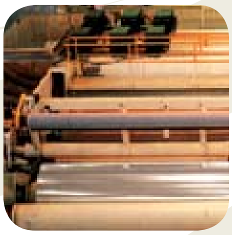
中国软包装控股有限公司
CHINA FLEXIBLE PACKAGING HOLDINGS LIMITED



Continued **Growth**

Annual Report 2006

Contents

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.

Corporate **Profile**





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 labeling film and tobacco film, and low shrinkage film such as pearlised film, matt film and plain films for printing, lamination and coating. We also produce 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 currently operate three production lines. With a total production capacity of 25,000 tones per annum, the first two production lines have the capabilities to manufacture up to three-layer BOPP film products. Our third production line, which has an annual production capacity of 31,000 tones per annum, has the capability to produce higher margin synthetic paper and five-layer high barrier film ("5-layer BOPP film") - a higher value BOPP film product 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.

We received certification to produce 5-layer BOPP film in December 2005 and successfully launched our new product in the second quarter of FY2006 respectively.

China Flexpack was listed on the Main Board of The Singapore Exchange Securities Trading Limited in February 2004.

Financial **Highlights**

Results	2004	2005	2006
	RMB'000	RMB'000	RMB'000
		(Restated)	
Group revenue	655,662	830,778	989,316
Profit before Tax	233,367	174,110	213,712
Income tax expenses	(47,821)	(44,611)	(40,007)
Profit attributable to shareholders	185,546	129,499	173,705
Dividends	(51,781)	(41,425)	(43,151)
Profit retained for the year	133,765	88,074	130,554
Earnings per share(RMB)	0.47	0.30	0.40
Net assets backing per ordinary shares (RMB)	2.30	2.57	2.88
Total assets	1,177,227	1,191,753	1,350,133
Shareholders' fund	991,531	1,110,709	1,242,989

Year ended October 31

Financial **Highlights**

Financial Year ended 31st October

Financial Year ended 31st October

Financial Year ended 31st October

Financial Year ended 31st October

Chairman's **Statement**

Mr Chong Yuen
Chairman and Executive Director

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for the financial year ended October 31, 2006 ("FY2006").

The Year in Review

FY2006 was a fruitful year for the Group. Besides launching our new five-layer BOPP film to the market, we also embarked on our expansion plans to enhance our capabilities. With the growing demand for high quality food packaging materials in the PRC, we see good growth potential in our five-layer BOPP film products and are excited that we have made good inroads in the market.

Our revenue rose 19.1% from RMB830.8 million in FY2005 to RMB989.3 million in FY2006. The increase in sales was mainly due to contribution from the Group's five-layer BOPP film used for vacuum packaging of meat products, which was launched in the second quarter of FY2006.

However, we continued to face overall high raw material costs during the year, which was partially offset by the sales of the Group's higher margin five-layer BOPP film. In line with our strategy to focus on higher margin products, we also stepped up our sales and marketing efforts to promote our synthetic paper and five-layer BOPP film.

Group net profit rose 34.1% from RMB129.5 million in FY2005 to RMB173.7 million in FY2006. During the year under review, the Group adopted the new International Financial Reporting Standards resulting in the restatement of last year's income statement. The Group's FY05 profit was therefore reduced by the inclusion of a once-off employee share based payment amounting to RMB36.6 million.

With zero gearing and a net cash position of RMB426.0 million as at October 31, 2006, the Group ended the year with a strong balance sheet and adequate working capital.

Successful Launch of New Higher Margin Product

During the year under review, we increased the sales of our higher margin products such as synthetic paper and launched our five-layer BOPP film used in food packaging in the second quarter of FY2006. This range of higher margin BOPP film products contributed 12.1% of overall sales in FY2006, and enabled us to partially offset the impact of high raw material costs on our overall margins during the year.

We believe we are the first domestic producer of high quality five-layer BOPP film used in food packaging and plan to leverage on our cost-competitive edge and the strong demand for high quality food packaging in the PRC to actively market and promote our new products in the year ahead.

With the increased awareness and emphasis on food safety, the PRC government is establishing a new system of food safety standards in line with the international standards. As we are one of the leading manufacturers of quality food packaging materials, we expect to be a major beneficiary of the new standards.

Outlook and Future Plans

Our Group's long-held strategy to focus on the development and production of new and higher margin products has stood us in good stead over the years. We remain committed to continuous product development and the introduction of new higher value products to broaden our product range. We believe our strategic focus on higher margin products have enabled us to weather the impact of high petroleum-based raw material prices caused by volatile crude oil prices.

As part of our strive to constantly enhance our capabilities and diversify our product range, we commenced construction of new buildings to house a R&D laboratory and a metallised BOPP film production line. Construction work is expected to be completed in FY2007.

The new and advanced R&D laboratory will enable the Group to intensify our efforts to develop new products and modify existing products to broaden usage. Meanwhile, we will install the metallised BOPP film facilities in FY2007 to commence production soon thereafter. We are confident that the contribution from this new product will enhance our profit margin in the year ahead.

To reach out to our customers, we plan to actively expand our sales and distribution network through the additional appointment of more authorized agents and distributors in new geographical markets in the PRC. We expect our stepped up marketing efforts to have a positive impact on our sales.

Barring any unforeseen circumstances, the Board is optimistic about the Group's performance in FY2007.

Dividend

For FY2006, the Board of Directors is recommending a final dividend of RMB 10 cents per share, which translated to a net dividend rate of 8.5% per ordinary share. The dividend will be paid out either in cash or in scrip at the option of shareholders.

A Word of Appreciation

Finally, on behalf of the Board, I would like to thank our management team, valued customers and business associates for their continuous support. Our appreciation also goes to our employees whose hard work, dedication and loyalty have contributed to our achievements in the past year.

I would also like to take this opportunity to extend my appreciation to all our shareholders for your continued interest and support for China Flexpack.

