中国软包装控股有限公司
CHINA FLEXIBLE PACKAGING HOLDINGS LIMITED

ANNUAL REPORT 2005

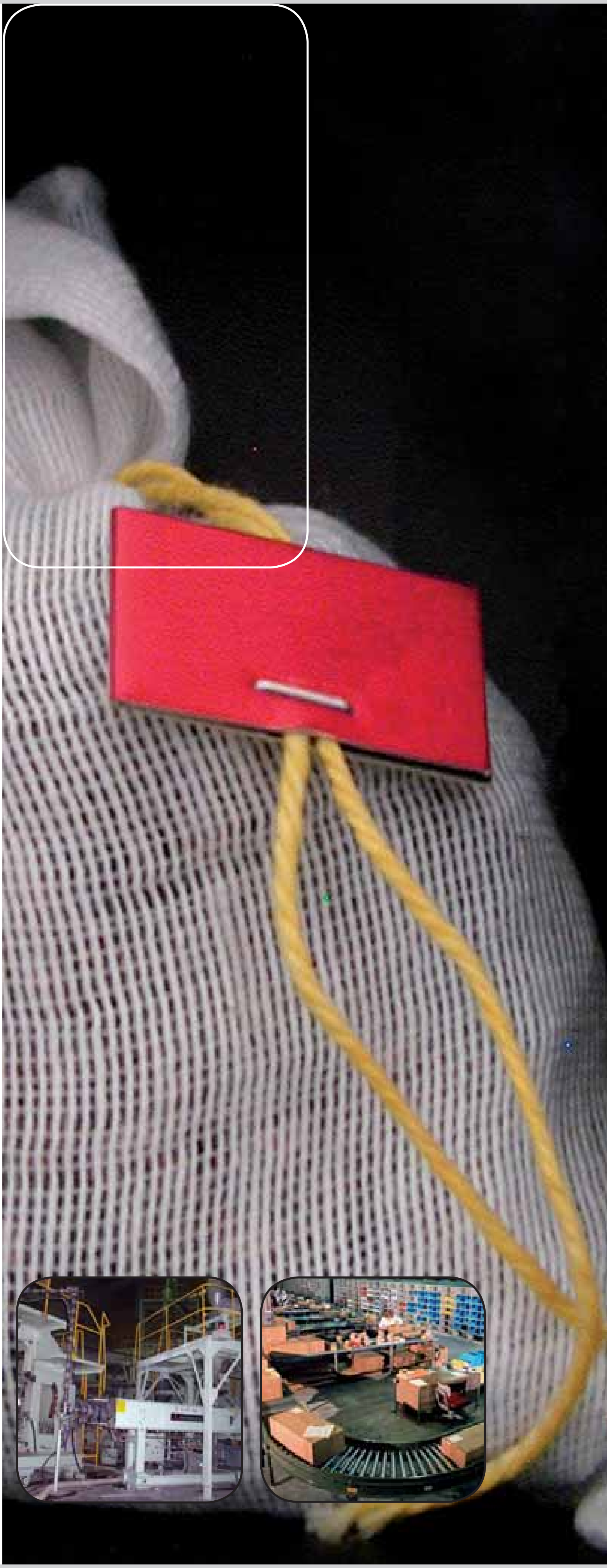
Commitment to Excellence and Quality Packaging Solutions

Mission

To be the preferred supplier of quality plastic packaging materials, offering quality products and services to meet the needs of customers.

Vision

To meet customers' plastic packaging material needs with innovative products and value creation, strengthened by R&D technology, market insights and expertise.



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Corporate Profile

Listed on the Main Board of The Singapore Exchange Securities Trading Limited in February 2004, China Flexible Packaging Holdings Limited ("China Flexpack") is a leading manufacturer of Biaxially Oriented Polypropylene ("BOPP") film and synthetic paper in the People's Republic of China ("PRC").

Based in Jieyang City, Guangdong Province, China Flexpack produces a wide variety of BOPP film including high shrinkage film such as tobacco film and labeling film, and low shrinkage film such as pearlised film, matt film and plain films for printing, lamination and coating. In July 2004, we launched a new higher margin product – synthetic paper, which is a new packaging material with attributes of paper and plastic, commonly used in commercial packaging, printing, food, medical and cosmeceutical industries.

Our major customers are mainly from industries which require various kinds of plastic packaging materials such as food processing, tobacco and other light industries involving labeling, printing and gift wrapping.

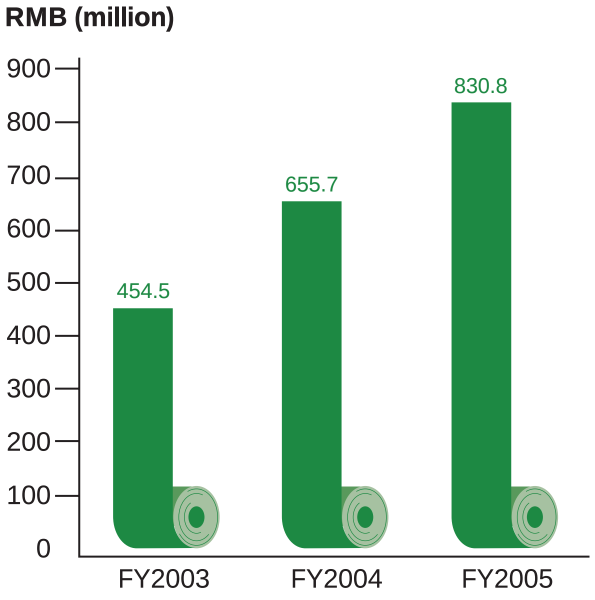
We pride ourselves on being one of the few BOPP film manufacturers in the PRC with a dedicated research team devoted to research and development work. Over the years, we have enhanced our capabilities and embarked on a strategy of focusing on producing higher margin products.

We currently operate three production lines, of which two production lines have the capabilities to manufacture up to three-layer BOPP film products. Our third production line, which commenced operations in July 2004, has the capability to produce higher margin synthetic paper and five-layer BOPP film. We successfully launched synthetic paper in July 2004, and plan to manufacture and market five-layer BOPP film in the second quarter of FY2006, which has high humidity-resistance, high capability to preserve freshness and high transparency, suitable for use in the vacuum packing of meat products which will prolong shelf life.

Financial
Highlights

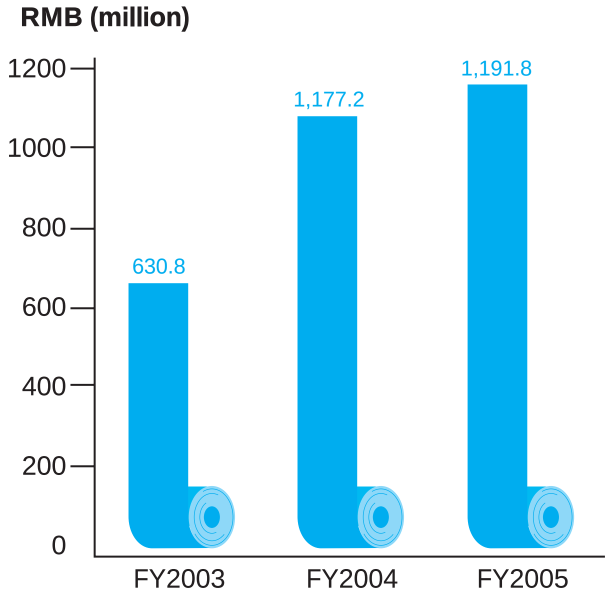
RESULTS	2005 RMB'000	2004 RMB'000	2003 RMB'000
	YEAR ENDED OCTOBER 31		
Group revenue	830,778	655,662	454,465
Profit before tax	210,740	233,367	172,618
Income tax expenses	(44,611)	(47,821)	(31,972)
Profit attributable to shareholders	166,129	185,546	140,646
Dividends	(41,425)	(51,781)	(15,500)
Profit retained for the year	124,704	133,765	125,146
Earnings per share (RMB)	0.38	0.47	0.45
Net assets backing per ordinary shares (RMB)	2.57	2.30	1.29
Total assets	1,191,753	1,177,227	630,779
Shareholders' fund	1,110,709	991,531	401,183

REVENUE



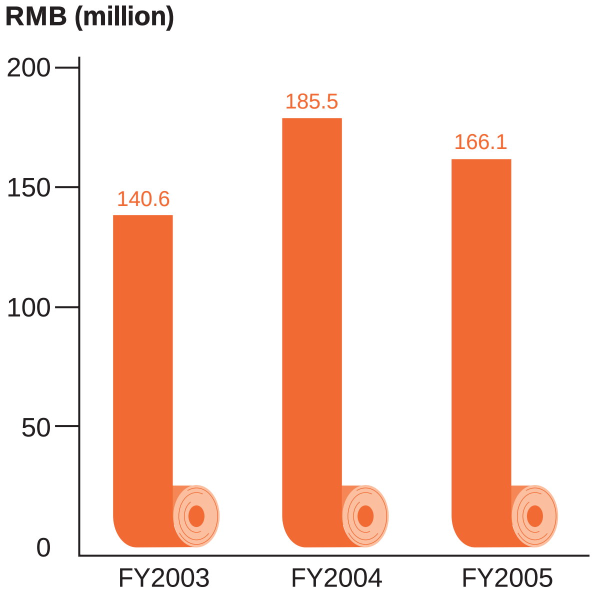
Financial Year ended 31st October

TOTAL ASSETS



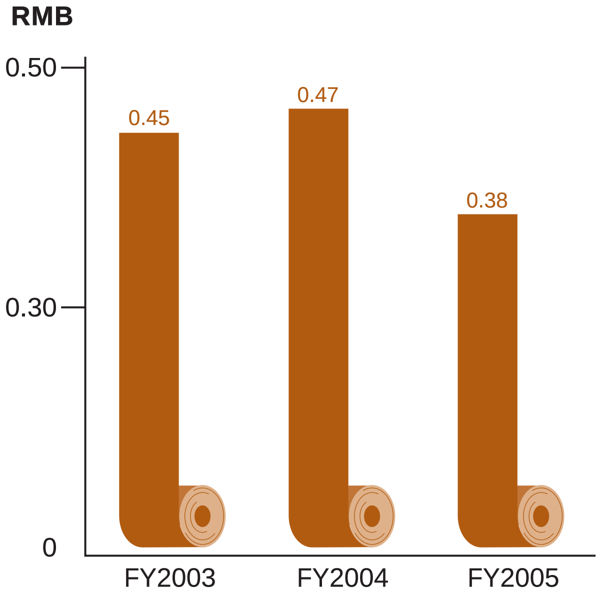
Financial Year ended 31st October

NET PROFIT



Financial Year ended 31st October

EARNINGS PER SHARE



Financial Year ended 31st October

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is with great pleasure that I present to you the Annual Report for the financial year ended 31 October 2005 ("FY2005").

