Contents

Interim Results

The board (the "Board") of directors (the "Directors") of China Force Oil & Grains Industrial Holdings Co., Ltd. (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2005 together with the unaudited comparative figures for the six months ended 30 June 2004.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2005 $'000	2004 $'000
Turnover	3	**1,725,890**	2,293,771
Cost of sales		**(1,894,755)**	(2,189,090)
Gross (loss)/profit		**(168,865)**	104,681
Other revenue		**1,243**	1,332
Other net loss		**(317)**	(496)
Selling and distribution costs		**(34,138)**	(23,791)
Administrative expenses		**(35,057)**	(17,498)
(Loss)/profit from operations		**(237,134)**	64,228
Finance costs	4(a)	**(26,923)**	(17,049)
(Loss)/profit before taxation	4	**(264,057)**	47,179
Income tax	5	**37,493**	(4,792)
(Loss)/profit attributable to equity holders of the Company	14	**(226,564)**	42,387
Basic (loss)/earnings per share	7	**(28.3) cents**	7.6 cents

The notes on pages 7 to 31 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2005 – unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2005 $'000	31 December 2004 (restated) $'000
Non-current assets			
Property, plant and equipment	8	**409,370**	410,267
Construction in progress		**83,406**	51,234
Lease prepayments		**56,587**	48,512
Deferred tax assets		**36,889**	704
		586,252	510,717
Current assets			
Inventories		**474,631**	131,145
Trade and other receivables, deposits and prepayments	9	**730,738**	445,715
Pledged bank deposits		**125,072**	43,058
Other deposits	10	**19,949**	68,308
Cash and cash equivalents	11	**212,126**	436,689
		1,562,516	1,124,915
Current liabilities			
Trade and other payables	12	**667,269**	357,287
Amount due to a related company	16(c)	**–**	1,148
Bank loans	13	**1,083,605**	597,459
Current tax payable		**6,473**	10,680
		1,757,347	966,574
Net current (liabilities)/assets		**(194,831)**	158,341
Total assets less current liabilities		**391,421**	669,058

CONSOLIDATED BALANCE SHEET

At 30 June 2005 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	30 June 2005 $'000	31 December 2004 (restated) $'000
Non-current liabilities			
Bank loans	13	**56,604**	56,604
NET ASSETS		**334,817**	612,454
CAPITAL AND RESERVES			
Share capital	14	**100,000**	100,000
Reserves	14	**234,817**	512,454
TOTAL EQUITY		**334,817**	612,454

The notes on pages 7 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2005 $'000	2004 $'000
Total equity at 1 January			
– As previously reported at 31 December	14	**612,454**	235,519
– Prior period adjustment arising from changes in accounting policy	2(a)(i) & 14	**–**	–
– Opening balance adjustments arising from changes in accounting policies	2(a)(i) & 14	**(33,168)**	–
At 1 January, after prior period and opening balance adjustments		**579,286**	235,519
Net (loss)/profit for the period	14	**(226,564)**	42,387
Dividends declared and paid	6	**(24,000)**	–
Movements in shareholders' equity arising from capital transactions with equity holders of the Company:			
Capital elimination on consolidation	14	**–**	(93,600)
Issuance of new shares	14	**–**	93,600
Equity settled share-based transactions, net of tax	2(a)(iii)	**6,095**	–
		6,095	–
Total equity at 30 June		**334,817**	277,906

The notes on pages 7 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2005 $'000	Six months ended 30 June 2004 $'000
Cash (used in)/generated from operations		**(519,839)**	55,482
Tax paid		**(2,900)**	(12,206)
Net cash (used in)/from operating activities		**(522,739)**	43,276
Net cash used in investing activities		**(55,689)**	(118,248)
Net cash from financing activities		**353,865**	109,834
Net (decrease)/increase in cash and cash equivalents		**(224,563)**	34,862
Cash and cash equivalents at 1 January	11	**436,689**	208,559
Cash and cash equivalents at 30 June	11	**212,126**	243,421

The notes on pages 7 to 31 form part of this interim financial report.

Notes on the unaudited interim financial report

(Expressed in Hong Kong dollars)

1 REORGANISATION AND BASIS OF PREPARATION

(a) Reorganisation

The Company was incorporated in the Cayman Islands on 14 January 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") completed on 19 June 2004 to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries comprising the Group on 19 June 2004. The shares of the Company were listed on the Stock Exchange on 12 October 2004.

Details of the Reorganisation are set out in the prospectus dated 28 September 2004 issued by the Company (the "Prospectus").

The Group is regarded as a continuing entity resulting from the Reorganisation since all of the entities which took part in the Reorganisation were owned by the same group of ultimate shareholders before and immediately after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation. Accordingly, the consolidated results have been prepared on the basis of merger accounting, under which the Company was the holding company of the Group for both periods presented, rather than from 19 June 2004. As such, the consolidated results of the Group for the six months ended 30 June 2004 include the results of the Company and its subsidiaries with effect from 1 January 2004 or since their respective dates of incorporation, whichever is a shorter period. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the Directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

1 REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

(b) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 16 September 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG's independent review report to the Board is included on page 32.