Mr Chong Yuen
Chairman and Executive Director

Operations Review & **Development**

OVERVIEW

During the year under review, the Group's sales rose 19.1% to RMB989.3 million, compared to RMB830.8 million in the previous year. This was mainly driven by the contribution from the Group's 5-layer BOPP film used for vacuum packaging of meat products, which was launched in the second quarter of FY2006.

The Group's cost of sales increased by 24.5% from RMB540.4 million in FY2005 to RMB672.6 million in FY2006. The Group's gross margin declined from 35.0% in FY2005 to 32.0% in FY2006. The erosion in gross profit margins was mainly due to the overall higher raw material costs during the year, which was partially mitigated by higher margins recorded from the sales of 5-layer BOPP film.

On an operating level, the Group's selling and administrative expenses rose 30.2% from RMB72.5 million to RMB94.4 million mainly due to the increase in promotion and marketing of our synthetic paper and 5-layer BOPP film.

With the entitlement of tax concessions by the Group's subsidiary, Jieyang City Rui Xing Plastic Packing Co. Ltd, a wholly owned foreign entity in the PRC, the Group's full year effective tax rate decreased from 25.6% in FY2005 to 18.7% in FY2006.

As a result, Group net profit attributable to shareholders rose 34.1% from RMB129.5 million in FY2005 to RMB173.7 million in FY2006.

The Group had adopted the new International Financial Reporting Standards during the year, resulting in the restatement of last year's income statement. The Group's FY2005 profit was reduced by an inclusion of a once-off employee share based payment amounting to RMB36.6 million.

With zero gearing and a net cash position of RMB426.0 million as at October 31, 2006, the Group ended the year with a strong balance sheet and adequate working capital.

Broadening Our Product Range

During the year under review, we continued our strategy of focusing on higher margin products. We obtained all necessary approvals to commercially produce the 5-layer BOPP film for food packaging in December 2005. Our 5-layer BOPP film products have high humidity-resistance, high capability to preserve freshness and high transparency, and are suitable for use in the vacuum packing of food products to prolong shelf life. In the second quarter of FY2006, we became the first domestic manufacturer in the PRC to produce and sell 5-layer BOPP film and embarked on an aggressive sales and marketing campaign to promote our new product.

Our efforts paid off and customer response to our new high quality 5-layer BOPP film products was very encouraging. Sales from this range of new higher margin 5-layer BOPP film products contributed 12.1% of overall sales in FY2006, and enabled us to partially offset the impact of high raw material costs on our overall margins during the year.

We also focused on the marketing of our synthetic paper products, which enjoys higher margins than high shrinkage and low shrinkage film. In FY2006, synthetic paper contributed approximately 32.7% to the Group's overall turnover. High shrinkage film accounted for about 31.6% of total sales, while low shrinkage film made up the remaining 23.6% of total sales.

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

Laying the Foundation for Future Growth

At China Flexpack, we remain committed to our strategy to diversify our product range and introduce more higher margin products to counter the margin erosion in the competitive shrinkage film sector.

We pride ourselves on our continuous drive to stay abreast of the latest technological developments in our field. We have a dedicated R&D team, which is focused on improving product quality and diversifying our product range. To enhance our competitive edge, we will be investing in an advanced research and development laboratory. Our commitment to R&D ensures that we are able to continue to provide products tailored to the needs of our customers and stay ahead of the competition.

During the year under review, we embarked on our expansion plans. We commenced construction work on our newly acquired contiguous land parcels with a total site area of approximately 72,840 square metres. The expanded land area will house new production and advanced research and development facilities. Construction is slated to be completed in FY2007. Cost of the land area is RMB80.9 million, while the total cost construction and equipment is estimated to be RMB280 million.

Besides a new research and development laboratory, we will also be installing a new higher value-add metallised BOPP film production line in FY2007. The new facilities will enable us to further process low shrinkage film to produce metallised BOPP film. Once production commences in FY2007, we will be able to add this new higher value product to our product range, which is expected to enhance the overall margins of the Group's low shrinkage film product segment.

Prospects and Growth Strategies

Looking ahead, the Group believes that the strong and positive economic growth outlook in the PRC, will continue to drive consumer affluence and fuel demand for the Group's high quality food packaging materials.

With the increased awareness and emphasis on food safety, the PRC government is establishing a new system of food safety standards in line with the international standards. As we are one of the leading manufacturers of quality food packaging materials, we expect to be a major beneficiary of the new standards.

Besides tapping on the potential demand for the Group's 5-layer BOPP film products, the Group is also confident that the expected contribution of our new higher value-add metallised BOPP film to our product range next year will enhance our profit margin in the financial year ahead.

Going forward, we plan to continue to expand our sales and distribution network through the additional appointment of more authorized agents and distributors in new geographical markets in the PRC. We expect our stepped up marketing efforts to have a positive impact on our sales.

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.

Nevertheless, our profit margin is still vulnerable to petroleum-based raw material prices as a result of volatile crude oil prices.

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 FY2007.

< **High Shrinkage Film**
Tobacco film on small cigarette packs

< **High Shrinkage Film**
Tobacco film on hard cigarette packs

High Shrinkage Film >
Labeling film for milk and beverages

High Shrinkage Film >
Labeling film for batteries

< **High Shrinkage Film**
Labeling film for compact disc casings

< **Low Shrinkage Film**
Plain film for printing, lamination and coating on packaging of apparel

Low Shrinkage Film >
Matt film for high-quality food packaging and printed and combined packaging

Low Shrinkage Film >
Pearlised film for packaging of chocolates, sweets, biscuits and snacks.