PERFORMANCE REVIEW

Our sales rose 26.7% from RMB655.7 million in FY2004 to RMB830.8 million in FY2005. The increase in sales was driven mainly by the increase in manufacturing capacity and the full-year sales of contribution of synthetic paper.

However, we faced a difficult operating environment with rising raw material costs from the oil price hike, intense competition as well as the restructuring of the PRC tobacco industry, resulting in lower selling prices and a decline in our margins. As a result, our net profit declined 10.5% to RMB166.1 million in FY2005.

Nevertheless, our FY2005 financial performance clearly demonstrated the soundness of our Group's long-held strategy – a continual focus on the production of higher margin products and to diversify our product range. We launched a new product synthetic paper, which brought us higher margins than our existing product range, in July 2004. We will continue to work hard to market this new product and explore the launch of other new higher margin products.

With zero gearing and a net cash position of RMB352.8 million as at 31 October 2005, the Group is financially sound with a strong balance sheet and adequate working capital.

WRAPPING UP THE YEAR

During the year under review, we made great strides in the marketing of synthetic paper, which saw strong demand from customers. This new product segment quickly grew to contribute 36.4% of overall sales during its first full-year of contribution in FY2005, up from 17.0% in FY2004, and enabled us to partially mitigate the pressure on our overall margins.

With our first mover advantage in the production of synthetic paper in the PRC, we intend to continue to step up our sales and marketing efforts on marketing our synthetic paper. With its strong potential demand and higher margins, we expect this new product to extend and widen our market share and contribute significantly to our financials.

During the year under review, the Group lost some customers during the consolidation of the PRC tobacco industry. However, we have since successfully intensified our marketing efforts to recapture our market share. We are confident that demand for our high shrinkage tobacco film will be positive in the year ahead.

To enhance the liquidity of the stock and raise institutional holdings, Ms Zhuang Shaochun[1] and I placed out a total of 43 million shares mainly to global institutional investors in January 2005. The placement represented approximately 10% of the Group's issued capital of 431.5 million shares.

WELL-PACKAGED FOR GROWTH

We are on track on our strategy to focus on higher margin products. We have completed R&D on the development of five-layer high barrier BOPP film used in raw meat packaging. After a period of trial production with our third production line, we obtained all necessary approvals to produce our five-layer BOPP film in December 2005. We expect to be the first domestic producer to launch this new product in the second quarter of FY2006 and believe it will have a positive impact on our results.

In September 2005, the Group acquired contiguous land parcels and rolled out plans to invest RMB280 million to construct a new plant to increase our production capacity and capabilities. The planned new facilities will house a new metallised film production line, a PP resin recycling machine and an advanced research and development laboratory. Construction is expected to be completed this year.

We expect our enhanced capabilities to widen our product range, strengthen our market position and enhance the Group's profitability in the long run.

Looking ahead, the Group believes that the strong and positive economic outlook for China, resulting in higher living standards and increased consumerism, will continue to drive its revenue growth. Barring any unforeseen circumstances, our Directors expect the demand for our products in the PRC to remain strong and are optimistic about the prospects of the coming year.

1. Ms Zhuang Shaochun is the sister of Chairman and Executive Director Mr Chong Yuen and the spouse of Mr Zeng Hanming, the Deputy Chairman and Executive Director

REWARDING OUR SHAREHOLDERS

The Board of Directors is pleased to declare a first and final dividend of RMB0.096 per ordinary share.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to take this opportunity to extend my sincere thanks and appreciation to our shareholders, the management team, business associates and all our employees for their dedication, support and contributions to the Group.

I would also like to take this opportunity to extend our sincere thanks to all our shareholders for their support over the past year. The Board of Directors and the management team will continue to work hard to deliver growth and value to our shareholders. We look forward to your support this coming year.

Mr Chong Yuen
Chairman and Executive Director

Operations Review & Development

Commitment to Excellence and Quality

THE YEAR IN REVIEW

FY2005 marked a year where we faced a challenging operating environment. While our full-year manufacturing capacity was boosted by the commencement of operations of our new third five-layer BOPP film production line in July 2004, we faced rising raw material prices and an increasingly competitive business environment leading to lower selling prices.

Group revenue rose 26.7% from RMB655.7million in FY2004 to RMB830.8 million in FY2005, due to the Group's increased manufacturing capacity and the full-year contribution from the synthetic paper product segment.

The Group's cost of sales increased 48.3% from RMB364.4 million in FY2004 to RMB540.4 million in FY2005, due to the increase in raw material costs. Coupled with lower selling prices as a result of intense competition from local and imported goods, the Group's gross profit margin declined from 44.4% in FY2004 to 35.0% in FY2005.

On an operating level, the Group saw its selling and administrative expenses increase from RMB53.2 million in FY2004 to RMB72.5 million in FY2005, mainly due to the increase in sales activities. In addition, the Group's other operating expenses, which include research and development expenses and foreign exchange loss, rose from RMB6.7 million to RMB13.4 million, mainly due to the foreign exchange loss resulted from the translation of our foreign reporting entity to RMB when RMB appreciated during the year.

As a result, Group net profit dipped from RMB185.5 million to RMB166.1 million in FY2005.

Despite the tough operating conditions, the Group's fundamentals remain strong. We continued to maintain a strong balance sheet, with a net cash position of RMB352.8 million as at 31 October 2005 and adequate working capital to meet any increase in operating or capital needs of the business in the coming financial year.

SHIFT IN PRODUCT MIX

During the year under review, we continued our strategy of focusing on higher margin products. With the successful launch of synthetic paper in July 2004, we embarked on an aggressive sales campaign in FY2005 to market our new product synthetic paper, which enjoyed higher margins than high shrinkage and low shrinkage film. As a result, synthetic paper contributed approximately 36.4% to the Group's overall turnover in FY2005, compared to 17.0% in FY2004.

However, our efforts to improve our overall margins were impacted by the decline in sales of the higher margin high shrinkage film. High shrinkage film accounted for about 38.2% of total sales, compared to 65.1% in the previous year. Low shrinkage film made up the remaining 25.4% of total sales in FY2005, compared to 17.9% in the previous year.

The Group's change in product mix was a result of the decline in sales of tobacco film - a direct consequence of the consolidation and merger of tobacco firms, arising from the PRC government's policy to reduce the number of tobacco factories. However, we have since intensified marketing efforts to successfully gain customers and re-capture market share.

POISED TO REAP BENEFITS OF PRODUCT DEVELOPMENT EFFORTS

At China Flexpack, we pride ourselves on having a dedicated R&D team focused on improving product quality and diversifying our product range. During the year under review, we focused on the development and trial production of five-layer BOPP film which has high humidity-resistance, high capability to preserve freshness and high transparency, suitable for use in the vacuum packing of meat products which will prolong shelf life.

In December 2005, we obtained all necessary approvals to produce the five-layer BOPP film. Production is expected to commence in the second quarter of FY2006. We believe we are set to be one of the first domestic producers of five-layer BOPP film, and expect this new higher margin product to broaden our customer base and expand our market share.

CONTINUED DRIVE TO ENHANCE CAPACITY AND CAPABILITIES

Going forward, we will continue to engage in more R&D activities to further enhance our production capabilities and diversify our product range.

In September 2005, we acquired contiguous land parcels to embark on our plans to build a new plant to house new production and research and development facilities. The investment of RMB280 million will also include an advanced research and development laboratory, a PP resin recycling machine and a new metallised film production line.

Our investment in R&D will ensure that we are able to continue to provide products tailored to the needs of our customers and stay ahead of the competition. Our new PP resin recycling machine will enable us to recycle and re-use deformed raw materials, scrap materials and trimmings. This will significantly reduce wastage and cost of raw materials and lower operating costs.

In addition, we will be able to add a new higher value-add metallised BOPP film to our product range, which is expected to enhance the overall margins of the Group's low shrinkage film product segment.

To benefit from the favourable treatment from the local government in the areas of land, labour and import of machineries, the Group has re-located the business of its subsidiary Daybright Group to Jieyang City Rui Xing Plastic Packing Co. Ltd., a wholly owned subsidiary of the Company in the PRC which will enjoy tax concessions in respect of operations in the PRC during the year.

