Contents

Interim Results	2
Independent Review Report	24
Management Discussion and Analysis	26
Other Information	30
Corporate Information	36

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 2006 together with the unaudited comparative figures for the six months ended 30 June 2005.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2006 $'000	2005 $'000
Turnover	2	**849,199**	1,725,890
Cost of sales		**(842,480)**	(1,894,755)
Gross profit/(loss)		**6,719**	(168,865)
Other revenue		**1,197**	1,243
Other net income/(loss)		**98**	(317)
Impairment losses on non-current assets	8, 11(b)	**(15,004)**	–
Selling and distribution costs		**(28,335)**	(34,138)
Administrative expenses		**(35,277)**	(35,057)
Loss from operations		**(70,602)**	(237,134)
Finance costs	3(a)	**(24,062)**	(26,923)
Loss before taxation	3	**(94,664)**	(264,057)
Income tax	4	**(9,040)**	37,493
Loss for the period	14	**(103,704)**	(226,564)
Basic loss per share	6	**(13.0) cents**	(28.3) cents

The notes on pages 7 to 23 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2006 – unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2006 $'000	31 December 2005 $'000
Non-current assets			
Fixed assets	7		
– Property, plant and equipment		**343,775**	443,119
– Interests in leasehold land held for own use under operating leases		**42,056**	63,273
Deposits paid for acquisition of fixed assets		**11,587**	18,884
Construction in progress		**77,573**	110,945
Deferred tax assets		**40,049**	48,854
		515,040	685,075
Current assets			
Inventories		**178,673**	453,775
Trade and other receivables, deposits and prepayments	9	**254,436**	395,920
Other financial assets		**580**	–
Pledged bank deposits		**121,784**	81,829
Other deposits	10	**1,280**	2,022
Cash and cash equivalents		**56,352**	118,156
		613,105	1,051,702
Non-current assets and assets of a disposal group classified as held for sale	11	**244,829**	10,031
		857,934	1,061,733
Current liabilities			
Trade and other payables	12	**362,682**	524,540
Bank loans	13	**721,978**	963,312
		1,084,660	1,487,852
Liabilities directly associated with assets of a disposal group classified as held for sale	11	**128,373**	–
		1,213,033	1,487,852
Net current liabilities		**(355,099)**	(426,119)
NET ASSETS		**159,941**	258,956

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2006 – unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2006 $'000	31 December 2005 $'000
CAPITAL AND RESERVES			
Share capital	14	**100,000**	100,000
Reserves	14	**57,953**	158,956
Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale	14	**1,988**	–
TOTAL EQUITY		**159,941**	258,956

The notes on pages 7 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2006 $'000	2005 $'000
Total equity at 1 January		**258,956**	579,286
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	14	**1,063**	–
Net loss for the period	14	**(103,704)**	(226,564)
Dividends declared and paid	5	**–**	(24,000)
Movements in shareholders' equity arising from capital transactions with equity holders of the Company:			
Equity settled share-based transactions	14	**3,626**	6,095
Total equity at 30 June		**159,941**	334,817

The notes on pages 7 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2006 $'000	2005 $'000
Cash generated from/(used in) operations		**224,618**	(519,839)
Tax paid		**–**	(2,900)
Net cash generated from/(used in) operating activities		**224,618**	(522,739)
Net cash used in investing activities		**(33,746)**	(55,689)
Net cash (used in)/generated from financing activities		**(246,209)**	353,865
Net decrease in cash and cash equivalents		**(55,337)**	(224,563)
Cash and cash equivalents at 1 January		**118,156**	436,689
Cash and cash equivalents included in non-current assets and assets of a disposal group classified as held for sale	11	**(6,984)**	–
Effect of foreign exchange rate changes		**517**	–
Cash and cash equivalents at 30 June		**56,352**	212,126

The notes on pages 7 to 23 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 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 22 September 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

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 2005 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 Hong Kong Financial Reporting Standards ("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 of Directors is included on page 24.

1 BASIS OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2005 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 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 April 2006.

The operating results of the Group's operations were materially and adversely affected by certain unfavourable market conditions during the period. The Group incurred a net loss attributable to shareholders of the Company of $103,704,000 for the six months ended 30 June 2006. As at 30 June 2006, the Group had net current liabilities totalling $355,099,000.

In preparing the interim financial report, the Directors have considered the future liquidity of the Group in view of its net current liabilities. The Group has actively discussed with its principal bankers in order to secure continual financial support. The Directors are of the opinion 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 principal bankers to finance its future working capital and financial requirements. In addition, when necessary, the Group's principal bankers allow the Group to extend the repayment dates of bank loans or renew the bank loans when they fall due at higher interest rates. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim financial report for the six months ended 30 June 2006 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the interim financial report.