< **Low Shrinkage Film**
Plain film for printing, lamination and coating on packaging of foodstuff

< **5-layer BOPP Film**
5-layer high barrier film for meat packaging

Board of **Directors**

CHONG YUEN

Chairman and Executive Director

Chong Yuen is the Chairman and Executive Director of our Group. He is responsible for the formulation and setting of the Group's overall business strategies and policies. He also plays a significant role in the development and growth of our Group's operations over the years. With more than 16 years of experience in the flexible packaging products industry, Mr Chong has developed extensive knowledge and expertise in the packaging industry. Mr Chong holds a Bachelor of Economic Management degree from the University of Shantou in China. Mr Chong was re-elected as a director on 28 February 2006.

ZENG HANMING

Deputy Chairman and Executive Director

Zeng Hanming is the Deputy Chairman and Executive Director of our Group. He is responsible for the overall business performance, sales and marketing as well as the daily operations of the Group. With more than 18 years of extensive sales and marketing experience in the flexible packaging products industry, together with Chong Yuen, Mr Zeng is responsible for building up our Group's relationship with the major customers and suppliers. Mr Zeng 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.

ZHUANG SHAOWEN

Executive Director and Finance Director

Zhuang Shaowen is the Executive Director and Finance Director of our Group. She is responsible for the overall administrative, human resources affairs and finance of the Group. Mr Zhuang has more than 9 years of experience in finance, accounting and human resources management field. Mr Zhuang 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.

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 11 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. Professor Li was re-elected as a director on 28 February 2006.

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 26 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. Mr Ong was re-elected as a director on 6 February 2004.

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 31 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. Mr Yeung was re-elected as a director on 6 February 2004.

Board of **Directors**

Chong Yuen
Chairman and
Executive Director

Professor Li Shanmin
Independent
Director

Zeng Hanming
Deputy Chairman and
Executive Director

Ong Tiew Siam
Independent
Director

Zhuang Shaowen
Executive Director and
Finance Director

Yeung Koon Sang
Alias David Yeung
Independent Director

Key **Management**

HU CHUNG MING

Chief Financial Officer

Mr Hu is the Chief Financial Officer of our Group. He is in charge of the daily finance and accounting operations. In addition, he is responsible for implementing internal controls and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of the Group's financial matters. Mr Hu has over 9 years of experience in finance and accounting and had worked in an international accounting firm prior to joining the Group. Thereafter he held the position of Financial Controller in a Singapore listed company. Mr Hu is a member of the Australian Society of Certified Practising Accountants and holds a Bachelor of Commerce degree from the University of Queensland, Australia.

TAN YAOXIN

Chief Engineer

Mr Tan is the Chief Engineer of our Group. He oversees the Group's production and engineering department and is responsible for managing and maintaining the quality control system. With more than 41 years of extensive experience in the Chemistry engineering field, Mr Tan has developed extensive knowledge in production technologies and material formulation. Mr Tan holds a Bachelor of Chemistry degree from the Sun Yat-Sen University in China.

LI ZEYU

Chief Research and Development Officer

Mr Li is the Chief Research and Development Officer of our Group. He oversees the Group's research and development department and is responsible for the research of formulas and the development of new products. Mr Li has more than 21 years of laboratory experience and his knowledge and expertise in flexible packaging products industry has assisted the Group in developing new products such as synthetic papers and 5-layer BOPP film. Mr Li 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, CPA(Aust)
Sophia Lim Siew Fay, ACIS
Ira Stuart Outerbridge III

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SINGAPORE SHARE TRANSFER AGENT
Lim Associates (Pte) Ltd
3 Church Street, #08-01
Samsung Hub
Singapore 049483

AUDITORS
Foo Kon Tan Grant Thornton
Certified Public Accountants
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Singapore Chinese Chamber
of Commerce & Industry Bldg.
Singapore 179365

Partner in-charge
Chin Sin Beng
Since the financial year ended 31 October 2006

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

INVESTOR RELATIONS ADVISOR
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INVESTOR RELATIONS CONTACT
Hu Chung Ming
hu.chungming@cnflexpack.com

Financial **Contents**

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 FY2006 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*	–	–	–	–
Zhuang Shaowen	4	4	4	4#	–	–	–	–
Ong Tiew Siam	4	4	4	4	1	1	2	2
Yeung Koon Sang alias David Yeung	4	4	4	4	1	1	2	2
Li Shanmin	4	4	4	4	1	1	2	2

* By invitation
# Ms Zhuang Shaowen has resigned as member of the Audit Committee in FY2007

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.

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 Executive Director)
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 Board 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 duties of a 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.

The NC has reviewed the independence of each director for FY2006 in accordance with the Code's definition of independence and is satisfied that more than one-third of the Board comprises independent Directors.

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 has conducted a formal assessment of the Board's performance as a whole 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. A Director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by 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 3 members, of whom all are independent directors:
Ong Tiew Siam (Chairman)
Li Shanmin
Yeung Koon Sang alias David Yeung

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 and have been renewed for 3 years from 1/1/07 to 31/12/09.

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

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 2006, is as follows:

	Fees	Salary	Bonus	Other Benefits	Total Compensation
	%	%	%	%	%
Directors					
S$500,000 and above					
Chong Yuen	–	19	81	–	100
Zeng Hanming	–	23	77	–	100
Zhuang Shaowen	–	34	66	–	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 2006.

Corporate Governance Statement

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 3 members, of whom all are independent directors:
Ong Tiew Siam (Chairman)
Li Shanmin
Yeung 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.

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. During the year, the Company has set up a whistleblowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters.

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
Principle 15: Greater Shareholder Participation

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.

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 reports, 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. The Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at all general meetings on his/her behalf using a proxy form sent with the annual report.

DEALINGS IN SECURITIES

The Group has adopted a set of code in relation to dealings in the Company's securities to all its officers pursuant to the SGX-ST Listing Manual. 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 2006, 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 2006.

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 2006.

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.

<u>Arrangement to enable directors to acquire shares and debentures</u>

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.