In September 2005, the Group disposed of Daybright Import/Export Co., Ltd. to an independent third party. Daybright Import/Export Co., Ltd. and its subsidiaries previously carried out the business of trading of materials. The details of the disposal of Daybright Import/Export Co., Ltd. and its subsidiaries are set out in note 23(b) to the financial statements. In considering the disposal, the Company's management has conducted cautious due diligence procedures which included making enquiry to and consulted a tax adviser and a lawyer. Besides, the Group further sought advice from a registered financial adviser in Hong Kong who concluded that the agreed consideration with the independent third party on the basis of the then net assets value of Daybright Import/Export Co., Ltd. to be reasonable and the disposal of Daybright Import/Export Co., Ltd. is in the interest of the Group. Having taken the professional advice, the directors consider the disposal of Daybright Import/Export Co., Ltd. is a benefit to the Group in the long run and the agreed consideration is fair and reasonable.

GROWTH STRATEGIES

We believe our strategy of focusing on higher margin products is sound and has served us well in the growing competitive BOPP film industry over the years.

Looking ahead, we intend to continue to diversify our product range and introduce more higher margin products to counter margin erosion in the competitive shrinkage film sector.

Besides launching new products, we also plan to modify existing products to broaden their usage. This will enable us to expand our market and customer base for our packaging business to ride on the strong growth in demand for quality packaging products in the PRC.

PROSPECTS

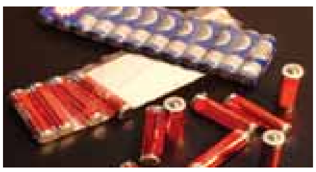
The economic outlook for PRC remains strong and positive in the coming year. Rising standards of living and growing consumer spending will continue to underpin the growth in demand for higher grade and better quality packaging products.

To cater to this strong demand, we plan to intensify our efforts to grow our synthetic paper business segment and market our new five-layer BOPP film.

Our successful growth of the synthetic paper business segment is a testimony to the success of our strategy to broaden our product range to meet the demand for quality packaging products. Going forward, we expect the market for higher margin synthetic paper to continue to grow and contribute significantly to our results.

As for our new five-layer BOPP film, we will also implement an aggressive marketing strategy to market the new product to our customers. We are confident that our new product will have a positive impact on our financials for the year ahead.

Barring any unforeseen circumstances, we expect the demand for our products in the PRC to remain strong and are optimistic about the Group's prospects in FY2006.


Board of Directors






1	2	3
4	5	6

1 **CHONG YUEN** Chairman and Executive Director
Chong Yuen is the Chairman and Executive Director of our Group. He has more than 15 years of experience in the flexible packaging industry in areas of quality control, production and operations. Mr Chong plays a significant role in formulation and setting of overall business strategies and policies for our Group and the development and growth of our Group's operations over the years. Under his leadership, our Group has successfully listed in the Singapore Exchange Securities Trading Limited on 11 February 2004. Mr Chong holds a Bachelor of Economic Management degree from the University of Shantou in China.

2 **ZENG HANMING** Deputy Chairman and Executive Director
Zeng Hanming is the Deputy Chairman and Executive Director of our Group. He has more than 17 years of experience in the flexible packaging industry in areas of marketing, merchandising, production and operations. Mr Zeng is responsible for the daily operations, business development and strategic planning of our manufacturing operations. He holds a Bachelor of Business Administration degree from the University of Jinan in China. Mr Zeng was re-elected as a director on 28 February 2005.

3 **ZHUANG SHAOWEN** Executive Director and Finance Director
Zhuang Shaowen is the Executive Director and the Finance Director of our Group. She has more than 8 years of experience in the finance, accounting and human resource management field. Ms Zhuang is responsible for the overall administrative, human resources affairs and finances of the Group. She holds a Bachelor of Business Administration degree from the University of Shenzhen in China. Ms Zhuang was re-elected as a director on 28 February 2005.

4 **PROFESSOR LI SHANMIN** Independent Director
Professor Li Shanmin is a member of the academic committee in the School of Business of Sun Yat-Sen University. He has more than 10 years of experience in teaching undergraduate and graduate level courses in microeconomics, macroeconomics, finance, corporate finance and mergers and acquisition. Professor Li is also a director in several listed companies in PRC. He holds a PhD in Economics from the Nanjing Agriculture University in China.

5 **ONG TIEW SIAM** Independent Director
Ong Tiew Siam is a fellow member of Institute of Certified Public Accountants of Singapore and a member of Singapore Institute of Directors. He has more than 25 years of experience in the finance and accounting field. Mr Ong also sits on the board of several listed companies in Singapore. He holds a Bachelor of Commerce Honours degree in Accountancy from the Nanyang University in Singapore.

6 **YEUNG KOON SANG ALIAS DAVID YEUNG** Independent Director
David Yeung is currently a practicing Certified Public Accountant. He is a practicing member of the Institute of Certified Public Accountants of Singapore and a fellow of the Association of Chartered Certified Accountants, United Kingdom. He has over 30 years of experience in the accounting and audit profession. Mr Yeung also sits on the board of several listed companies in Singapore. He holds a Master of Social Science (Accounting) degree from the University of Birmingham in England.

Key Management

HU CHUNG MING

is the Chief Financial Officer of our Group. He is in charge of the overall control of the finance, accounting and taxation aspects of our Group. Mr Hu has more than 8 years experience in finance and accounting field. He is a member of the Australian Society of Certified Public Accountants and holds a Bachelor of Commerce degree from the University of Queensland in Australia.

TAN YAOXIN

is the Chief Engineer of our Group. He is in charge of the production technologies, material purchase and material formulation. Mr Tan has more than 40 years of experience in the Chemistry engineering field. He holds a Bachelor of Chemistry degree from the Sun Yat-Sen University in China.

LI ZEYU

is the Chief Research and Development Officer of our Group. He is in charge of the research and development of new products and the quality control of our Group's products. Mr Li has more than 20 years of experience in research and development field, a major part of which is plastic packaging related. He holds a Bachelor of Engineering degree from the Chongqing University in China.

Corporate Information

BOARD OF DIRECTORS

Chong Yuen (Chairman)
Zeng Hanming (Deputy Chairman)
Zhuang Shaowen (Executive Director)
Li Shanmin (Independent Director)
Ong Tiew Siam (Independent Director)
Yeung Koon Sang alias David Yeung
(Independent Director)

COMPANY SECRETARIES

Hu Chung Ming, ASCPA
Sophia Lim Siew Fay, ACIS
Ira Stuart Outerbridge III

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel. No: (1) (441)-2951-422
Fax. No: (1) (441)-2954-720

PRINCIPAL PLACE OF BUSINESS

689 Xiguan Road
Jieyang City
Guangdong 522000
PRC

BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

AUDITORS

Ernst & Young, Hong Kong
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Partner in-charge
Kevin Wong
Appointed since 2004

PRINCIPAL BANKER

Industrial And Commercial Bank of China
Rongcheng Sub-Branch
No. 52 Han Si Road
Jieyang City
Guangdong 522000
PRC

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Corporate Governance Statement

The Board of Directors of China Flexible Packaging Holdings Limited (the "Board") recognizes the importance of and is committed to setting and maintaining high standards of corporate governance to protect shareholders' interests and enhance shareholders' value and corporate transparency. This report discusses the Company's corporate governance processes and activities with reference to the Code of Corporate Governance (the "Code").

The Company is in the course of implementing further practices to comply more fully with the recommendation of the Code. Where there are deviations from the Code, appropriate explanations will be provided.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholders' value. Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, reviews and approves the financial objectives and the strategies to be implemented by management and monitors standards of performance and issues of policy. This enables the Board to meet on a regular basis while not interfering with the Company's operations. The Board is free to request for further clarification and information from management on all matters within their purview. Ad-hoc meetings are convened when the circumstances require.

To assist in the execution of its responsibilities, the Board is supported by three sub-committees, namely a Nominating Committee ("NC"), a Remuneration Committee ("RC") and an Audit Committee ("AC"). Each Committee has its own defined terms of reference and operating procedures.

The Board met 4 times in FY2005 to review the Group's business operations and financial performance. The attendances of the Directors at meetings of the Board and Board Committees during the year are disclosed as follows:

DIRECTORS	BOARD		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Chong Yuen	4	4	4	4*	1	1	2	2
Zeng Hanming	4	4	4	4*	–	–	2	1*
Zhuang Shaowen	4	4	4	4	–	–	2	1*
Ong Tiew Siam	4	4	4	4	1	1	2	2
Yeung Koon Sang alias David Yeung	4	3	4	3	1	1	2	1
Li Shanmin	4	4	4	4	1	1	2	2

* By invitation

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. During the year, the Directors have been invited to the Group's Jieyang factory to enable them to gain a better perspective of the business and enhance their understanding of the Group's operations.

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group

Corporate Governance Statement

Principle 2: Board Composition and Balance

The Board of Directors consists of six members, three of whom are Independent Directors: -

Executive Directors

Chong Yuen	(Chairman of the Board and Chief Executive Officer ("CEO"))
Zeng Hanming	(Deputy Chairman and Executive Director)
Zhuang Shaowen	(Executive Director)

Non-executive Directors

Ong Tiew Siam	(Independent Director)
Yeung Koon Sang alias David Yeung	(Independent Director)
Li Shanmin	(Independent Director)

The NC recommends all appointments and retirements of directors. In addition, the NC also reviews annually the independence of each director. The NC is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Company's requirements and that the current board size is adequate, taking into account the nature and scope of the Company's operations.

Principle 3: Role of Chairman and CEO

The roles for both Chairman and CEO in the Company are assumed by Mr Chong Yuen. As such, Mr Chong bears executive responsibility for the Company's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

Although the roles and responsibilities for the Chairman and CEO are vested in Mr Chong, major decisions are made in consultation with the Board which comprises a majority of independent and non-executive directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.