1 REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

(b) Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 7 April 2005.

During the period, the operating results of the Group's principal business of fractionation, refining, sale and trading of edible oil products in the People's Republic of China ("PRC") were materially and adversely affected by certain extremely unfavourable market conditions. For the period ended 30 June 2005, the Group incurred a consolidated net loss attributable to equity holders of the Company of approximately $226,564,000. As at 30 June 2005, the Group had consolidated net current liabilities of approximately $194,831,000.

In preparing the interim financial report, the Directors have considered the future liquidity of the Group in light of its net current liabilities. The Group has actively discussed with its principal bankers in order to secure continual financial support. The Directors are satisfied that the Group will be able to meet its financial obligations as they fall due and continual support will be provided by the Group's bankers to finance its future working capital and financial requirements. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

(a) Summary of the effect of changes in the accounting policies

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this interim financial report.

(i) Effect on opening balance of total equity at 1 January 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 January 2005. These are the aggregate effect of retrospective adjustment to the net assets as at 31 December 2004 and the opening balance adjustment made as at 1 January 2005.

	Note	Retained profits $'000	Capital reserve $'000	Total equity $'000
Effect of new policy (increase/(decrease))				
Prior period adjustment:				
HKFRS 2				
Equity settled share-based transactions	2(b)	(2,728)	2,728	–
Opening balance adjustment:				
HKAS 39				
Commodity derivatives	2(c)	(33,168)	–	(33,168)
Total effect at 1 January 2005		(35,896)	2,728	(33,168)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on profit after taxation for the six months ended 30 June 2005 (estimated) and 30 June 2004

In respect of the six months ended 30 June 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

		Six months ended 30 June	
		2005	2004
	Note	**$'000**	$'000
Effect of new policy (increase/(decrease))			
HKFRS 2			
Equity settled share-based transactions	2(b)	**(6,095)**	–
HKAS 39			
Commodity derivatives	2(c)	**28,497**	–
Total effect for the period		**22,402**	–
Effect on basic earnings per share		**2.8 cents**	–

(iii) Effect on amounts recognised as capital transactions with the equity holders of the Company for the six months ended 30 June 2005 (estimated) and 30 June 2004

In respect of the six months ended 30 June 2005, the following table provides estimates of the extent to which the amounts recorded as capital transactions with the equity holders of the Company are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Summary of the effect of changes in the accounting policies (continued)

(iii) Effect on amounts recognised as capital transactions with the equity holders of the Company for the six months ended 30 June 2005 (estimated) and 30 June 2004 (continued)

		Six months ended 30 June	
		2005	2004
	Note	**$'000**	$'000
Effect of new policy (increase/(decrease))			
HKFRS 2			
Equity settled share-based transactions			
– effect recognised in capital reserve	2(b)	**6,095**	–

(b) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the consolidated income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Employee share option scheme (HKFRS 2, Share-based payment) (continued)

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2.

The amount of prior period adjustment and the effect on the results for the six months ended 30 June 2005, and the reserves as of that date, are set out in note 2(a). No adjustments to the opening balances as at 1 January 2004 are required as no options existed at that time.

The amount charged to the consolidated income statement as a result of the change of policy increased administrative expenses for the six months ended 30 June 2005 by $6,095,000 (six months ended 30 June 2004: $Nil), with the corresponding amounts credited to the capital reserve.

Details of the employee share option scheme can be found in the Company's annual report for the year ended 31 December 2004 and note 14(e) on this interim financial report.

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

Changes in accounting policies relating to financial instruments are as follows:

(i) In prior years, where a non-speculative commodity derivative contract was used as a hedge of a net oil commodity position, the gain or loss upon the realisation of the contract was dealt with in the consolidated financial statements as part of the cost of direct materials. No gain or loss was recognised in relation to a non-speculative commodity derivative contract which was used to match the Group's firm commitment until the transactions occurred.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (continued)

With effect from 1 January 2005, and in accordance with HKAS 39, all commodity derivative contracts entered into by the Group are stated at fair value. Changes in the fair value of commodity derivative contracts are recognised in the consolidated income statement as the hedging relationship does not qualify for hedge accounting under HKAS 39.

This change was adopted by way of an adjustment to the opening balance of the retained earnings as at 1 January 2005 by a decrease of $33,168,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of this new policy, profit for the six months ended 30 June 2005 has increased by $28,497,000.

(ii) With effect from 1 January 2005, the Group recognises and measures its financial assets and financial liabilities in accordance with the requirement of HKAS 39.

This new policy has been adopted prospectively. As a result of this new policy, bills discounted with banks with recourse totalling $87,430,000 as at 30 June 2005 were not derecognised from the balance sheet, and the related bills receivables and advances from banks were reported under "total debtors and bills receivables" and "secured bank loans" respectively. The comparatives have not been restated. The discounted bills as at 31 December 2004 totalling $192,118,000 were derecognised from the balance sheet and disclosed as contingent liabilities.