<u>Directors' interests in shares and debentures</u>

According to the register of director's shareholdings, the following directors, who held office at 31 October 2006, 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 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' interests in shares and debentures (continued)

Ordinary shares of US$0.15 each of the Company as at 31 October 2006:

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 as at 21 November 2006:

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 has renewed the service agreements (the "Service Agreements"), effective 1 January 2007, 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 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 14 to 16 of the Corporate Governance Statement.

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.

Report of the Directors

Auditors

Foo Kon Tan Grant Thornton were appointed as the auditors of the Company with effect from 14 November 2006 in succession to Messrs Ernst & Young who resigned from the office. The auditors, Foo Kon Tan Grant Thornton have expressed their willingness to accept re-appointment as auditors.

ON BEHALF OF THE BOARD

Chong Yuen Chairman	Zeng Hanming Director

26 January 2007

Statement by the Directors

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 October 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and 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 Directors

Chong Yuen
Chairman

Zeng Hanming
Director

26 January 2007

Report of the Auditors

We have audited the accompanying financial statements of China Flexible Packaging Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheet as at 31 October 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 October 2006, and the results changes in equity and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Foo Kon Tan Grant Thornton
Certified Public Accountants

Singapore
26 January 2007

Consolidated Income Statement

for the year ended 31 October 2006

	Notes	2006	2005
		RMB'000	RMB'000 (restated)
Revenue	6	989,316	830,778
Cost of sales		(672,596)	(540,409)
Gross profit		316,720	290,369
Other revenue and gains	6	5,031	6,308
Selling and distribution costs		(66,859)	(46,795)
Administrative expenses		(27,550)	(25,696)
Other operating expenses		(13,630)	(13,446)
Share – based payment		–	(36,630)
Profit from operating activities	7	213,712	174,110
Profit before taxation		213,712	174,110
Taxation	9	(40,007)	(44,611)
Net profit after taxation attributable to the equity holders of the Company		173,705	129,499
Dividends – proposed final	10	43,151	41,425
Earnings per share	11		
– Basic		RMB 0.40	RMB 0.30
– Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

Balance Sheets

as at 31 October 2006

	Notes	Group 2006 RMB'000	Group 2005 RMB'000	Company 2006 RMB'000	Company 2005 RMB'000
Non-current assets					
Investments in subsidiaries	12	–	–	486,073	486,073
Property, plant and equipment	13	506,140	403,555	–	–
Land use rights	14	112,282	96,775	–	–
Deposits paid	15	–	4,500	–	–
		618,422	504,830	486,073	486,073
Current assets					
Inventories	16	86,077	147,028	–	–
Accounts receivable	17	216,120	179,527	–	–
Due from subsidiaries	12	–	–	431,731	398,216
Prepayments, deposits and other receivables	18	3,488	7,558	–	–
Cash and bank balances	19	426,026	352,810	5,293	6,765
		731,711	686,923	437,024	404,981
Total assets		1,350,133	1,191,753	923,097	891,054
Capital and reserves attributable to equity holders of the Company					
Share capital	21	536,688	536,688	536,688	536,688
Reserves	22	706,301	574,021	354,515	354,313
Total equity		1,242,989	1,110,709	891,203	891,001
Current liabilities					
Accounts payable		79,112	58,544	–	–
Amount due to a subsidiary	12	–	–	31,614	–
Accrued liabilities, other payables and deposits received	20	25,214	20,670	280	53
Tax payable		2,818	1,830	–	–
		107,144	81,044	31,894	53
Total liabilities		107,144	81,044	31,894	53
Total equity and liabilities		1,350,133	1,191,753	923,097	891,054
Net current assets		624,567	605,879	405,130	404,928
Total assets less current liabilities		1,242,989	1,110,709	891,203	891,001

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 October 2006

	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	Other reserve (note 22) RMB'000 (restated)	Retained profits RMB'000 (restated)	Total RMB'000 (restated)
Balance as at 31 October 2004	536,688	–	13,936	255,012	–	185,895	991,531
Net profit for the year	–	–	–	–	–	129,499	129,499
Adoption of IFRS 2	–	–	–	–	36,630	–	36,630
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 and 1 November 2005	536,688	4,830*	26,511*	255,012*	36,630*	251,038*	1,110,709
Net profit for the year	–	–	–	–	–	173,705	173,705
Transfer to statutory reserve	–	–	19,085	–	–	(19,085)	–
Final 2005 dividend paid (note 10)	–	–	–	–	–	(41,425)	(41,425)
Balance as at 31 October 2006	**536,688**	**4,830***	**45,596***	**255,012***	**36,630***	**364,233***	**1,242,989**

* These reserve accounts comprise the consolidated reserves of RMB706,301,000 (2005: RMB574,021,000) in the consolidated balance sheet.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 October 2006

	Notes	2006	2005
		RMB'000	RMB'000 (restated)
Cash flows from operating activities			
Profit before taxation		213,712	174,110
Adjustments for:			
Depreciation	7, 13	37,374	39,425
Amortisation of land use rights	7, 14	2,433	668
Reversal on impairment loss in respect of accounts receivable	7, 17	–	(1,596)
Impairment loss recognised in respect of accounts receivable	7, 17	1,947	1,596
Employee share based payments in adoption of IFRS 2		–	36,630
Gain on disposal of subsidiaries	6	–	(10)
Gain on disposal of property, plant and equipment	6	–	(3)
Interest income	6	(2,633)	(3,503)
Operating profit before working capital changes		252,833	247,317
Working capital adjustments:			
Decrease in inventories		60,951	11,003
Increase in accounts receivable		(38,540)	(108,591)
Decrease/(increase) in prepayments and other receivables		4,070	(2,664)
Increase/(decrease) in accounts payable		20,568	(15,901)
Increase in accrued liabilities, other payables and deposits received		4,544	1,870
Cash generated from operating activities		304,426	133,034
Tax paid		(39,019)	(35,647)
Interest received		2,633	3,503
Net cash inflow from operating activities		268,040	100,890
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(135,459)	(9,091)
Proceeds from disposal of property, plant and equipment		–	3
Additions of land use rights	14	(17,940)	(94,397)
Deposits paid for purchases of property, plant and equipment	15, 23(a)	–	(4,500)
Disposal of subsidiaries	23(b)	–	200
Net cash outflow from investing activities		(153,399)	(107,785)
Cash flows from financing activities			
Dividend paid	10	(41,425)	(51,781)
Net cash outflow from financing activities		(41,425)	(51,781)
Net increase/(decrease) in cash and cash equivalents		73,216	(58,676)
Cash and cash equivalents at beginning of year		352,810	406,656
Effect of foreign exchange rate changes		–	4,830
Cash and cash equivalents at end of year		426,026	352,810
Analysis of balances of cash and cash equivalents			
Cash and bank balances		426,026	352,810