Principles 4 and 5: Board membership and performance

The NC comprises the following 4 members, of whom 3 are independent directors:

Li Shanmin	(Chairman)
Ong Tiew Siam	
Yeung Koon Sang alias David Yeung	
Chong Yuen	

The principal functions of the NC are to:

1) Provide nominations for the re-appointment of our directors having regard to their contribution and performance.
2) Assess the independence of the directors annually.
3) Assess whether or not a director is able to and has been adequately carrying out his duties as a director.
4) Review the appropriate size of the Board
5) Evaluate the effectiveness and performance of the Board

Pursuant to the existing Bye-laws of the Company, each Director of the Company shall retire from office at least once every three (3) years by rotation. Directors who retire are eligible to offer themselves for re-election.

Corporate Governance Statement

The NC has reviewed the independence of each director for FY2005 in accordance with the Code's definition of independence and is satisfied that more than one-third of the Board comprises independent Directors.

No formal assessment of the Board's performance was conducted for FY2005. The NC acknowledges the importance of a formal assessment of Board performance. An assessment system and evaluation forms have been established and adopted. The NC intends to carry out a Board performance evaluation for FY2006.

Principle 6: Access to information

To enable the Board to fulfill its responsibility, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis. Directors are given separate and independent access to the Company's key executives and Company Secretaries to address any enquiries.

The Company Secretaries attend all Board meetings and are responsible for ensuring that proper procedures at such meetings are followed. Together with the Company's management, they are responsible to ensure that the Company complies with the requirements of the Companies Act, Listing Manual of the SGX-ST and other rules and regulations that are applicable to the Company.

REMUNERATION MATTERS

Principle 7 - Procedures for Developing Remuneration Policies

Principle 8 - Level and Mix of Remuneration

Principle 9 - Disclosure of Remuneration

The RC comprises the following 4 members, of whom 3 are independent directors:

Ong Tiew Siam	(Chairman)
Li Shanmin	
Yeung Koon Sang alias David Yeung	
Chong Yuen	

The principal functions of the RC are to:

1) Review and approve annually the remuneration of the senior management and key executives of the Group with a goal to recruit, motivate and retain employees through competitive compensation and progressive policies; and

2) Review and approve annually the remuneration for the directors.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No Director will be involved in determining his own remuneration. Non-Executive Directors do not have service contracts with the Company and their terms of appointment are specified in the Bye-laws of the Company. All executive directors have service agreements valid for a period of three years commencing from 1 January 2004 and subsequently, are reviewed annually.

The Committee has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

Corporate Governance Statement

A breakdown of each individual director's and key executive remuneration, in percentage terms showing the level and mix for the year ended 31 October 2005, is as follows:

	Fees %	Salary %	Bonus %	Other Benefits %	Total Compensation %
Directors					
S$500,000 and above					
Chong Yuen	–	25	75	–	100
Zeng Hanming	–	25	75	–	100
Zhuang Shaowen	–	25	75	–	100
Below S$250,000					
Ong Tiew Siam	100	–	–	–	100
Yeung Koon Sang alias David Yeung	100	–	–	–	100
Li Shanmin	100	–	–	–	100
Key Management					
Below S$250,000					
Hu Chung Ming	–	100	–	–	100
Tan Yaoxin	–	100	–	–	100
Li Zeyu	–	100	–	–	100

There is no employee of the Group who is an immediate family member of a director or substantial shareholder whose remuneration exceeds S$150,000 for the financial year ended 31 October 2005.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11: Audit Committee

The AC comprises the following 4 members, of whom 3 are independent directors:

Ong Tiew Siam (Chairman)
Zhuang Shaowen
Li Shanmin
Yueng Koon Sang alias David Yeung

The Company has adopted and has complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

The profile of the AC members is set out on pages 8 and 9 of this Annual Report. The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

Corporate Governance Statement

Although not all the AC members are non-executive Directors, the Board is of the view that the AC is independent as majority of the AC members are non-executive and independent.

The AC meets quarterly and as and when necessary to carry out the following functions:

1) Review the audit plans of our Company's internal and external auditors;
2) Review the internal and external auditors' report;
3) Review the co-operation given by our Company's officers to the internal and external auditors;
4) Review the financial statements of our Company and the Group before their submission to the Board;
5) Review the independence of external auditors and the nomination of their re-appointment as external auditors;
6) Reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
7) Review the Group's material internal controls including financial, operational and compliance controls; and
8) Review interested person transactions, if any.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolution in respect of matters in which he is interested.

The AC has full access to the Management and also full discretion to invite any Director or key management to attend its meetings, and has been given reasonable resources to enable it to discharge its function.

The AC is responsible to conduct an annual review of the volume of non-audit services provided by the external auditors to ensure such services will not prejudice the independence and objectivity of the external auditors. No non-audit services were provided by the external auditors during the year.

The AC meets with the external and internal auditors, without the presence of management, at least once a year.

Principle 12: Internal Controls

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is satisfied that currently there are adequate internal controls in the Company. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

Principle 13: Internal Audit

In accordance with the AC's recommendation, the Company has outsourced the internal audit function to a professional firm. The Internal Auditor ("IA") reports directly to the AC Chairman on internal audit matters and to management on administrative matters. To ensure the adequacy of the internal audit function, the AC reviews and approves the IA plan on an annual basis.

Principle 14: Communication with Shareholders

The Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company according to the Listing Manual of the SGX-ST. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner.

Corporate Governance Statement

The announcement of results is published through the SGXNET and press releases. All information on the Company's new initiatives are first disseminated via SGXNET followed by a press release. Results and annual reports are announced or issued within the mandatory period.

All shareholders of the Company receive the annual report, circulars and notices of the Annual General Meeting ("AGM"). The notices are also advertised in newspapers. The participation of shareholders is encouraged at the Company's AGM. The Chairman of the Audit, Remuneration and Nominating Committees will be available at the forthcoming AGM to answer questions relating to the work of these committees. The External Auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders.

DEALINGS IN SECURITIES

The Group has adopted a set of code in relation to dealings in the Company's securities pursuant to the SGX-ST Best Practices Guide that are applicable to all its officers. The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, or one month before the announcement of the Company's full financial results, and ending on the date of the announcements of the relevant results or when they are in possession of any unpublished price sensitive information on the Group.

INTERESTED PERSON TRANSACTIONS

During the financial year ended 31 October 2005, there were no interested party transactions. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Audit Committee will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

MATERIAL CONTRACTS

There are no material contracts of the Group or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 October 2005.

RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 October 2005.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mr. Chong Yuen
Mr. Zeng Hanming
Ms. Zhuang Shaowen

Independent non-executive directors:

Prof. Li Shanmin
Mr. Ong Tiew Siam
Mr. Yeung Koon Sang, alias David Yeung

In accordance with the Company's bye-laws, the directors of the Company, including the independent non-executive directors, are subject to re-election at least once every three years at an Annual General Meeting.

Arrangement to enable directors to acquire shares and debentures

Neither at the end of the year, nor at any time during the year, was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the register of director's shareholdings, the following directors, who held office at 31 October 2005, had an interest in the shares of the Company and related corporations as stated below:

Ordinary shares of US$0.15 each of the Company as at 1 November 2004:

Name of director	**Direct interest**	**Deemed interest**
Mr. Chong Yuen	195,784,246	13,983,000
Mr. Zeng Hanming	11,187,000	13,983,000
Ms. Zhuang Shaowen	13,983,000	11,187,000
Prof. Li Shanmin	–	–
Mr. Ong Tiew Siam	–	–
Mr. Yeung Koon Sang, alias David Yeung	–	–

Report of the Directors

Directors' interests in shares and debentures (continued)

Ordinary shares of US$0.15 each of the Company as at 31 October 2005:

Name of director	Direct interest	Deemed interest
Mr. Chong Yuen	160,784,246	13,983,000
Mr. Zeng Hanming	12,887,000	5,983,000
Ms. Zhuang Shaowen	13,983,000	11,187,000
Prof. Li Shanmin	–	–
Mr. Ong Tiew Siam	–	–
Mr. Yeung Koon Sang, alias David Yeung	–	–

Ordinary shares of US$0.15 each of the Company at 21 November 2005:

Name of director	Direct interest	Deemed interest
Mr. Chong Yuen	160,784,246	13,983,000
Mr. Zeng Hanming	12,887,000	5,983,000
Ms. Zhuang Shaowen	13,983,000	11,187,000
Prof. Li Shanmin	–	–
Mr. Ong Tiew Siam	–	–
Mr. Yeung Koon Sang, alias David Yeung	–	–

Directors' service contracts

The Company entered into separate service agreements (the "Service Agreements"), effective 1 January 2004, with Mr. Chong Yuen, Mr. Zeng Hanming and Ms. Zhuang Shaowen for a period of three years (such terms of the Service Agreements may be extended only upon the mutual consent of the parties) unless otherwise terminated by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Options

There is presently no option scheme on the unissued shares of the Company.

Audit committee, nominating committee and remuneration committee

Details of the Company's audit committee, nominating committee and remuneration committee are set out on pages 13 to 18 of the Corporate Governance Statement.

Report of the Directors

Directors' interests in contracts

No director received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he/she is a member or with a company in which he/she has a substantial financial interest.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, Hong Kong, have expressed their willingness to accept reappointment.