(d) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use (including land use rights paid to the PRC government authorities) were stated at cost less accumulated depreciation and accumulated impairment losses.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Leasehold land and buildings held for own use (HKAS 17, Leases) (continued)

With the adoption of HKAS 17 as from 1 January 2005, the paid land use rights are reclassified as lease prepayments which are carried at cost and amortised on a straight-line basis over the shorter of the estimated useful lives and the unexpired term of the land use rights. Amortisation charge for the period is recognised in the consolidated income statement.

The adoption of this new accounting policy does not have a significant impact on the results of operations and financial position of the Group.

3 TURNOVER

The Group is principally engaged in the fractionation, refining, sale and trading of edible oil products in the PRC.

Turnover represents the sales value of edible oils to customers net of value added tax and surcharges.

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2005	2004
	$'000	$'000
Sales of		
– Refined soyabean oil	**891,805**	1,112,204
– Crude soyabean oil	**126,759**	259,259
– Palm oil	**594,858**	805,598
– Sunflower seed oil	**8,297**	12,848
– Other edible oils and related products	**91,567**	80,761
Logistics and storage charges	**7,144**	19,122
Processing charges of edible oil products	**5,460**	3,979
	1,725,890	2,293,771

4 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005	2004
	$'000	$'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**26,359**	16,577
Discounting charges	**564**	472
	26,923	17,049
(b) Other items:		
Amortisation of lease prepayments	**569**	257
Depreciation	**16,785**	10,272
Inventory write-down and losses	**64,200**	–
Provision for loss on committed purchases	**16,929**	–
Changes in fair value of commodity derivative contracts	**(28,497)**	–
Realised loss/(gain) on commodity derivative contracts	**74,903**	(305)
Operating lease charges in respect of properties	**4,342**	3,155

5 INCOME TAX

	Six months ended 30 June 2005 $'000	2004 $'000
Current tax – Hong Kong Profits Tax	–	1,156
Current tax – PRC	(16)	4,105
Tax refund of re-investment	(1,292)	–
Deferred taxation	(36,185)	(469)
	(37,493)	4,792

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%).

Pursuant to the income tax rules and regulations of the PRC, the provision for the income tax of the Group is calculated based on the following rates:

	Note	Six months ended 30 June 2005	2004
Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)")		33%	33%
Shanghai China Force Huaxu Management Consultant Co., Ltd. ("China Force (Shanghai)")		33%	N/A
China Force Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)")	(i)	27%	27%
China Force Oils & Grains (Tianjin) Industry Co., Ltd. ("China Force (Tianjin)")	(ii)	7.5%	7.5%
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)")	(ii)	12%	12%

5 INCOME TAX (CONTINUED)

Notes:

(i) As China Force (Dongguan) did not generate assessable profits during the period, the management did not apply for tax holiday.

(ii) These subsidiaries are eligible for a 100% relief from PRC income tax for two years from their first profit-making year of operations and thereafter, they are subject to PRC income tax at 50% of the standard income tax rate for the following three years. China Force (Tianjin) and China Force (Zhenjiang) are in the fifth year following the first profit-making year.

China Force High-Tech Chemical Industrial (Zhenjiang) Co., Ltd., China Force Oils & Grains Industrial (Xiamen) Ltd., China Force Protein Biotechnology (Zhenjiang) Co., Ltd., China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd., China Force Logistics (Tianjin) Co., Ltd., China Force Oils (Tianjin) Co., Ltd. and China Force Oils (Zhenjiang) Co., Ltd. are not subject to PRC income tax during the period as they have not commenced business as at 30 June 2005.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is exempt from any income tax in the Cayman Islands and the British Virgin Islands.

6 DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the interim period/year:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Final dividends in respect of the financial year ended 31 December 2004, approved and paid during the following interim period of 3 cents (year ended 31 December 2004: Nil cent) per share	**24,000**	–

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: $Nil).

7 BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company $226,564,000 and the weighted average number of ordinary shares of 800,000,000 in issue during the period. The calculation of basic earnings per share for the six months ended 30 June 2004 was calculated based on the profit attributable to equity holders of the Company of $42,387,000 and 560,000,000 shares in issue as at the date of the prospectus, as if the shares were outstanding throughout the period ended 30 June 2004.

There were no outstanding potential ordinary shares throughout periods presented.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2005, the Group acquired items of property, plant and equipment with a cost of $5,091,000 (six months ended 30 June 2004: $7,118,000). Items of property, plant and equipment with a net book value of $16,000 were disposed of during the six months ended 30 June 2005 (six months ended 30 June 2004: $9,843,000), resulting in a loss on disposal of $16,000 (six months ended 30 June 2004: $422,000).

(b) Certain buildings, and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 13.

(c) The Group leases out part of the buildings under operating leases. The leases typically run for an initial period less than one year, with an option to renew the lease after that date at which all terms are negotiated. The leases include contingent rentals of $Nil during the six months ended 30 June 2005 (six months ended 30 June 2004: $191,000).

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are debtors and bills receivables (net of impairment losses) with the following ageing analysis:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Within 3 months	**391,507**	101,033
More than 3 months overdue but less than 6 months overdue	**11,387**	4,925
More than 6 months overdue but less than 12 months overdue	**3,556**	4,788
Total debtors and bills receivables, net of impairment losses	**406,450**	110,746
Prepayments for purchases of raw materials	**177,694**	258,957
Deposits and other receivables	**146,503**	76,012
Derivative assets	**91**	–
	730,738	445,715

Customers are required to settle the billing on presentation. Occasionally, credit terms up to one month from the date of billing may be granted to customers, depending on the credit worthiness of individual customers.