The accompanying notes form an integral part of these financial statements.

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 2006 (2005: 292).

These consolidated financial statements have been approved for issue by the Board of Directors on 26 January 2007.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In preparing these financial statements in conformity with International Financial Reporting Standards ("IFRSs"), the Group adopted all of the applicable new and revised IFRS that are mandatory for financial years beginning on or after 1 January 2005.

IAS 1 Presentation of Financial Statements
IAS 2 Inventories
IAS 7 Cash Flow Statement
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the Balance Sheet Date
IAS 12 Income Taxes
IAS 14 Segment Reporting
IAS 16 Property, Plant and Equipment
IAS 17 Leases
IAS 18 Revenue
IAS 19 Employee Benefits
IAS 21 The Effects of Changes in Foreign Exchange Rates
IAS 24 Related Party Disclosures
IAS 27 Consolidated and Separate Financial Statements
IAS 32 Financial Instruments: Disclosure and Presentation
IAS 33 Earnings per Share
IAS 39 Financial Instruments: Recognition and Measurement
IFRS 2 Share-based Payment

Except for IAS 24 "Related Party Disclosures" and IFRS 2 "Share-based Payment", the adoption of above International Accounting Standards ("IAS")/IFRSs did not result in substantial changes to the Group's accounting policies.

(i) IAS 24 –"Related Party Disclosures"

As a result of the adoption of IAS 24, "Related Party Disclosures", the definition of related parties as disclosed in note 3(u) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related party transactions does not have any material effect on the disclosures made in current period.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(ii) IFRS 2 – "Share-based payment"

As a result of the adoption of IFRS 2 – "Share based payment", all shares, share options or other equity instruments in the Company granted to the employees should be recognised as employee benefit cost or obligation. Furthermore, the transitional provisions of IFRS 2 requires all shares granted after 7 November 2002 but were vested after 1 January 2005 to be charged retrospectively to the income statements of the respective financial years at their fair value. The measurement of fair value of the shares granted is based on the market prices and the amount should be recognised as an expense over the relevant period. As such, the financial statement of 31 October 2005 has been restated to take into account of the transfer of 18,701,000 shares to two employees of the Group on 25 October 2005 from China Flexpack Trust created by Chong Yuen on 29 December 2003.

The effect of the adoption of IFRS 2 on the consolidated income statement for the year ended 31 October 2005 and 2006 is as follows:

	2006 **RMB'000**	2005 RMB'000
Decrease in profit and earning per share		
Profit attributable to shareholders	–	36,630
Earnings per share		
– basic and diluted (RMB per share)	–	0.08

The effect of the adoption of IFRS 2 on equity as at 31 October 2005 and 2006 is as follows:

	2006 **RMB'000**	2005 RMB'000
Increase/(decrease) in equity		
Other reserve	–	36,630
Retained profits	–	(36,630)
	–	–

IASs/IFRSs and IFRICs not yet effective

The Group has not adopted the following IASs/IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, which will be effective for annual accounting periods beginning on or after 1 January 2006.

IAS 1(Amendment)	Capital Disclosures
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	Net investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendment)	Financial Guarantee Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures

The accompanying notes form an integral part of these financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The directors do not anticipate that the adoption of such standards and interpretations will have a material impact on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standard Boards ("IASB"), 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.

(b) Consolidation

The financial statements of the group include the financial statements of the company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 12.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the group or in which control ceases, respectively.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

Any excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Where accounting policies of a subsidiary do not conform with those of the company, adjustments are made on consolidation when the amounts involved are considered significant to the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

(c) Subsidiaries

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the group controls.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest.

(d) Property, plant and equipment

Property, plant and equipment, 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement 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 property, plant and equipment, 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 property, plant and equipment recognised in the income statement 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 property, plant and equipment when completed and ready for use.

(e) 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.

(f) Impairment of assets

The carrying amounts of the company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (Continued)

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited in the income statement.

(g) 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 income statement 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.

Disclosures on financial risk management objectives and policies are provided in Note 27.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

(j) 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.

(k) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(l) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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;

(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.

(n) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(o) Income taxes

The liability method of tax effect accounting is adopted by the company. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

(p) 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 income statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Retirement benefits (Continued)

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 income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(q) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Research and development costs

All research costs are charged to the consolidated income statement as incurred.

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.

(s) 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 income statement on the straight-line basis over the lease terms.

(t) Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term highly liquid investments which are readily convertible into 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 bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(u) Related party transactions

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parents;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. The carrying amount of the Group's property, plant and equipment as at 31 October 2006 was HK$506,140,000 (2005: HK$403,555,000). As changes in the expected level of usage, wear and tear of the assets and technical obsolescence arising from changes in the market demands or service output of the assets could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised.

(ii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises, as current liabilities, liabilities for anticipated tax audit issues based on estimates of whether additional taxes will eventually be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment loss recognised in respect of accounts receivable

The provision of impairment loss in respect of accounts receivable of the Group is based on the evaluation of collectibility and aging analysis of accounts receivable and on the management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. When recoverability of accounts receivable are called into doubts, specific provision of impairment loss on accounts receivable are made on the difference between the estimated future cash flow expected to receive discounted using the original effect interest rate and the carrying value.