ON BEHALF OF THE BOARD

Chong Yuen
Chairman
3 February 2006

Zeng Hanming
Director

Statement by the Directors

We, Chong Yuen and Zeng Hanming, being two of the directors of China Flexible Packaging Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement of the Group and balance sheet of the Company, together with the notes thereto, as set out on pages 24 to 52, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2005, and of the profit of the business, changes in equity and cash flows of the Group for the year then ended; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

Chong Yuen
Chairman
3 February 2006

Zeng Hanming
Director

Report of the Auditors

To the members of China Flexible Packaging Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of China Flexible Packaging Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 31 October 2005, and the related profit and loss account, balance sheet and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's directors whose opinion thereon is set out on page 22. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 October 2005, and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Certified Public Accountants

Hong Kong
3 February 2006

Consolidated Profit and Loss Account

Year ended 31 October 2005

	Notes	Group 2005 RMB'000	Group 2004 RMB'000
REVENUE	6	830,778	655,662
Cost of sales		(540,409)	(364,389)
Gross profit		290,369	291,273
Other revenue and gains	6	6,308	4,006
Selling and distribution costs		(46,795)	(31,449)
Administrative expenses		(25,696)	(21,711)
Other operating expenses		(13,446)	(6,738)
PROFIT FROM OPERATING ACTIVITIES	7	210,740	235,381
Finance costs	8	–	(2,014)
PROFIT BEFORE TAX		210,740	233,367
Tax	9	(44,611)	(47,821)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		166,129	185,546
Dividends – proposed final	10	41,425	51,781
EARNINGS PER SHARE	11		
– Basic		RMB0.38	RMB0.47
– Diluted		N/A	N/A

Balance Sheets

31 October 2005

	Notes	Group 2005 RMB'000	Group 2004 RMB'000	Company 2005 RMB'000	Company 2004 RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	12	–	–	486,073	486,073
Due from a subsidiary	12	–	–	–	304,445
Fixed assets	13	403,555	425,889	–	–
Land use rights	14	96,775	3,046	–	–
Deposits paid	15	4,500	8,000	–	–
		504,830	436,935	486,073	790,518
CURRENT ASSETS					
Inventories	16	147,028	158,199	–	–
Accounts receivable	17	179,527	170,543	–	–
Due from subsidiaries	12	–	–	398,216	65,629
Prepayments and other receivables	18	7,558	4,894	–	–
Cash and bank balances	19	352,810	406,656	6,765	90,738
		686,923	740,292	404,981	156,367
CURRENT LIABILITIES					
Accounts payable		58,544	74,445	–	–
Due to a subsidiary	12	–	–	–	3,240
Accrued liabilities, other payables and deposits received	20	20,670	19,501	53	97
Provision for tax		1,830	91,750	–	–
		81,044	185,696	53	3,337
NET CURRENT ASSETS		605,879	554,596	404,928	153,030
		1,110,709	991,531	891,001	943,548
CAPITAL AND RESERVES					
Issued capital	21	536,688	536,688	536,688	536,688
Reserves	22	574,021	454,843	354,313	406,860
		1,110,709	991,531	891,001	943,548

Consolidated Statement of Changes in Equity

Year ended 31 October 2005

	Issued share capital (note 21) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve (note 22) RMB'000	Share premium account (note 22) RMB'000	Retained profits RMB'000	Total RMB'000
Balance as at 31 October 2003	386,898	–	4,991	–	9,294	401,183
Net profit for the year	–	–	–	–	185,546	185,546
Transfer to statutory reserve	–	–	8,945	–	(8,945)	–
Issue of new shares (note 21)	149,790	–	–	278,571	–	428,361
Share issue expenses	–	–	–	(23,559)	–	(23,559)
Balance as at 31 October 2004 and 1 November 2004	536,688	– *	13,936 *	255,012 *	185,895 *	991,531
Net profit for the year	–	–	–	–	166,129	166,129
Transfer to statutory reserve	–	–	12,575	–	(12,575)	–
Final 2004 dividend paid (note 10)	–	–	–	–	(51,781)	(51,781)
Exchange realignment	–	4,830	–	–	–	4,830
Balance as at 31 October 2005	536,688	4,830 *	26,511 *	255,012 *	287,668 *	1,110,709

* These reserve accounts comprise the consolidated reserves of RMB574,021,000 (2004: RMB454,843,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 October 2005

	Notes	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		210,740	233,367
Adjustments for:			
Depreciation	7, 13	39,425	27,739
Amortisation of land use rights	7, 14	668	180
Provision against inventories	7, 16	–	1,920
Provision for/(release of provision for) doubtful debts	7, 17	(1,596)	1,492
Bad debts written off	7	1,596	–
Gain on disposal of subsidiaries	6, 23(b)	(10)	–
Gain on disposal of fixed assets	6	(3)	–
Interest expense	8	–	2,014
Interest income	6	(3,503)	(2,322)
Operating profit before working capital changes		247,317	264,390
Working capital adjustments:			
Decrease/(increase) in inventories		11,003	(95,983)
Increase in accounts receivable		(108,591)	(74,585)
(Increase)/decrease in prepayments and other receivables		(2,664)	2,376
(Decrease)/increase in accounts payable		(15,901)	26,205
Increase in accrued liabilities, other payables and deposits received		1,870	7,165
Cash generated from operating activities		133,034	129,568
Tax paid		(35,647)	(27,141)
Interest received		3,503	2,322
Interest paid		–	(2,014)
Net cash inflow from operating activities		100,890	102,735
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	13	(9,091)	(150,873)
Proceeds from disposal of fixed assets		3	–
Additions of land use rights	14	(94,397)	–
Deposits paid for purchases of fixed assets	15, 23(a)	(4,500)	(8,000)
Disposal of subsidiaries	23(b)	200	–
Net cash outflow from investing activities		(107,785)	(158,873)

Consolidated Cash Flow Statement (continued)

Year ended 31 October 2005

	Notes	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares	21	–	428,361
Share issue expenses		–	(23,559)
Repayment of bank loans		–	(97,950)
Dividend paid	10	(51,781)	–
Net cash inflow/(outflow) from financing activities		(51,781)	306,852
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(58,676)	250,714
Cash and cash equivalents at beginning of year		406,656	155,942
Effect of foreign exchange rate changes		4,830	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		352,810	406,656
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		352,810	406,656

Notes to Financial Statements

31 October 2005

1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the manufacture and sale of plastic packaging films and synthetic papers in the People's Republic of China, excluding Hong Kong and Macau (the "PRC"). The Group sources its raw materials from suppliers in the PRC and distributes its products in the PRC. There were no other significant changes in the nature of the Group's principal activities during the year. The Group had 292 employees as at 31 October 2005 (2004: 288).

2. IMPACT OF A NEW INTERNATIONAL FINANCIAL REPORTING STANDARD AND REVISED INTERNATIONAL ACCOUNTING STANDARDS

The following new and revised International Financial Reporting Standard ("IFRS") and International Accounting Standards ("IASs") are effective for the first time for the current year's financial statements:

- IFRS 3: "Business Combinations"
- IAS 36: "Impairment of Assets" (revised March 2004)
- IAS 38: "Intangible Assets" (revised March 2004)

The new IFRS and revised IASs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these IFRS and IAS are summarised as follows:

IFRS 3 applies to the accounting for business combinations for which the agreement date is on or after 31 March 2004. IFRS 3 deals with the accounting for business combinations and the ongoing accounting for goodwill acquired in business combinations. In particular, the goodwill arising from business combinations is no longer amortised, but is subject to an annual impairment test, while negative goodwill is recognised immediately in the profit and loss account.

An entity shall, from the beginning of the first annual period beginning on or after 31 March 2004, apply this IFRS prospectively to the goodwill, negative goodwill and intangible assets arising from business combinations for which the agreement date was before 31 March 2004.

The adoption of this new IFRS has not resulted in a prior year adjustment to these financial statements.

As a consequence of the issuance of IFRS 3, IAS 36 and IAS 38 were also revised. IAS 36 requires goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. The impairment losses for goodwill are no longer allowed to be reversed. IAS 38 requires an intangible asset to be treated as having an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. An intangible asset with an indefinite useful life must not be amortised, but must instead be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. Further, additional disclosure of certain kind of information for each cash-generating unit is required if it includes within its carrying amount a significant amount of goodwill or intangible assets with indefinite useful lives.

The revised IAS 36 and IAS 38 apply to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and in other respects shall be applied prospectively from the beginning of the first annual period on or after 31 March 2004.

The revised IAS 36 and IAS 38 have had no impact on these financial statements.

Notes to Financial Statements

31 October 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standard Boards, IASs, and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The Group's operations are principally conducted in the PRC. Accordingly, the consolidated financial statements have been prepared in Renminbi ("RMB"), being the functional currency of the principal subsidiaries of the Group.

Basis of consolidation

Pursuant to a restructuring exercise (the "Restructuring Exercise") to rationalise the structure of the Group in preparation for the listing of the Company's shares in February 2004 on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Company became the holding company of the subsidiaries now comprising the Group on 24 December 2003, except for Fortune Desire Group Limited ("Fortune Desire") and Jieyang City Rui Xing Plastic Packaging Co., Ltd.（揭陽市瑞興塑料包裝有限公司）("Rui Xing (PRC)") which were incorporated or established by the Group subsequent to the Restructuring Exercise in May and August 2004, respectively. Further details of the Restructuring Exercise are set out in the prospectus of the Company dated 30 January 2004.

The consolidated financial statements for the year ended 31 October 2004 have been prepared by adopting the uniting of interests method of accounting. Under this method, the Company has been treated as the holding company of its subsidiaries with effect from 1 November 2003 rather than from the date of acquisition, except for Fortune Desire and Rui Xing (PRC) which were incorporated or established in May and August 2004, respectively.

In the opinion of the directors, the consolidated financial statements prepared on the above basis, present more fairly the results, cash flows and the state of affairs of the Group as a whole.

The consolidated financial statements for the year ended 31 October 2005 comprise the financial statements of the Company and all of its subsidiaries for that year after the elimination of all material intercompany transactions. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

All significant intra-group transactions and balances are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements

31 October 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the consolidated profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful lives as follows:

Leasehold buildings	15 years or over the lease terms, whichever is shorter
Plant and machinery	15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs incurred during the periods of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease terms.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the consolidated profit and loss account in the period in which it arises.