Included in deposits and other receivables is an amount paid to a related company for acquisition of an office unit of $2,126,000 at 30 June 2005 (31 December 2004: $2,126,000).

10 OTHER DEPOSITS

The Group has placed deposits of $19,949,000 (31 December 2004: $68,308,000) with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in oil commodities.

At 30 June 2005, the Group had commitments in respect of purchases of raw materials totalling $174,183,000 (31 December 2004: $1,069,384,000). The notional amounts of the Group's commodity derivative contracts were as follows:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Future commodity contracts	**60,547**	1,011,070
Future option commodity contracts	**942**	–
Forward commodity contracts	**–**	7,118
	61,489	1,018,188

The unrealised loss on the Group's commodity derivative contracts remeasured at fair value as at 30 June 2005 was $4,671,000 (31 December 2004 (not restated): $33,168,000), which was charged to the consolidated income statement for the period then ended.

11 CASH AND CASH EQUIVALENTS

Analysis of the balances of cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement is set out below:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Cash at bank	**208,922**	434,916
Cash in hand	**3,204**	1,773
	212,126	436,689
Cash and cash equivalents denominated in:		
– RMB	**121,158**	228,260
– US$	**47,352**	108,189
– HK$	**43,616**	100,240
	212,126	436,689

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payables with the following ageing analysis:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Due within 1 month or on demand	531,886	261,075
Total creditors and bills payable	531,886	261,075
Accrued charges and other payables	50,541	79,047
Receipts in advance	80,080	17,165
Derivative liabilities	4,762	–
	667,269	357,287

Bills payable at 30 June 2005 were secured by pledged bank deposits of $64,102,000 (31 December 2004: $22,198,000).

13 BANK LOANS

The bank loans are repayable as follows:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Within 1 year or on demand	1,083,605	597,459
After 1 year but within 2 years	56,604	56,604
	1,140,209	654,063
Representing:		
Secured bank loans	825,524	412,637
Unsecured bank loans	314,685	241,426
	1,140,209	654,063

13 BANK LOANS (CONTINUED)

(i) Certain bank loans of approximately $118,209,000 as at 30 June 2005 (31 December 2004: $133,303,000) were secured by pledges over the Group's leasehold land and buildings, machinery and equipment with an aggregate carrying value of approximately $165,075,000 as at 30 June 2005 (31 December 2004: $181,981,000).

(ii) Certain bank loans of approximately $85,773,000 as at 30 June 2005 (31 December 2004: $46,315,000) were secured by pledged bank deposits of $54,195,000 (31 December 2004: $20,860,000).

(iii) Certain bank loans of approximately $534,112,000 as at 30 June 2005 (31 December 2004: $233,019,000) were secured by inventories held by the Group.

14 CAPITAL AND RESERVES

	Note	Share capital $'000	Share premium $'000	Statutory reserves $'000	Capital reserve $'000	Retained profits $'000	Total $'000
At 1 January 2004	(a)	93,600	–	11,222	–	130,697	235,519
Capital elimination on consolidation	(b)	(93,600)	–	–	–	–	(93,600)
Issuance of new shares	(b)	70,000	23,600	–	–	–	93,600
Profit for the period		–	–	–	–	42,387	42,387
Appropriations to statutory reserves		–	–	10,994	–	(10,994)	–
At 30 June 2004		70,000	23,600	22,216	–	162,090	277,906

14 CAPITAL AND RESERVES (CONTINUED)

	Note	Share capital $'000	Share premium $'000	Statutory reserves $'000	Capital reserve $'000	Retained profits $'000	Total $'000
At 1 January 2005:							
– as previously reported		100,000	267,223	22,216	–	223,015	612,454
– prior period adjustment in respect of :							
– Equity settled share-based transactions	2(b)	–	–	–	2,728	(2,728)	–
– as restated, before opening balance adjustment		100,000	267,223	22,216	2,728	220,287	612,454
– opening balance adjustment in respect of commodity derivative contracts	2(c)(i)	–	–	–	–	(33,168)	(33,168)
– as restated, after opening balance adjustment, carried forward		100,000	267,223	22,216	2,728	187,119	579,286
At 1 January 2005 (as restated) brought forward		100,000	267,223	22,216	2,728	187,119	579,286
Dividends approved in respect of the previous year	6	–	–	–	–	(24,000)	(24,000)
Equity settled share-based transactions	2(b)	–	–	–	6,095	–	6,095
Loss for the period		–	–	–	–	(226,564)	(226,564)
Appropriations to statutory reserves		–	–	5,799	–	(5,799)	–
At 30 June 2005		100,000	267,223	28,015	8,823	(69,244)	334,817

14 CAPITAL AND RESERVES (CONTINUED)

Notes:

(a) Share capital in the consolidated balance sheet as at 1 January 2004 represents the authorised and issued share capital of China Force Oils & Grains Industrial Limited ("China Force (BVI)") comprising 120,000,000 shares of US$0.1 each.