2 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 is analysed as follows:

	Six months ended 30 June	
	2006	2005
	$'000	$'000
Sales of		
– Refined soyabean oil	**603,183**	891,805
– Crude soyabean oil	**58,171**	126,759
– Palm oil	**58,944**	594,858
– Sunflower seed oil	**–**	8,297
– Other edible oils and related products	**73,669**	91,567
Small pack edible oils	**40,818**	–
Logistics and storage charges	**9,370**	7,144
Processing charges of edible oil products	**5,044**	5,460
	849,199	1,725,890

3 LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2006	2005
	$'000	$'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**23,880**	26,359
Discounting charges	**182**	564
	24,062	26,923

	Six months ended 30 June	
	2006	2005
	$'000	$'000
(b) Other items:		
Cost of inventories	**842,480**	1,894,755
Amortisation of land lease premium	**1,026**	569
Depreciation	**20,708**	16,785
Inventory write-down and losses	**571**	64,200
Provision for loss on committed purchases	**–**	16,929
Changes in fair value of commodity derivative contracts	**–**	(28,497)
Realised loss on commodity derivative contracts	**25**	74,903
Impairment losses for bad and doubtful debts	**502**	–
Operating lease charges in respect of properties	**6,909**	4,342

4 INCOME TAX

	Six months ended 30 June	
	2006	2005
	$'000	$'000
Current tax – PRC		
– Over provision in respect of prior periods	**–**	(16)
Tax refund of re-investment	**–**	(1,292)
Deferred taxation	**9,040**	(36,185)
	9,040	(37,493)

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2005 and 2006.

The PRC income tax has been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. Certain subsidiaries were granted exemptions and relief from the PRC income tax by the relevant local tax bureau. No provision for PRC income tax has been made as the subsidiaries in the PRC sustained losses for tax purposes during the six months ended 30 June 2005 and 2006.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the six months ended 2005 and 2006.

5 DIVIDENDS

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

	Six months ended 30 June	
	2006	2005
	$'000	$'000
Final dividends in respect of the financial year ended 31 December 2004, approved and paid during the following interim period of 3 cents per share	–	24,000

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: $Nil).

6 BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of $103,704,000 (six months ended 30 June 2005: $226,564,000) and the weighted average number of ordinary shares of 800,000,000 (31 December 2005: 800,000,000) in issue during the period.

There were no dilutive outstanding potential ordinary shares in issue throughout the periods presented, as the average market price of the Company's shares were below the exercise price of the share options during the periods presented.

7 FIXED ASSETS

(a) During the six months ended 30 June 2006, the Group acquired items of property, plant and equipment with a cost of $1,548,000 (six months ended 30 June 2005: $5,091,000). Items of property, plant and equipment with a net book value of $815,000 were disposed of during the six months ended 30 June 2006 (six months ended 30 June 2005: $16,000), resulting in a loss on disposal of $17,000 (six months ended 30 June 2005: $16,000).

(b) Certain interests in leasehold land held for own use under operating leases, buildings held for own use carried at cost, and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 13.

8 IMPAIRMENT LOSSES ON CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2006, the carrying amounts of certain construction materials were written down by $6,957,000 (six months ended 30 June 2005: $Nil) as the related construction project has been suspended.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2006 $'000	At 31 December 2005 $'000
Within 3 months	**53,131**	191,219
More than 3 months overdue but less than 6 months overdue	**4,171**	963
More than 6 months overdue but less than 12 months overdue	**5,406**	411
Total debtors and bills receivable, net of impairment losses	**62,708**	192,593
Prepayments for purchases of raw materials	**125,470**	81,133
Deposits and other receivables	**66,258**	122,194
	254,436	395,920

Customers are required to settle billings 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.

10 OTHER DEPOSITS

The Group has placed deposits of $1,280,000 (31 December 2005: $2,022,000) 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 2006, the Group had commitments in respect of purchases of raw materials totalling $79,287,000 (31 December 2005: $203,783,000). The Group did not have any outstanding commodity derivative contracts as at 30 June 2006 (31 December 2005: $2,393,000).