Notes to Financial Statements

31 October 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Accounts receivable, other receivables and amounts due from subsidiaries

Accounts receivable, other receivables and amounts due from subsidiaries are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated profit and loss account when there is objective evidence that the assets are impaired. The allowances recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounts payable, other payables and an amount due to a subsidiary

Accounts payable, other payables and an amount due to a subsidiary are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounts receivable

Accounts receivable, which generally have credit terms ranging from 30 to 120 days, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Accounts and other payables

Liabilities for accounts and other payables, which generally have credit terms ranging from 30 to 60 days, are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

Notes to Financial Statements

31 October 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) subcontracting fee income, when subcontracting work has been performed;

(c) interest income, on a time proportion basis after taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to Financial Statements

31 October 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its subsidiary in Hong Kong under Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit and loss account as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Borrowing costs

Borrowing costs are charged to the consolidated profit and loss account in the period in which they are incurred.

Foreign currencies

The functional and presentation currency of the Group is RMB and transactions arising in foreign currencies during the year are translated into RMB at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

On consolidation, the operating results of the non-PRC companies comprising the Group are translated into RMB at the weighted average exchange rates for the year and the assets and liabilities of the non-PRC companies comprising the Group are translated into RMB at the applicable exchange rates ruling at the balance sheet date. The resulting translation differences, if any, are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the consolidated profit and loss account as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs (continued)

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost and are amortised on the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated profit and loss account on the straight-line basis over the lease terms.

Cash and cash equivalents

Cash on hand and at banks are carried at cost.

Cash and cash equivalents are defined as cash on hand and at banks, demand deposits and short term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less any bank overdrafts which is repayable on demand and forms an integral part of the Group's cash management.

For balance sheet classification, cash and bank balances represent cash on hand and at banks, including term deposits which are not restricted as to use.

4. SEGMENT INFORMATION

The Group's operating businesses are organised and managed separately according to the nature of the products, with each segment representing a strategic business segment that offers different products in the PRC market.

The low shrinkage plastic packing films segment manufactures and sells plain films for printing, lamination and general packaging.

The high shrinkage plastic packing films segment manufactures and sells shrink tobacco films designed mainly for hard packed tobacco, and labelling films for wrapping bottled products, batteries and compact disc casings.

The synthetic paper segment manufactures and sells synthetic paper for general packaging.

The Group's revenue, liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC, and accordingly no further geographical segment information is presented.

There are no inter segment sales between the respective segments.

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4. SEGMENT INFORMATION (continued)

The following tables present consolidated revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Low shrinkage plastic packing films		High shrinkage plastic packing films		Synthetic paper		Consolidated	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Segment revenue								
Net sales to external customers	211,518	117,382	317,065	427,029	302,195	111,251	830,778	655,662
Other revenue	711	301	1,066	1,097	1,018	286	2,795	1,684
Total revenue	212,229	117,683	318,131	428,126	303,213	111,537	833,573	657,346
Segment results	9,709	5,250	95,697	181,958	107,944	47,654	213,350	234,862
Unallocated corporate expenses							(6,123)	(1,803)
Gain on disposal of subsidiaries							10	–
Interest income							3,503	2,322
Profit from operating activities							210,740	235,381
Finance costs							–	(2,014)
Profit before tax							210,740	233,367
Tax							(44,611)	(47,821)
Net profit from ordinary activities attributable to shareholders							166,129	185,546
Segment assets	205,669	283,667	200,684	627,364	344,559	266,196	750,912	1,177,227
Unallocated assets							440,841	–
Total assets							1,191,753	1,177,227
Segment liabilities	28,627	29,216	22,136	45,878	26,575	17,002	77,338	92,096
Unallocated corporate liabilities							3,706	93,600
Total liabilities							81,044	185,696
Other segment information:								
Capital expenditure	10,325	9,523	7,598	116,595	9,171	106,513	27,094	232,631
Unallocated capital expenditure							80,894	–
							107,988	232,631
Depreciation	9,249	8,791	9,573	14,128	20,603	4,820	39,425	27,739
Amortisation	58	–	60	180	129	–	247	180
Unallocated amortization							421	–
							668	180
Other non-cash expenses	–	1,738	–	1,081	–	593	–	3,412

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5. INTERESTED PERSON/RELATED PARTY TRANSACTIONS

In compliance with the Listing Manual of the SGX-ST, the Group and the Company confirm that there was no interested person transaction during the current year.

6. REVENUE, OTHER REVENUE AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and subcontracting fee income and after elimination of all significant intra-group transactions.

An analysis of the Group's revenue, other revenue and gains is as follows:

		Group	
		Year ended 31 October	
		2005	2004
	Note	RMB'000	RMB'000
Revenue			
Sale of goods		792,203	616,724
Subcontracting fee income		38,575	38,938
		830,778	655,662
Other revenue			
Interest income		3,503	2,322
Others		2,792	1,684
		6,295	4,006
Gains			
Gain on disposal of fixed assets		3	–
Gain on disposal of subsidiaries	23(b)	10	–
		13	–
		6,308	4,006

A further analysis of the Group's revenue and other revenue by activity is set out in note 4.

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7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	Group Year ended 31 October 2005 RMB'000	2004 RMB'000
Cost of inventories sold*		455,616	298,269
Depreciation	13	39,425	27,739
Amortisation of land use rights	14	668	180
Minimum lease payment under operating leases for land and buildings		569	245
Provision against inventories	16	-	1,920
Directors' remuneration:			
Fees		442	362
Other emoluments		11,000	10,980
		11,442	11,342
Staff costs (excluding directors' remuneration)		10,239	8,730
Less: Retirement scheme contributions		(293)	(240)
		9,946	8,490
Exchange loss, net		4,246	–
Research and development costs**		8,917	3,988
Auditors' remuneration***		1,876	1,802
Provision for/(release of provision for) doubtful debts	17	(1,596)	1,492
Bad debts written off		1,596	–

* The "Cost of sales" on the face of the consolidated profit and loss account for the year includes amortisation of land use rights of RMB668,000 (2004: RMB180,000), staff cost of RMB8,194,000 (2004: RMB6,882,000), depreciation of RMB37,697,000 (2004: RMB26,936,000) and the provision against inventories of nil (2004: RMB1,920,000).

** Staff costs of approximately RMB243,000 (2004: RMB320,000) for the year were included in the above consolidated amount of research and development costs. In addition, the "Other operating expenses" on the face of the consolidated profit and loss account for the year include the research and development costs.

*** The independent auditors have not received any non-audit fees (2004: Nil) during the year.

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8. FINANCE COSTS

	Group 2005 RMB'000	Group 2004 RMB'000
Interest on bank loans	–	2,014

9. TAX

	Group 2005 RMB'000	Group 2004 RMB'000
PRC	(34,880)	(28,997)
Macau	(9,731)	(18,824)
	(44,611)	(47,821)
Total tax charge for the year	(44,611)	(47,821)

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Rui Xing (PRC), which was established as wholly-foreign-owned enterprise in PRC, is entitled to exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three financial years. Upon expiry of the tax relief period, Rui Xing (PRC) is entitled to a preferential corporate income tax rate of 24% in accordance with the relevant laws and regulations in the PRC as it was established in the coastal economic open zone in the PRC.

The two-year tax exemption period for Rui Xing (PRC) commenced in the financial year ended 31 October 2005.

Jieyang City Yuntong Packaging Co., Ltd.（揭陽市運通塑料包裝有限公司） ("Yuntong (PRC)") was established in the coastal economic open zone in the PRC and is entitled to a preferential corporate income tax rate of 24% in accordance with the relevant laws and regulations in the PRC.

Macau complementary tax had been provided at the rate of 12% (2004: 15.75%) on the estimated assessable profits.

Tax has not been provided by the Company as the Company did not derive any assessable profit during the year (2004: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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9. TAX (continued)

No deferred tax has been provided as the Company and the Group did not have any significant temporary differences which would give rise to a deferred tax asset or liability at the balance sheet date (2004: Nil).

A reconciliation of the tax expenses applicable to profit before tax using the statutory rates to the tax expense is presented below:

	Group	
	2005 RMB'000	2004 RMB'000
Profit before tax	210,740	233,367
Tax at the applicable tax rates	(57,107)	(58,245)
Lower tax rate for specific provinces or local authority	12,698	10,616
Non-deductible expenses	(202)	(192)
Total tax charge for the year	(44,611)	(47,821)

10. DIVIDENDS PAID AND PROPOSED

	Group	
	2005 RMB'000	2004 RMB'000
Declared and paid during the year		
Final dividend for 2004: RMB0.086 per ordinary share (2003: Nil)	37,110	–
Special dividend for 2004: RMB0.034 per ordinary shares (2003: Nil)	14,671	–
	51,781	–
Proposed dividend		
Final dividend for 2005: RMB0.096 per ordinary share (2004: RMB0.086)	41,425	37,110
Special dividend for 2005: Nil per ordinary share (2004: RMB0.034)	–	14,671
	41,425	51,781

The amount of proposed final dividend for the year is calculated based on the 431,511,246 ordinary shares in issue as at the date of approval of these financial statements. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividends proposed after the balance sheet date have not been recognised as a liability as at 31 October 2005.

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11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of RMB166,129,000 (2004: RMB185,546,000) and the 431,511,246 ordinary shares (weighted average of 397,767,410 ordinary shares) in issue throughout the year.

There were no potential dilutive ordinary shares in existence during the two years ended 31 October 2005 and 2004 and accordingly, no diluted earnings per share amounts have been presented.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	**2004**
	RMB'000	**RMB'000**
Unlisted shares, at cost	486,073	486,073

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. As at 31 October 2004, included therein were amounts due from a subsidiary amounting RMB304,445,000 in total which were not repayable within the next twelve months from the balance sheet date.