(b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 19 June 2004, as part of the Reorganisation and as consideration for the acquisition of the entire share capital of China Force (BVI), the Company allotted and issued, credited as fully paid, a total of 700,000,000 shares of $0.1 each as to 630,000,000 shares to Aswell Group Limited ("Aswell Group"), as to 69,999,999 shares to Best Key Investments Limited ("Best Key") and as to one share to Best Key for one share purchased by Best Key from Mr Lam Cham.

(c) Pursuant to written resolutions of the shareholders of the Company passed on 18 September 2004, every five shares of the Company of $0.1 each were consolidated into four shares of the Company of $0.125 each. Following such share consolidation, the Company had an authorised share capital of $400,000,000 divided into 3,200,000,000 shares of $0.125 each and an issued share capital of $70,000,000 divided into 560,000,000 shares of $0.125 each, of which 504,000,000 shares are held by Aswell Group and 56,000,000 shares are held by Best Key.

(d) On 12 October 2004, an aggregate of 240,000,000 shares of $0.125 each were issued and offered for subscription at a price of $1.23 per share upon the listing of the Company's shares on the Main Board of the Stock Exchange. The Group raised approximately $273,623,000 (including interest income) net of related expenses from the share offer.

(e) On 18 September 2004, 64,000,000 share options were granted to employees of the Company under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2005). The consideration paid by each individual for the options granted was $1. Each option gives the holder the right to subscribe for an ordinary share of $0.125 each of the Company. These share options will vest after 12 to 60 months from 12 October 2004 and are then exercisable no later than 6 years from 12 October 2004. The exercise price is $1.23, being the subscription price per share upon the listing of the Company's shares on the Main Board of the Stock Exchange.

No options were exercised during the six months ended 30 June 2005 (2004: Nil).

15 COMMITMENTS

(i) Capital commitments, representing purchase of property, plant and equipment, not provided for in the consolidated financial statements were as follows:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Contracted for	**102,755**	59,076

(ii) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Within 1 year	**5,917**	5,808
After 1 year but within 5 years	**12,080**	12,721
After 5 years	**15,526**	16,447
	33,523	34,976

The Group leases a number of properties, machinery and office equipment under operating leases for a period of 1 to 30 years. The leases do not include contingent rentals.

(iii) At 30 June 2005, the Company had commitments to contribute capital of $177,294,000 (31 December 2004: $139,035,000) for setting up seven (31 December 2004: four) wholly owned subsidiaries in the PRC.

(iv) The Company has given guarantees to banks to secure facilities of $588,900,000 (31 December 2004: $471,900,000) granted to subsidiaries, of which $257,003,000 (31 December 2004: $239,002,000) was utilised at 30 June 2005.

16 MATERIAL RELATED PARTY TRANSACTIONS

During the period, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Aswell Group	Shareholder of the Company
Best Key	Shareholder of the Company
上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.) ("Shanghai Chong Sheng")	51% owned by Mr Ma Jian Qiang (note 3) and 49% owned by Ms Shi Jue (note 4)
上海蘇盛貿易有限公司 (Shanghai Su Sheng Trading Co., Ltd.) ("Shanghai Su Sheng")	52% owned by 上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.)
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.) ("Beijing Baifu")	70% owned by Ms Lim Yu (note 5)
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.) ("Jiangsu Zheng Feng")	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
北京萬德聯貿易有限公司 (Beijing Wan De Lian Trading Co., Ltd.) ("Beijing Wan De Lian")	80% owned by Ms Lim Yu (note 5)

Notes:

(1) Mr Lim Wa is the chairman, chief executive officer and an executive director of the Company.

(2) Mr Lam Cham is an executive director of the Company.

(3) Mr Ma Jian Qiang is a director of China Force (Zhenjiang) and China Force High-Tech Chemical.

(4) Ms Shi Jue is a former director of China Force (Tianjin), who ceased such directorship in June 2002.

(5) Ms Lim Yu is the elder sister of Mr Lim Wa.

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Particulars of significant transactions between the Group and one of the above related parties during the period are as follows:

(a) Recurring

	Six months ended 30 June	
	2005	2004
	$'000	$'000
Storage usage fees paid to:		
Jiangsu Zheng Feng	**1,349**	1,349

The Directors of the Company are of the opinion that the above related transactions were conducted in the ordinary course of business.

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring

	Six months ended 30 June	
	2005	2004
	$'000	$'000
Sales of goods to (note i):		
Shanghai Chong Sheng	–	29,251
Purchase of goods from (note i):		
Shanghai Su Sheng	–	15,363
Shanghai Chong Sheng	–	121,658
Beijing Wan De Lian	–	51,127
Purchase of office premises from (note ii):		
Beijing Baifu	–	2,126

Notes:

The Directors of the Company are of the opinion that:

(i) Sales and purchases of goods to/from related parties were conducted on normal commercial terms and in the ordinary course of business;

(ii) Pursuant to a Real Property Transfer Agreement dated 20 March 2004, the Group acquired an office unit from Beijing Baifu at a consideration of $11,378,000 (RMB12,060,000). Such office unit was purchased by Beijing Baifu from a property developer (which is an independent third party) for the same consideration by way of instalment payments to such property developer. The remaining balance of $9,252,000 as at 30 June 2005 (31 December 2004: $9,252,000) is included as capital commitments of the Group.