5. 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 5 layers high barrier films segment manufactures and sells 5 layers films for raw meats packaging.

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.

5. SEGMENT INFORMATION (CONTINUED)

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

	5 layers high barrier films		Low shrinkage plastic packing films		High shrinkage plastic packing films		Synthetic paper		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000 (restated)
Segment revenue										
Net sales to external customers	119,728	–	233,848	211,518	312,665	317,065	323,075	302,195	989,316	830,778
Other revenue	290	–	567	711	758	1,066	783	1,018	2,398	2,795
Total revenue	120,018	–	234,415	212,229	313,423	318,131	323,858	303,213	991,714	833,573
Segment results	39,811	–	10,713	9,709	63,375	95,697	98,030	107,944	211,929	213,350
Unallocated corporate expenses									(850)	(6,123)
Gain on disposal of subsidiaries									–	10
Interest income									2,633	3,503
Share-based payment									–	(36,630)
Profit from operating activities									213,712	174,110
Profit before taxation									213,712	174,110
Tax									(40,007)	(44,611)
Net profit from ordinary activities attributable to shareholders									173,705	129,499

5. SEGMENT INFORMATION (CONTINUED)

	5 layers high barrier films		Low shrinkage plastic packing films		High shrinkage plastic packing films		Synthetic paper		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000 (restated)
Segment assets	82,786	–	202,709	205,669	204,531	200,684	291,091	344,559	**781,117**	750,912
Unallocated assets									**569,016**	440,841
Total assets									**1,350,133**	1,191,753
Segment liabilities	8,407	–	33,884	28,627	25,434	22,136	34,151	26,575	**101,876**	77,338
Unallocated corporate liabilities									**5,268**	3,706
									107,144	81,044
Other segment information:										
Capital expenditure	1,674	–	6,993	10,325	5,475	7,598	7,541	9,171	**21,683**	27,094
Unallocated capital expenditure									**135,103**	80,894
									156,786	107,988
Depreciation	3,469	–	8,242	9,249	8,673	9,573	16,990	20,603	**37,374**	39,425
Amortisation	180	–	836	58	625	60	792	129	**2,433**	247
Unallocated amortisation									**–**	421
									2,433	668

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	
	2006	2005
	RMB'000	RMB'000
Revenue:		
Sale of goods	**989,316**	792,203
Subcontracting fee income	**–**	38,575
	989,316	830,778
Other revenue:		
Interest income	**2,633**	3,503
Sale of scrap materials	**2,398**	2,792
	5,031	6,295
Gains:		
Gain on disposal of property, plant and equipment	**–**	3
Gain on disposal of subsidiaries	**–**	10
	–	13
	5,031	6,308

A further analysis of the Group's revenue and other revenue by activity is set out in note 5.

7. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2006	2005
	RMB'000	RMB'000
		(restated)
Cost of inventories sold*	**579,472**	455,616
Depreciation	**37,374**	39,425
Amortisation of land use rights	**2,433**	668
Minimum lease payment under operating leases for land and buildings	**538**	569
Directors' remuneration:		
Fees	**494**	442
Other emoluments	**11,400**	11,000
	11,894	11,442
Staff costs (excluding directors' remuneration) (Note 8)	**10,980**	46,869
Less: Retirement scheme contributions	**(285)**	(293)
	10,695	46,576

7. PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

	Group	
	2006	2005
	RMB'000	RMB'000
Exchange loss, net	–	4,246
Research and development costs**	**13,378**	8,917
Reversal on impairment loss in respect of accounts receivable	–	(1,596)
Impairment loss in respect of accounts receivable	**1,947**	1,596

* The "Cost of sales" on the face of the consolidated income statement for the year includes amortisation of land use rights of RMB2,433,000 (2005: RMB668,000), staff cost of RMB8,365,000 (2005: RMB8,194,000) and depreciation of RMB35,706,000 (2005: RMB37,697,000).

** Staff costs of approximately RMB2,042,000 (2005: RMB243,000) 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 income statement for the year include the research and development costs.

No non-audit fee was paid to the auditors by the Group during the financial year (2005: Nil).

8. STAFF COSTS (EXCLUDING DIRECTORS' REMUNERATION)

	Group	
	2006	2005
	RMB'000	RMB'000
		(restated)
Wages and salaries	**10,695**	9,946
Social security costs	**260**	268
Pension costs – defined contribution plans	**25**	25
Share-based payment	–	36,630
	10,980	46,869

9. TAXATION

	Group	
	2006	2005
	RMB'000	RMB'000
PRC	**40,007**	34,880
Macau	–	9,731
Total tax charge for the year	**40,007**	44,611

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Jieyang City Rui Xing Plastic Packing Co., Ltd.,, which was established as wholly-foreign-owned enterprise in the 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.

9. TAXATION (CONTINUED)

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

Jieyang City Yuntong Plastic Packing 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.

Tax has not been provided by the Company as the Company did not derive any assessable profit during the year (2005: 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.

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 (2005: Nil).

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

	Group	
	2006	2005
	RMB'000	RMB'000
		(restated)
Profit before tax	**213,712**	174,110
Tax at the applicable tax rates	**48,815**	47,010
Lower tax rate for specific provinces or local authority	**(8,875)**	(10,830)
Over-provision in previous year	**67**	–
Non-deductible expenses	**–**	8,431
Total tax charge for the year	**40,007**	44,611

10. DIVIDENDS PAID AND PROPOSED

	Group	
	2006	2005
	RMB'000	RMB'000
Declared and paid during the year		
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
Proposed dividend		
Final dividend for 2006: RMB0.10 per ordinary share (2005: RMB0.096)	**43,151**	41,425

The amount of proposed final dividend for the year is calculated based on the 431,511,246 ordinary shares in issued 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 2006.

