are as follows;

(i) Ruixing:

Impairment reversal/(loss) for:	**For 2Q 2015 RMB'000**	**For 4Q 2015 RMB'000**	**Subtotal For FY 2015 RMB'000**
PROPERTY, PLANT AND EQUIPMENT:			
Leasehold Buildings	(40,237)	(20)	**(40,257)**
Plant and Machinery	(62,550)	1,896	**(60,654)**
Motor Vehicles	-	-	**-**
Sub-total	(102,787)	1,876	**(100,911)**
LAND USE RIGHTS	6,764	1,687	**8,451**
	(96,023)	3,563	**(92,460)**

The key attributes giving rise to the impairment reversal/(loss) in Ruixing are:

	For 2Q 2015	**For 4Q 2015**
PROPERTY, PLANT AND EQUIPMENT:		
Leasehold Buildings	Adjustment for obsolescence	Change in comparable market rents
Plant and Machinery	Unexpected deterioration in operating performance	Increase in estimated replacement costs
Motor Vehicles	-	-
LAND USE RIGHTS	Appreciation in land value	Appreciation in land value

(ii) Yuntong:

Impairment reversal/(loss) for:	For 2Q 2015 RMB'000	For 4Q 2015 RMB'000	Subtotal For FY 2015 RMB'000
PROPERTY, PLANT AND EQUIPMENT:			
Leasehold Buildings	12,514	2,378	**14,892**
Plant and Machinery	29,480	(15,974)	**13,506**
Motor Vehicles	159	(48)	**111**
Sub-total	42,153	(13,644)	**28,509**
LAND USE RIGHTS	6,625	711	**7,336**
	48,778	(12,933)	**35,845**

The key attributes giving rise to the impairment reversal/(loss) in Yuntong are:

	For 2Q 2015	For 4Q 2015
PROPERTY, PLANT AND EQUIPMENT:		
Leasehold Buildings	Change in comparable market rents	Change in comparable market rents
Plant and Machinery	Change in market residual value	Appraised on dismantling and disposal basis
Motor Vehicles	Change in market residual value	Decrease in comparable market price
LAND USE RIGHTS	Appreciation in land value	Appreciation in land value

SGX's query:-

2. With regard to above and independent valuer's report by Peak Vision Appraisals, please provide:

(i) the profile information on the independent valuer and its relevant experience in performing the valuation appraisals; and

(ii) how the Board's has questioned and been satisfied with the reasonableness of the methodologies used to determine the values of each of the above impaired assets.

Response from the Company:-

(i) Peak Vision Appraisals Limited is a professional appraisal firm providing business, asset and project valuations to corporate and private clients in Hong Kong, China and overseas. Their professional team comprises of registered valuers and experts in the fields of business valuation, financial derivatives valuation, property valuation, plant and machinery valuation and resources valuation, with a total experience of over 40 years. The Director in-charge for the Group's valuation engagement is a Registered Professional Surveyor (General Practice) and Registered Business Valuer of the Hong

Kong Business Valuation Forum, as well as a member of the Royal Institution of Chartered Surveyors and the Hong Kong Institution of Surveyors. He also has over 20 years of experience in the valuation of properties in Hong Kong and the PRC. The team has performed valuations for various Hong Kong Stock Exchange and Singapore Exchange listed companies and their recent relevant experiences are shortlisted as below:

Hong Kong Stock Exchange

	Stock Code	Company	Industry related	The scope and nature of your valuation appraisal service
1	058 HK	Sunway International Holdings Limited	Construction Material	PPE valuations and construction material business valuation
2	766 HK	Sino Prosper (Group) Holdings Limited	Financing and Mining	VIU assessment on the CGUs and valuations of gold mines
3	899 HK	Asia Resources Holdings Limited	Pharmaceutical and Mining	PPE valuations, business valuations on iron mine and pharmaceutical business
4	904 HK	China Culiangwang Beverages Holdings Limited	Agriculture	PPE valuations and VIU assessment on the CGUs
5	2322 HK	Noble Century Investment Holdings Limited	Shipping	PPE valuations
6	2349 HK	China City Infrastructure Group Limited	Property Development	Property valuation
7	8128 HK	China Ground Source Energy Industry Group Limited	Alternative Energy	Property, intangible assets valuations and alternative energy business valuation

Singapore Exchange

	Stock Code	Company	Industry related	The scope and nature of your valuation appraisal service
1	AVIC	AVIC International Maritime Holdings Limited	Marine Engineering	Intangible assets valuations and VIU assessment on the CGU
2	AFH	Asia Fashion Holdings Limited	Textile	PPE valuations and VIU assessment on the CGU

(ii) The Board had reviewed the input assumptions, source data and valuation process used by Peak Vision, and considered them to be appropriate and reasonable, to the best extent of their knowledge.

The Board had also confirmed with the Group's Joint Auditors that appropriate audit procedures were in place to test the works performed by Peak Vision. Specifically, the Joint Auditors' had conducted an external audit and had engaged an independent valuer of their choice to review Peak Vision's findings.

SGX's query:-

3. According to paragraph 10 in page 15, production line no. 3 in one of the operating subsidiaries in the People's Republic of China, namely Jieyang City Yuntong Plastic Packaging Co., Limited ("Yuntong") has since ceased operation in November 2015 due to production performance issues and market price fluctuation in low shrinkage BOPP products. Going forward, the Board may permanently close down the operation of the production line 3 in 2016.

Please advise:

(i) How much do production line no. 3 account for the turnover and profit or loss of the Group for FY 2015;

(ii) What will be the remaining business of the Company, if any, and whether the Company will be a cash company under Listing Rule 1018; and

(iii) Whether the Company remain viable after close of production line no. 3.

Response from the Company:-

(i) In FY 2015, Yuntong contributed RMB135.4 million or 40% of the Group's revenue and RMB58.8 million or 47% of the Group's net loss (excluding net impairment loss).

(ii) The Company's business continues to be in normal operation. Specifically, the production line no.4 in the operating subsidiary, Ruixing remains in operation and is unaffected by the possible permanent stoppage of the production line no.3 in 2016. In particular, Ruixing has unutilized production capacity of about 20%, and production volume can be increased to absorb any order demands arising from the closure of Yuntong.

Accordingly, it shall not lead to the Group falling into the "Cash Companies" definition under Listing Rule 1018.

(iii) The manufacturing operations of the production line no.3 in Yuntong and production line no.4 in Ruixing are largely independent from each other and no overheads are allocated to these operations. Yuntong had a net operating cash outflow of RMB68.7 million, in aggregate for FY 2014 and FY 2015 whereas Ruixing generated a net operating cash inflow of RMB30.2 million, in aggregate for FY 2014 and FY 2015. This was attributable to the comparatively newer machinery Ruixing operated with, resulting in better production performance and margin.

While the management acknowledges that the planned permanent stoppage of the production line no.3 may incur some employee redundancy costs and shift some administrative overheads from Yuntong to Ruixing, these costs are estimated to be neither significant nor material to the Group's cashflow in the coming 12 months.

Based on the cash flow projections for the remaining operating subsidiary (Ruixing) prepared by the management, the business of the Group remains viable in the next financial year.