The Directors have confirmed that the above related party transactions discontinued after listing of the Company's shares on the Stock Exchange on 12 October 2004.

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Amount due to a related company

	At 30 June 2005 $'000	At 31 December 2004 $'000
Jiangsu Zheng Feng	–	1,148

Amount due to a related company is unsecured, interest free and is expected to be repaid within one year.

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2005

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2005:

	Effective for accounting periods beginning on or after
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and and Losses, Group Plans and Disclosures	1 January 2006

The above amendments, new standards and interpretations were not applied in this interim financial report because the Directors expect the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2005.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

KPMG

Independent review report to the board of directors of

China Force Oil & Grains Industrial Holdings Co., Ltd.

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700, *Engagements to review interim financial reports* issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

KPMG
Certified Public Accountants
Hong Kong, 16 September 2005

Interim Dividend

The Directors do not declare the payment of an interim dividend (2004: Nil) in respect of the six months ended 30 June 2005.

Management Discussion and Analysis

FINANCIAL REVIEW

Group results

For the six months ended 30 June 2005, the Group's turnover was approximately HK$1,725,890,000 (2004: HK$2,293,771,000). Loss attributable to shareholders (the "Shareholders") of the Company was approximately HK$226,564,000 (2004: HK$42,387,000 profit attributable to Shareholders). Loss per share of the Company (the "Share") amounted to HK$28.3 cents (2004: HK$7.6 cents earnings per Share).

Selling and distribution expenses

During the period under review, the Group's selling and distribution costs amounted to approximately HK$34,138,000, representing an increase of approximately 43.5% over the same period last year. The increase was resulted from the additional distribution costs attributable to the distribution centres, most of which were established in April and May 2004, compared to less than two months effect in the same period last year.

Administrative expenses

Administrative expenses increased to approximately HK$35,057,000, 100.3% higher than that in the same period last year. This was mainly due to the new plant in Dongguan which commenced commercial operation in the fourth quarter of 2004. In addition, the administrative expenses for the six months ended 30 June 2005 included an amount of approximately HK$6,095,000 which was the fair value of the share options granted to employees recognized as expenses during the period (2004: Nil).

Finance costs

The Group's finance costs for the period under review amounted to approximately HK$26,923,000, mainly comprising interest expenses on bank loans and discounting charges. The increase in finance costs was mainly due to the increase of bank loans.

Liquidity and financial resources

As at 30 June 2005, the Group's total Shareholders' equity amounted to HK$334,817,000 (31 December 2004: HK$612,454,000). As at 30 June 2005, the Group's cash and bank deposits amounted to HK$337,198,000 (31 December 2004: HK$479,747,000). The Group's net current liabilities were approximately HK$194,831,000 (31 December 2004: HK$158,341,000 net current assets).

As at 30 June 2005, the Group had total available banking facilities amounted to HK$1,544,003,000 of which HK$1,140,209,000 has been utilized. As such, the Group had remaining available banking facilities of HK$403,794,000 as at that date. The Directors believe that the Group has sufficient financial resources, unutilized credit facilities and reserves for the funding requirements of the Group's daily operations. In addition, the Company is considering other means of financing which will be announced in full compliance with the Listing Rules, as and when required.

As the Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars, its exposure to exchange rate risk is limited. The Directors are of the opinion that the new Renminbi exchange rate arrangement introduced in July 2005 will not have any material negative impact on its liquidity and financial resources.

Capital structure

The share capital of the Company remained unchanged during the period under review.

As at 30 June 2005, the Group's net worth was approximately HK$334,817,000 (31 December 2004: HK$612,454,000), and the net debts were HK$803,011,000 (31 December 2004: HK$174,316,000). Based on the above, the Group's net gearing ratio was approximately 239.8% (31 December 2004: 28.5%).

OPERATIONAL REVIEW

Soyabean oil business

Adversely affected by the unexpected fluctuations in the spot and the futures soyabean oil prices in the PRC domestic and international markets, the Group's business development experienced huge challenges in the first half of 2005. Throughout the period, the prices of edible oils in the PRC continuously decreased. The selling prices of refined soyabean oil, for example, decreased from RMB6,100 per tonne at the beginning of 2005 to approximately RMB5,300 per tonne by the end of June 2005, plunging as much as 13.1%. In the second quarter this year, the selling prices of soyabean oil in the PRC were even lower than the prices of imported crude soyabean oil. As a result, the Group's spot soyabean oil business reported a gross loss of approximately HK$60,921,000.

In addition, since mid February this year, a rare guiding factor emerged in the international market – index funds participated and intervened the futures market of international agricultural products. The Chicago Board of Trade ("CBOT") started to see the rising of the futures prices of international agricultural products. However, at this stage, the PRC market still operated under the influence of domestic supply and demand and as such, it did not closely follow the unexpected and uncontrollable dramatic change in the international market, resulting in a gap between the domestic prices and the international prices.