Particulars of the subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
Full Best Limited## (Full Best (BVI))	British Virgin Islands ("BVI")	US$21,934,657	100	Investment holding
Indirectly held				
Fortune Desire Group Limited##	BVI	US$1,000	100	Investment holding
Winton International Investment Company Limited##	Hong Kong	HK$10,000	100	Investment holding

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12. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are set out below (continued):

Name of subsidiary	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held (continued)				
Jieyang City Yuntong Plastic Packing Co., Ltd.# （揭陽市運通塑料包裝有限公司） ("Yuntong (PRC)")	PRC	US$29,980,000	100	Manufacture and sale of plastic packaging films and synthetic papers
Jieyang City Rui Xing Plastic Packing Co., Ltd.# （揭陽市瑞興塑料包裝有限公司） ("Rui Xing (PRC)")	PRC	US$28,100,000	100	Manufacture and sale of plastic packaging films and synthetic papers

Yuntong (PRC) is registered as a wholly-foreign-owned enterprise under the PRC Law with an operating period of 26 years commencing from 8 September 1990 and a registered capital of US$29,980,000. The registered capital of Yuntong (PRC) has been fully paid up.

Rui Xing (PRC) is registered as a wholly-foreign-owned enterprise under the PRC Law with an operating period of 10 years commencing from 20 August 2004 and a registered capital of US$28,800,000. The registered capital of Rui Xing (PRC) is US$28,800,000, of which US$28,100,000 (equivalent to approximately RMB231,701,000) has been fully paid up.

\# The statutory financial statements of the subsidiaries established in the PRC and operating in PRC, prepared in accordance with generally accepted accounting principals in the PRC, were audited by Jieyang City Rong Jiang Certified Public Accountants Co. Ltd （揭陽市榕江會計師事務所有限公司） for tax filing purpose. For the purpose of these financial statements, Ernst & Young, Certified Public Accountants, Hong Kong, have undertaken an independent audit of the financial statements of Yuntong (PRC) and Rui Xing (PRC) prepared in accordance with the IFRSs.

\## Audited by Ernst & Young, Certified Public Accountants, Hong Kong.

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13. FIXED ASSETS

Group	Leasehold buildings 2005 RMB'000	Leasehold buildings 2004 RMB'000	Plant and machinery 2005 RMB'000	Plant and machinery 2004 RMB'000	Furniture, fixtures and office equipment 2005 RMB'000	Furniture, fixtures and office equipment 2004 RMB'000	Motor vehicles 2005 RMB'000	Motor vehicles 2004 RMB'000	Construction in progress 2005 RMB'000	Construction in progress 2004 RMB'000	Total 2005 RMB'000	Total 2004 RMB'000
Cost:												
At beginning of year	134,807	71,176	430,652	240,973	1,667	1,406	16,641	12,260	–	25,321	583,767	351,136
Transfers	–	25,321	–	–	–	–	–	–	–	(25,321)	–	–
Additions	–	38,310	16,882	189,679	63	261	146	4,381	–	–	17,091	232,631
Disposals	–	–	–	–	–	–	(2,060)	–	–	–	(2,060)	–
At end of year	134,807	134,807	447,534	430,652	1,730	1,667	14,727	16,641	–	–	598,798	583,767
Accumulated depreciation:												
At beginning of year	35,541	29,382	116,016	95,850	1,031	742	5,290	4,165	–	–	157,878	130,139
Provided during the year	8,987	6,159	28,711	20,166	265	289	1,462	1,125	–	–	39,425	27,739
Disposals	–	–	–	–	–	–	(2,060)	–	–	–	(2,060)	–
At end of year	44,528	35,541	144,727	116,016	1,296	1,031	4,692	5,290	–	–	195,243	157,878
Net book value:												
At end of year	90,279	99,266	302,807	314,636	434	636	10,035	11,351	–	–	403,555	425,889

The Group's leasehold buildings are situated in the PRC and are held under medium term leases.

14. LAND USE RIGHTS

	Group 2005 RMB'000	Group 2004 RMB'000
Cost:		
At beginning of year	3,331	3,331
Additions	94,397	–
At end of year	97,728	3,331
Accumulated amortisation:		
At beginning of year	285	105
Provided during the year	668	180
At end of year	953	285
Net book value:		
At end of year	96,775	3,046

Notes to Financial Statements

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15. DEPOSITS PAID

The balance represents deposits paid for the acquisition of fixed assets.

16. INVENTORIES

	Group 2005 RMB'000	Group 2004 RMB'000
Raw materials	139,785	150,611
Finished goods	7,243	7,588
	147,028	158,199

At 31 October 2005, no inventories were carried at net realisable value (2004: Nil).

17. ACCOUNTS RECEIVABLE

	Group 2005 RMB'000	Group 2004 RMB'000
Accounts receivable	179,898	174,024
Less: Provision for doubtful debts	(371)	(3,481)
	179,527	170,543

The movements in the provision for doubtful debts during the year are set out below:

	Group 2005 RMB'000	Group 2004 RMB'000
At beginning of year	3,481	1,989
Disposal of subsidiaries (note 23(b))	(1,514)	–
Provided/(released) during the year	(1,596)	1,492
At end of year	371	3,481

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18. PREPAYMENTS AND OTHER RECEIVABLES

	Group 2005 RMB'000	Group 2004 RMB'000
Prepayments	9	9
Other receivables	7,549	4,885
	7,558	4,894

19. CASH AND BANK BALANCES

As at 31 October 2005, the consolidated cash and bank balances of the Group which were denominated in RMB amounted to approximately RMB345,041,000 (2004: RMB313,510,000) and were deposited with banks in the PRC. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. ACCRUED LIABILITIES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Other payables	1,766	330	–	–
Sales deposits received	3,400	3,491	–	–
Accrued liabilities	15,504	15,680	53	97
	20,670	19,501	53	97

21. SHARE CAPITAL

	Company 2005 RMB'000	Company 2004 RMB'000
Authorised:		
2,000,000,000 (2004: 2,000,000,000) ordinary shares of US$0.15 each	2,490,000	2,490,000
Issued and fully paid:		
431,511,246 (2004: 431,511,246) ordinary shares of US$0.15 each	536,688	536,688

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21. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the years ended 31 October 2004 and 2005:

(a) On 24 December 2003, the authorised share capital of the Company was increased from US$12,000 to US$300,000,000 by the creation of an additional 299,988,000 ordinary shares of US$1.00 each.

(b) On 24 December 2003, pursuant to the Restructuring Exercise, an aggregate of 46,602,187 ordinary shares of US$1.00 each of the Company were issued and credited as fully paid; and the 12,000 ordinary shares of US$1.00 each then outstanding in the Company were credited as fully paid, in consideration of and in exchange for the acquisition by the Company of the entire issued share capital of Full Best (BVI).

(c) On 29 December 2003, every share of the Company's authorised and issued shares of US$1.00 each was sub-divided into 10 ordinary shares of US$0.10 each, and thereafter consolidated into ordinary shares of US$0.30 each, with fractional entitlement to be disregarded, and finally sub-divided into two ordinary shares of US$0.15 each. The resultant issued and paid-up capital was 310,761,246 ordinary shares of US$0.15 each (the "Shares sub-division and Consolidation").

(d) On 11 February 2004, 105,000,000 shares of US$0.15 each were issued to the public at S$0.75 each for a total cash consideration, before issue expenses, of S$78,750,000 (equivalent to RMB372,488,000).

(e) In connection with the listing exercise of the Company, the Company granted to GK Goh Stockbrokers Pte. Ltd. an over-allotment option exercisable, in whole or in part, during the period commencing on the date of commencement of trading of the Company's shares on the SGX-ST and expiring on the date falling 30 days thereafter. In this regard, an aggregate of 15,750,000 ordinary shares of US$0.15 each were issued at S$0.75 each for a total cash consideration, before issue expenses, of S$11,813,000 (equivalent to RMB55,873,000) pursuant to the exercise of the over-allotment option.

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21. SHARE CAPITAL (continued)

The following is a summary of the above movements in the authorised and issued share capital of the Company:

	Notes	Number of ordinary shares of US$1.00 each	Number of ordinary shares of US$0.1 each	Number of ordinary shares of US$0.30 each	Number of ordinary shares of US$0.15 each	Par value RMB$'000
Authorised:						
At 1 November 2003		12,000	–	–	–	100
Creation of additional authorised share capital	(a)	299,988,000	–	–	–	2,489,900
Sub-division of every one ordinary share into ten ordinary shares	(c)	(300,000,000)	3,000,000,000	–	–	–
Consolidation of every three ordinary shares into one ordinary share	(c)	–	(3,000,000,000)	1,000,000,000	–	–
Sub-division of every one ordinary share into two ordinary shares	(c)	–	–	(1,000,000,000)	2,000,000,000	–
At 31 October 2004 and 2005		–	–	–	2,000,000,000	2,490,000
Issued:						
At 1 November 2003		12,000	–	–	–	–
Issue and allotment of ordinary shares of US$1.00 each, credited as fully paid, upon completion of the Restructuring Exercise	(b)	46,602,187	–	–	–	386,798
Credited as fully paid of the 12,000 ordinary shares of US$1.00 each that were issued nil paid	(b)	–	–	–	–	100
Sub-division of every one ordinary share into ten ordinary shares	(c)	(46,614,187)	466,141,870	–		–
Consolidation of every three ordinary shares into one ordinary share	(c)	–	(466,141,870)	155,380,623	–	–
Sub-division of every one ordinary share into two ordinary shares	(c)	–	–	(155,380,623)	310,761,246	–
		–	–	–	310,761,246	386,898
New issue for public listing	(d)	–	–	–	105,000,000	130,253
Issue of additional shares on the exercise of the over-allotment option	(e)	–	–	–	15,750,000	19,537
At 31 October 2004 and 2005		–	–	–	431,511,246	536,688

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22. RESERVES

Capital reserve

The consolidated capital reserve of the Group arose as a result of the Restructuring Exercise and represented the excess of the nominal value of the Company's shares issued and credited as fully paid as the consideration for the acquisition of Full Best (BVI), over the nominal value of the share capital of Full Best (BVI) acquired.