Notes To Financial Statements

as at 31 October 2006

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 RMB173,705,000 (2005: RMB129,499,000) and the 431,511,246 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 2006 and accordingly, no diluted earnings per share amounts have been presented.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	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 repayments.

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
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

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 full paid up.

The statutory financial statements of the subsidiaries established and operating in the 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, HLB Hodgson Impey Cheng, have undertaken an independent audit of the financial statements of Yuntong (PRC) and Rui Xing (PRC) prepared in accordance with the IFRSs.

Audited by HLB Hodgson Impey Cheng.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in-progress RMB'000	Total RMB'000
Cost:						
At 1 November 2004	134,807	430,652	16,641	1,667	–	583,767
Additions	–	16,882	146	63	–	17,091
Disposals	–	–	(2,060)	–	–	(2,060)
At 31 October 2005 and 1 November 2005	134,807	447,534	14,727	1,730	–	598,798
Additions	–	341	–	15	139,603	139,959
At 31 October 2006	134,807	447,875	14,727	1,745	139,603	738,757
Accumulated depreciation:						
At 1 November 2004	35,541	116,016	5,290	1,031	–	157,878
Charge for the year	8,987	28,711	1,462	265	–	39,425
Disposals	–	–	(2,060)	–	–	(2,060)
At 31 October 2005 and 1 November 2005	44,528	144,727	4,692	1,296	–	195,243
Charge for the year	8,987	26,719	1,472	196	–	37,374
At 31 October 2006	53,515	171,446	6,164	1,492	–	232,617
Net book value:						
At 31 October 2006	**81,292**	**276,429**	**8,563**	**253**	**139,603**	**506,140**
At 31 October 2005	90,279	302,807	10,035	434	–	403,555

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

14. LAND USE RIGHTS

The Group's interest in land use rights represented prepaid operating lease payments in respect of leasehold land in PRC under medium-term leases.

	2006 RMB'000
Cost:	
At 1 November 2004	3,331
Additions	94,397
At 31 October 2005 and 1 November 2005	97,728
Additions	17,940
At 31 October 2006	115,668
Accumulated amortisation:	
At 1 November 2004	285
Amortisation of prepaid operating lease payments	668
At 31 October 2005 and 1 November 2005	953
Amortisation of prepaid operating lease payments	2,433
At 31 October 2006	3,386
Net book value:	
At 31 October 2006	**112,282**
At 31 October 2005	96,775

15. DEPOSITS PAID

The balance represents deposits paid for the acquisition of property, plant and equipment.

16. INVENTORIES

	Group	
	2006 RMB'000	2005 RMB'000
Raw materials	80,130	139,785
Finished goods	5,947	7,243
	86,077	147,028

At 31 October 2006, no inventories were carried at net realisable value (2005: Nil).

17. ACCOUNTS RECEIVABLE

	Group 2006 RMB'000	Group 2005 RMB'000
Accounts receivable	218,438	179,898
Less: Impairment loss recognised in respect of accounts receivable	(2,318)	(371)
	216,120	179,527

The movements in provision for impairment loss in respect of accounts receivable during the year are set out below:

	Group 2006 RMB'000	Group 2005 RMB'000
At beginning of year	371	3,481
Disposal of subsidiaries	–	(1,514)
Reversal of impairment loss in respect of accounts receivable	–	(1,596)
Impairment loss recognised in respect of accounts receivable	1,947	–
At end of year	2,318	371

The carrying amount of accounts receivable approximate to their fair value.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group 2006 RMB'000	Group 2005 RMB'000
Prepayments	9	9
Other receivables	92	7,549
Deposits paid (Note)	3,387	–
	3,488	7,558

Note: Deposits paid represents payment of deposits for the acquisition of property, plant and equipment.

19. CASH AND BANK BALANCES

As at 31 October 2006, the consolidated cash and bank balances of the Group which were denominated in RMB amounted to approximately RMB418,821,000 (2005: RMB345,041,000) 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	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**15,568**	15,504	**280**	53
Other payables	**2,546**	1,766	**–**	–
Sales deposits received	**7,100**	3,400	**–**	–
	25,214	20,670	**280**	53

Other payables mainly comprised of value added tax payable of approximately RMB2,450,000 (2005:RMB1,710,000).

The carrying amount of accrued liabilities, other payables and deposits received approximate to their fair value.

21. SHARE CAPITAL

	Group	
	2006	2005
	RMB'000	RMB'000
Authorised:		
2,000,000,000 (2005: 2,000,000,000) ordinary shares of US$0.15 each	**2,490,000**	2,490,000
Issued and fully paid:		
431,511,246 (2005: 431,511,246) ordinary shares of US$0.15 each	**536,688**	536,688

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.

Statutory reserve – 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.

Other reserve – Group

Other reserve of the Group arose as a result of the adoption of IFRS 2 – Share-based payment. The Group has transferred 18,701,000 shares to two employees of the Group on 25 October 2005. The fair value of the shares granted should then be recognised as an expense over the relevant period.

22. RESERVES (CONTINUED)

Reserves – Company

	Capital Reserve* RMB'000	Share premium account RMB'000	Other reserve RMB'000 (restated)	Retained profits /Accumulated loss RMB'000 (restated)	Total RMB'000 (restated)
Balance as at 1 November 2004	99,175	255,012	–	52,673	406,860
Final 2004 dividend paid (note 10)	–	–	–	(51,781)	(51,781)
Adoption of IFRS 2 for employee Share-based payment	–	–	36,630	(36,630)	–
Net loss for the year	–	–	–	(766)	(766)
Balance as at 31 October 2005 and 1 November 2005	99,175	255,012	36,630	(36,504)	354,313
Final 2005 dividend paid (note 10)	–	–	–	(41,425)	(41,425)
Net profit for the year	–	–	–	41,627	41,627
Balance as at 31 October 2006	**99,175**	**255,012**	**36,630**	**(36,302)**	**354,515**

* 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.