Despite that during the period under review, the Group resorted to strict risk management procedure as in the past and hedged with futures contracts of soyabeans and soyabean oils traded on the CBOT to reduce the risk of the fluctuation of raw material prices, such hedging activities had been ineffective during the period from February to April 2005. That was the result of the opposite price movements between the spot prices of refined soyabean oils in the PRC and the futures prices of soyabean oils quoted on the CBOT. The Group's risk management and hedge mechanism ceased to function under such exceptional circumstances. In view of such differences in the two markets, the Group had started to square off the hedge futures contracts since February 2005. As at 30 April 2005, most of the hedge futures contracts were closed out, and the market difference was confirmed in May and June this year. As such, the Group's financial performance during the period under review was adversely affected, and the futures transactions, which were intended for hedging the spot prices, reported a loss (realised loss and changes in fair value of commodity derivative contracts) of approximately HK$47,995,000, causing additional setback to the Group's results.

In view of the Group's soyabean oil inventory and all committed purchases as at 30 June 2005 and the price deterioration taking place in the PRC spot market, the Directors consider that it is necessary for the Group to make an additional special provision of approximately HK$77,914,000 in its accounts for the period under review.

Consequently, the total loss attributable to the spot and futures of the Group's soyabean oil business was HK$186,830,000, representing a loss of HK$879 per tonne (2004: HK$70 gross profit per tonne).

Influenced by the above unfavorable and unexpected market factors, the Group's sales volume of soyabean oil did not record any growth. During the period under review, the Group's sales volume of soyabean oil was approximately 212,579 tonnes (2004: 237,346 tonnes).

Palm oil business

During the period under review, the turnover of palm oil products amounted to HK$594,858,000, representing a decrease of 26.2% as compared with the same period last year and accounted for approximately 34.5% (2004: 35.1%) of the Group's total turnover. With respect to sales volume, the Group sold approximately 161,447 tonnes of palm oil products during the period (2004: 175,136 tonnes), representing a decrease of approximately 7.8% as compared with the same period last year.

With regard to profitability, the Group's palm oil products recorded a gross profit of approximately HK$6,302,000 (2004: HK$66,602,000) during the period under review. Although also affected by the adverse circumstances of soyabean oil in the PRC, the profitability of palm oil products was generally better than soyabean oil. One of the reasons was that the procurement cycle for palm oil was shorter. Moreover, palm oil is primarily purchased for industrial use and is therefore less sensitive to price fluctuations. As such, the Directors believe that it is important for the Group to increase the proportion of palm oil sales to mitigate its overall risk level.

PROSPECTS

The Directors consider that the market conditions during the first half of the year were contrary to the historical trends and development. In the second half of the year, the edible oil industry in the PRC is expected to continue to face challenges. The Group will continue to work untiringly and patiently to mitigate any negative impact on its business as a result of the unfavourable market conditions.

Risk management and hedging have been important to the Group to protect itself from any material impacts of price fluctuations of raw materials (crude oil) and end products (refined oil). The Group will make the best use of these instruments in the most appropriate ways.

The Directors have planned to increase the proportion of domestic raw material procurement to narrow operating loss. At the same time, the Group will strengthen the sales efforts for palm oil to balance the risk on price fluctuations. Considering that the second half of a year is the traditional peak season for the edible oil industry, the Group will launch the small pack oils in the second half of the year. During the period, the Group will actively plan to enter into the retail and household market and will launch its own brand of edible oil products.

Apart from edible oil distributors, the Group will also actively develop more industrial customers in primarily instant noodle and food manufacturers, as these customers have long-term and steady demand for edible oil.

After the commencement of the production plant in Dongguan in November 2004, the Group has been studying the need to construct another plant of similar scale and with similar ancillary facilities. In addition, the Group is planning to build a private berth (including storage and ancillary facilities) and develop upstream soy protein products as well as downstream fatty acid products.

The Directors strongly believe that, through implementing the above measures, and strengthening cash-flow management, cost saving and revision of capital development plans, the Group will be able to improve its operating conditions in the second half of the year.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 June 2005, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:–

Long positions in the Shares

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest
Mr. LIM Wa	Corporate (a)	504,200,000	63.03%
Mr. LAM Cham	Corporate (b)	56,000,000	7.00%
	Personal	200,000	0.03%

Notes:

(a) Aswell Group is wholly-owned by Mr. LIM Wa. Accordingly, Mr. LIM Wa is taken to be interested in the Shares held by Aswell Group.

(b) Best Key is wholly-owned by Mr. LAM Cham. Accordingly, Mr. LAM Cham is taken to be interested in the Shares held by Best Key.