Reserves - Company

	Capital reserve * RMB'000	Share premium account RMB'000	Retained profits RMB'000	Total RMB'000
Balance as at 1 November 2003	–	–	–	–
Issue of shares pursuant to the Restructuring Exercise (notes 3 and 21)	99,175	–	–	99,175
Net profit for the year	–	–	52,673	52,673
Issue of new shares (note 21)	–	278,571	–	278,571
Share issue expenses	–	(23,559)	–	(23,559)
Balance as at 30 October and 1 November 2004	99,175	255,012	52,673	406,860
Final 2004 dividend paid (note 10)	–	–	(51,781)	(51,781)
Net loss for the year	–	–	(766)	(766)
Balance as at 31 October 2005	99,175	255,012	126	354,313

* The capital reserve of the Company represented the excess of the fair value of the net assets of the subsidiaries acquired pursuant to the Restructuring Exercise, over the nominal value of the Company's shares issued in exchange thereof.

Statutory reserves - Group

In accordance with the relevant PRC regulations, Yuntong (PRC) and Rui Xing (PRC) are required to appropriate not less than 10% of their respective profit after tax to the statutory reserves, until the balance of the fund reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserves of Yuntong (PRC) and Rui Xing (PRC) may be used to offset against their respective accumulated losses.

Share premium account - Group and Company

The Company's share premium account with a balance of RMB255,012,000 may be distributed in the form of fully paid bonus shares.

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23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year ended 31 October 2004, the Group paid deposits of RMB8,000,000 for the acquisition of certain fixed assets. The deposits paid of RMB8,000,000 were transferred to the fixed assets accounts during the year ended 31 October 2005, upon the delivery of relevant fixed assets, which did not result in any cash flow.

(b) Disposal of subsidiaries

	2005 RMB'000	2004 RMB'000
Net liabilities disposed of:		
Inventories	168	–
Accounts receivable	99,607	–
Due from group companies	595	–
Accrued liabilities, other payables and deposits received	(1,296)	–
Tax payable	(98,884)	–
	190	–
Gain on disposal of subsidiaries (note 5)	10	–
	200	–
Satisfied by:		
Cash	200	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005 RMB'000	2004 RMB'000
Cash consideration	200	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	200	–

The subsidiaries disposed of in the current year contributed RMB294,636,000 and RMB49,744,000 to the Group's consolidated turnover and net profit from ordinary activities attributable to shareholders for that year, respectively.

Notes to Financial Statements

31 October 2005

24. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms from one to two years.

At 31 October 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	**2004**
	RMB'000	**RMB'000**
Within one year	278	489
In the second to fifth years, inclusive	–	284
	278	773

The Company did not have any operating lease arrangement as at 31 October 2005 (2004: Nil).

25. CAPITAL COMMITMENTS

The Group had the following capital commitments as set out below:

	Group	
	2005	**2004**
	RMB'000	**RMB'000**
Contracted, but not provided for, in respect of acquisition of fixed assets	3,795	10,216
Contracted, but not provided for, in respect of capital contributions payable to a subsidiary	5,663	41,383
Authorised, but not contracted for, in respect of of acquisition of fixed assets	179,724	–

The Company did not have any significant commitment as at 31 October 2005 (2004: Nil).

Notes to Financial Statements

31 October 2005

26. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company is analysed into the following bands in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the SGX-ST:

	Executive directors	Independent non-executive directors	Total
Year 2005			
S$500,000 and above (equivalent to approximately RMB2,400,000 and above)	3	–	3
S$250,000 to below S$500,000 (equivalent to approximately RMB1,200,000 to below RMB2,400,000)	–	–	–
Below S$250,000 (equivalent to approximately below RMB1,200,000)	–	3	3
	3	3	6

	Executive directors	Independent non-executive directors	Total
Year 2004			
S$500,000 and above (equivalent to approximately RMB2,400,000 and above)	3	–	3
S$250,000 to below S$500,000 (equivalent to approximately RMB1,200,000 to below RMB2,400,000)	–	–	–
Below S$250,000 (equivalent to approximately below RMB1,200,000)	–	3	3
	3	3	6

Notes to Financial Statements

31 October 2005

27. FINANCIAL INSTRUMENTS

The Group does not have written risk management policies and guidelines. However, the board of directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principal changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

At 31 October 2005, the Group's financial instruments mainly consisted of cash and bank balances, accounts receivable, other receivables, accounts payable, accrued liabilities and other payables.

(a) Interest rate risk

The Group has no significant exposure to interest rate risk.

(b) Credit risk

The Group's bank balances are maintained with state-owned banks in the PRC.

The carrying amount of the accounts receivable and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk due to the large customer base of the Group.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all accounts receivable.

(c) Foreign exchange risk

The Group's exposure to market risk resulting from changes in foreign currency exchange rates relates primarily to its bank balances, accounts receivable and accounts payable in currencies other than the reporting currency, that is, the RMB. The Group does not use derivative financial instruments to hedge its foreign currency risk.

(d) Fair value

The fair value of the Group's financial assets and liabilities is not materially different from their carrying amount because of the immediate or short term maturity of these financial instruments.

28. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 4 November 2005, the Group entered into a sale and purchase agreement with an independent third party to acquire a parcel of land for a consideration of RMB17,940,000.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 3 February 2006.

Statistics of Shareholdings

As at 24 January 2006

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.05	1,000	0.00
1,000 - 10,000	2,480	55.93	17,196,000	3.98
10,001 - 1,000,000	1,928	43.48	93,014,000	21.56
1,000,001 and above	24	0.54	321,300,246	74.46
TOTAL	4,434	100.00	431,511,246	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Chong Yuen	160,784,246	37.26
2	Wu Huiling	18,778,000	4.35
3	Li Kim Yu	13,983,000	3.24
4	Zhuang Shaowen	13,983,000	3.24
5	Zeng Hanming	12,887,000	2.99
6	Huang Weiwen	11,187,000	2.59
7	DBS Nominees Pte Ltd	11,139,000	2.58
8	CIMB-GK Securities Pte. Ltd.	9,748,000	2.26
9	Huang Xiaohui	9,350,500	2.17
10	Zhang Lingyan	9,350,500	2.17
11	Zhuang Shaochun	5,983,000	1.39
12	Philip Securities Pte Ltd	5,747,000	1.33
13	HL Bank Nominees (S) Pte Ltd	4,642,000	1.08
14	Kim Eng Securities Pte. Ltd.	4,272,000	0.99
15	Hong Leong Finance Nominees Pte Ltd	4,173,000	0.97
16	UOB Kay Hian Pte Ltd	3,993,000	0.93
17	OCBC Securities Private Ltd	3,798,000	0.88
18	HSBC (Singapore) Nominees Pte Ltd	3,603,000	0.83
19	DBS Vickers Securities (S) Pte Ltd	3,350,000	0.78
20	Southern Nominees (S) Sdn Bhd	3,000,000	0.70
	TOTAL	313,751,246	72.73

44.94% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

SUBSTANTIAL SHAREHOLDERS AS AT 24 JANUARY 2006

Name of Shareholder	Direct	Deemed Interest
Chong Yuen	160,784,246	13,983,000

Note:

(1) Mr Chong Yuen's deemed interest is derived from 13,983,000 shares held in the name of his spouse.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Flexible Packaging Holdings Limited ("the Company") will be held at Sheraton Towers, Ballroom 4, Level 2, 39 Scotts Road, Singapore 228230 on 28 February 2006 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 October 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB0.096 per ordinary share [Singapore tax not applicable] for the year ended 31 October 2005. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Byelaw 85(6) of the Company's Articles of Association:-

   Mr Chong Yuen **(Resolution 3)**
   Professor Li Shanmin **(Resolution 4)**

   Mr Chong Yuen will upon re-election, remain as a member of the Remuneration and Nominating Committee respectively.

   Professor Li Shanmin will upon re-election, remain as a Chairman of Nominating Committee and a member of the Audit and Remuneration Committee and will be considered as independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

4. To approve the payment of Directors' fees for the year ended 31 October 2005. **(Resolution 5)**

5. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
   [See Explanatory Note (i)] **(Resolution 7)**

Notice of Annual General Meeting

By Order of the Board

Albert Hu Chungming
Sophia Lim Siew Fay
Secretaries
Singapore, 11 February 2006

Explanatory Notes:

(i) The Ordinary Resolution [7] proposed in item [7] above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. If a Shareholder being a Depositor (who is not a natural person) whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting (the "Meeting"), then it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, *Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315*, at least 48 hours before the time of the Meeting. A Depositor who is a natural person need not complete the Proxy Form if he/she intends to attend in person.

2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, at least 48 hours before the time of the Meeting.

Notice of Books Closure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members Of China Flexible Packaging Holdings Limited (the “Company”) will be closed on 9 March 2006 for the preparation of dividend warrants.

Registrable transfers received by the Company’s Share Transfer Agent, Lim Associates (Pte) Ltd, 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 up to 5.00 p.m. on 8 March 2006 will be registered to determine shareholders’ entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 March 2006 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 28 February 2006 will be made on 21 March 2006.

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