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.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year ended 31 October 2005, the Group paid deposits of RMB 4,500,000 for the acquisition of certain property, plant and equipment. The deposits paid of RMB 4,500,000 were transferred to the property, plant and equipment accounts during the year ended 31 October 2006, upon the delivery of relevant construction in progress and property, plant and equipment accounts, which did not result in any cash flow.

(b) Disposal of subsidiaries

	2006 **RMB'000**	2005 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	–	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:

	2006 **RMB'000**	2005 RMB'000
Cash consideration	–	200
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	200

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 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	RMB'000	RMB'000
Within one year	372	278
In the second to fifth years, inclusive	207	–
	579	278

The Company did not have any operating lease arrangement as at 31 October 2006 (2005: Nil).

25. CAPITAL COMMITMENTS

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

	Group	
	2006	2005
	RMB'000	RMB'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	107,766	3,795
Contracted, but not provided for, in respect of capital contributions payable to a subsidiary	5,663	5,663
Authorised, but not contracted for, in respect of acquisition of property, plant and equipment	114,000	179,724

The Company did not have any significant commitment as at 31 October 2006 (2005: Nil).

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 2006			
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 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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

(a) Interest rate risk

The Group has no significant exposure to interest rate risk.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 impairment loss in respect of accounts receivable 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 estimation

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. MATERIAL INTERESTED PERSON/RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in note 26 to the financial statements, is as follows:

	2006	2005
	RMB'000	RMB'000
Salaries and allowance	**13,634**	13,182

29. FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities with a maturity of less than one year is assured to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

30. COMPARATIVE FIGURES

Following the adoption of new IASs and IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with current year's presentation and accounting treatment.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 October 2006 were approved and authorised for issue in accordance with a resolution of the directors on 26 January 2007.

Statistics of Shareholdings

as at 17 January 2007

Authorised share capital	USD300,000,000
Issued share capital	USD64,726,686.90
No. of issued and fully paid up shares	431,511,246
Class of shares	Ordinary shares of USD0.15 each
Voting Rights	One vote per share

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	2,087	54.31	14,358,000	3.33
10,001 - 1,000,000	1,727	44.94	80,894,000	18.75
1,000,001 and above	27	0.70	336,258,246	77.92
Total	3,843	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	Huang Xiaohui	9,350,500	2.17
8	Zhang Lingyan	9,350,500	2.17
9	CIMB-GK Securities Pte. Ltd.	8,252,000	1.91
10	DBS Nominees Pte Ltd	7,464,000	1.73
11	UOB Kay Hian Pte Ltd	7,463,000	1.73
12	Phillip Securities Pte Ltd	6,516,000	1.51
13	DBS Vickers Securities (S) Pte Ltd	6,294,000	1.46
14	Zhuang Shaochun	5,983,000	1.39
15	Citibank Nominees Singapore Pte Ltd	5,629,000	1.30
16	CIMB Bank Nominees (S) Sdn Bhd	5,500,000	1.27
17	OCBC Securities Private Ltd	5,309,000	1.23
18	Hong Leong Finance Nominees Pte Ltd	4,543,000	1.05
19	Yim Chee Chong	4,450,000	1.03
20	HSBC (Singapore) Nominees Pte Ltd	4,117,000	0.95
	Total	321,823,246	74.57

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 17 JANUARY 2007

Name of Shareholder	Direct	Deemed Interest
1) Chong Yuen	160,784,246	13,983,000
2) Zhuang Shaowen	13,983,000	11,187,000

Notes:

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

2) Ms Zhuang Shaowen's deemed interest is derived from 11,187,000 shares held in the name of her 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 Singapore, Ballroom 3, Level 2, 39 Scotts Road, Singapore 228230 on 28 February 2007 at 9.30 am. 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 2006 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a final dividend of RMB0.10 per ordinary share [Singapore tax not applicable] for the year ended 31 October 2006. (Resolution 2)

3. To re-elect the following Directors retiring pursuant to Bye Law 86(1) of the Company's Articles of Association:-

   Mr Ong Tiew Siam (Resolution 3)
   Mr Yeung Koon Sang @ David Yeung (Resolution 4)

   Mr Ong Tiew Siam will upon re-election, remains as Chairman of Audit Committee and Remuneration Committee respectively and a member of the Nominating Committee. Mr Ong will be considered as independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

   Mr Yeung Koon Sang @ David Yeung will upon re-election, remains as a member of Audit Committee, Nominating Committee and Remuneration Committee respectively 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 2006. (Resolution 5)

5. To re-appoint Messrs Foo Kon Tan Grant Thornton 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 shares in the capital of the Company**

   That pursuant to Bye Law and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to

   (a) (i) issue shares in the Company ("shares") whether by way of rights, or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

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 shares in the 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 shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a 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)**

8. **Renewal of Shareholders' Mandate for Share Buy Back**

That the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the issued shares in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the "Definition" section set out on page 3 of the Company's Circular to shareholders dated 11 February 2006, ("the Circular") in accordance with the "Guidelines of the Share Purchase Mandate" set out in the Circular, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force 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.
[See Explanatory Note (ii) and Appendix 1 and 2] **(Resolution 8)**

By Order of the Board

Albert Hu Chungming
Sophia Lim Siew Fay
Secretaries
Singapore, 5 February 2007

Notice of Annual General Meeting

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.

(ii) Ordinary Resolution [8] proposed in item [8] above, is to if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the issued shares in the capital of the Company at the Maximum Price as defined in the "Definition" section set out on page 3 of the Company's Circular to shareholders dated 11 February 2006. The Company did not buy any ordinary shares of the Company during the financial year ended 31 October 2006.

Notes:

1. If a Shareholder being a Depositor 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 he/she/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 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

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 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

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