All the interests stated above represented long positions. As at 30 June 2005, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

A share option scheme (the "**Share Option Scheme**") and another share option scheme (the "**Pre-IPO Share Option Scheme**") were adopted pursuant to written resolutions of the Shareholders passed on 18 September 2004 for the primary purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Directors and employees and for such purposes as the Board may approve from time to time. The principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in the annual report of the Company for the year ended 31 December 2004. During the six months ended 30 June 2005, no options have been granted or exercised under either the Share Option Scheme or the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at 30 June 2005 which were granted under the Pre-IPO Share Option Scheme are as follows:–

		Number of option Shares		
	Date of grant	**Outstanding at 31 December 2004**	**Exercised during the period**	**Outstanding at 30 June 2005**
Mr LAM Cham	18 September 2004	6,000,000	–	6,000,000
Mr DING Ming Shan	18 September 2004	3,200,000	–	3,200,000
Mr LI Xiao Ning	18 September 2004	3,200,000	–	3,200,000
Other senior management staff and employees	18 September 2004	51,600,000	–	51,600,000
Total		64,000,000	–	64,000,000

The Directors consider it is not appropriate to disclose the value of the share options granted during the period under the Share Option Scheme since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The Directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, as far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:–

Long position in the Shares

Name of shareholders	Nature of interest and capacity	Approximate total number of shares held	Percentage of interest
Aswell Group	Beneficial owner (a)	504,200,000	63.03%
Best Key	Beneficial owner (b)	56,000,000	7.00%

Notes:

(a) Aswell Group is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. LIM Wa.

(b) Best Key is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. LAM Cham. Mr. LAM is also interested in 200,000 Shares held in his name and is interested in 6,000,000 Shares subject to the options granted to him under the Pre-IPO Share Option Scheme.

All the interests stated above represented long positions. As at 30 June 2005, the substantial shareholders of the Company had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2005, the Group employed approximately 755 employees in the PRC and Hong Kong (31 December 2004: 694 employees). All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory

Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC. Details concerning the retirement benefit schemes were set out in the 2004 Annual Report. The Group has implemented a share option scheme to reward eligible employees (including executive Directors) according to their individual performance.

AUDIT COMMITTEE

In accordance with the Code of Corporate Governance Practices in the Listing Rules, the Company has established the Audit Committee comprising all independent non-executive Directors as members with written terms of reference. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited consolidated condensed interim accounts for the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.1.3, A.2.1, A.4.1 and the code provisions under section B.1

Code provision A.1.3

Under this code provision, notice of at least 14 days should be given of a regular board meeting to give all Directors an opportunity to attend. During the six months ended 30 June 2005, two regular board meetings were held which were convened by a notice of less than 14 days. Nevertheless, presence of all Directors was secured for these two meetings.

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the period under review, Mr. Lim Wa is the chairman and the chief executive officer of the Company. The Board considers that the intensive experience of Mr. Lim Wa in the edible oil industry is instrumental to the Group's operation and that it may not be in the best interest of the Group to separate the roles of the chairman and the chief executive officer. Nonetheless, the Group will review the relevant code provision from time to time and may comply with it if the Directors consider it appropriate to do so.

Code provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive Directors are, however, not appointed for specific terms but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the articles of association of the Company.

Code provisions under section B.1

The code provisions under B.1 require the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and other matters related to the level and make-up of remuneration and disclosure.

The Company is in the process of establishing a remuneration committee and formulating specific written terms of reference in accordance with the appropriate code provisions under the Code. Information on the remuneration of the Directors was disclosed in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). The Directors had compiled with the required standards as set out in the Model Code during the six months ended 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the period under review.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2005 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange in due course.

DIRECTORS

As at the date of this report, the executive Directors are Mr. Lim Wa, Mr. Lam Cham, Mr. Ding Ming Shan, Mr. Li Xiao Ning and the independent non-executive Directors are Professor Xiao Zhuo Ji, Dr. Wong Lung Tak, Patrick, J.P. and Mr. Chan Kin Sang.

By Order of the Board
China Force Oil & Grains Industrial Holdings Co., Ltd.
Lim Wa
Chairman

Hong Kong, 16 September 2005

Corporate Information

BOARD OF DIRECTORS

Executive Directors

LIM Wa
(Chairman and Chief Executive Officer)
LAM Cham *(Deputy Chief Executive Officer)*
DING Ming Shan
(Deputy Chief Executive Officer)
LI Xiao Ning *(Finance Director)*

Independent Non-executive Directors

XIAO Zhuo Ji
WONG Lung Tak, Patrick, J.P.
CHAN Kin Sang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

KEUNG Kwok Hung
(Financial Controller) (CPA, ACCA)

AUTHORISED REPRESENTATIVES

LIM Wa
LAM Cham

AUDIT COMMITTEE

WONG Lung Tak, Patrick, J.P. *(Chairman)*
XIAO Zhuo Ji
CHAN Kin Sang

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2911, Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITORS

KPMG

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker

PRINCIPAL BANKERS

In Hong Kong:

Standard Chartered Bank
Bank of China (Hong Kong) Limited
Fortis Bank

In the PRC:

China Construction Bank
Zhenjiang Jianbi Sub-Branch
Industrial & Commercial Bank of China
Zhenjiang Branch
Bank of Communications
Zhenjiang Branch
Bank of Communications Tianjin Economic
and Technological Development
Area Branch
Agricultural Bank of China
Tianjin Port Free
Trade Zone Branch
Industrial & Commercial Bank of China
Tianjin Port Free Trade Zone Branch