11 NON-CURRENT ASSETS AND ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The carrying amount of major classes of assets and liabilities classified as non-current assets and assets of a disposal group classified as held for sale are analysed as follows:

	Note	At 30 June 2006 $'000	At 31 December 2005 $'000
Non-current assets classified as held for sale	(a)	**8,976**	10,031
Assets of a disposal group classified as held for sale	(b)		
Fixed assets		**152,631**	–
Construction in progress		**1,421**	–
Deposits paid for acquisition of fixed assets		**1,104**	–
Inventories		**39,533**	–
Trade and other receivables, deposits and prepayments		**29,349**	–
Pledged bank deposits		**4,831**	–
Cash and cash equivalents		**6,984**	–
		235,853	–
		244,829	10,031
Liabilities directly associated with assets of a disposal group classified as held for sale			
Trade and other payables		**60,740**	–
Bank loans		**67,633**	–
		128,373	–

11 NON-CURRENT ASSETS AND ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(a) The non-current assets classified as held for sale represented certain equipment with carrying amount of $8,976,000 (31 December 2005: $10,031,000). As the carrying amount of this equipment will be recovered through sale transactions, they have been presented as non-current assets held for sale as at 30 June 2006. As the expected disposal proceeds are to exceed their carrying amounts, no impairment loss has been recognised immediately before the classification of the non-current assets held for sale.

(b) In June 2006, the Group entered into a share transfer agreement with an independent third party to dispose of the Group's entire interest in a PRC subsidiary at a consideration of $61,749,000 (RMB63,910,000). The disposal was completed in August 2006. Accordingly, the related assets and liabilities of the PRC subsidiary have been presented as a disposal group held for sale as at 30 June 2006. Immediately before classification as disposal group held for sale, based on the agreed disposal proceeds, the carrying amount of the non-current assets within the disposal group has been written down by $8,047,000 to reflect their recoverable value.

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2006 $'000	At 31 December 2005 $'000
Due within 3 months	**232,403**	421,509
Total creditors and bills payable	**232,403**	421,509
Accrued charges and other payables	**115,022**	74,120
Receipts in advance	**15,257**	28,886
Derivative financial instruments (liabilities)	**–**	25
	362,682	524,540

13 BANK LOANS

At 30 June 2006, bank loans were analysed as follows:

	At 30 June 2006			At 31 December 2005		
	Book value of pledged assets $'000	Interest rate %	Bank loans $'000	Book value of pledged assets $'000	Interest rate %	Bank loans $'000
Bank loans secured by						
Fixed assets	**267,735**	**5.40-6.73**	**232,271**	228,463	5.58 – 6.00	184,519
Bank deposits	**121,665**	**4.70-5.70**	**109,911**	81,710	4.70 – 5.95	64,010
Inventories	**156,044**	**5.22-7.56**	**279,554**	324,083	4.56 – 6.25	408,847
Discounted bills with recourse	**13,472**	**–**	**13,286**	25,571	–	25,571
			635,022			682,947
Unsecured bank loans	**–**	**5.22-7.02**	**86,956**	–	3.34 – 6.14	280,365
			721,978			963,312

14 CAPITAL AND RESERVES

	Note	Share capital $'000	Share premium $'000	Statutory reserves $'000	Capital reserve $'000	Exchange reserve $'000	Retained profits/ (accumulated losses) $'000	Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale $'000	Total $'000
At 1 January 2005		100,000	267,223	22,216	2,728	–	187,119	–	579,286
Dividends approved in respect of the previous year	5	–	–	–	–	–	(24,000)	–	(24,000)
Equity settled share-based transactions		–	–	–	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
At 1 January 2006		**100,000**	**267,223**	**32,488**	**13,928**	**4,643**	**(159,326)**	**–**	**258,956**
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		**–**	**–**	**–**	**–**	**1,063**	**–**	**–**	**1,063**
Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale		**–**	**–**	**(23)**	**–**	**(1,965)**	**–**	**1,988**	**–**
Equity settled share-based transactions		**–**	**–**	**–**	**3,626**	**–**	**–**	**–**	**3,626**
Loss for the period		**–**	**–**	**–**	**–**	**–**	**(103,704)**	**–**	**(103,704)**
At 30 June 2006		**100,000**	**267,223**	**32,465**	**17,554**	**3,741**	**(263,030)**	**1,988**	**159,941**

15 COMMITMENTS

(a) Capital commitments, representing purchase of fixed assets, not provided for in the consolidated financial statements were as follows:

	At 30 June 2006 $'000	At 31 December 2005 $'000
Contracted for	**99,267**	117,194

Included in capital commitments at 30 June 2006 was an amount of $39,937,000 relating to a PRC subsidiary which was disposed of in August 2006 (note 11).

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

	At 30 June 2006 $'000	At 31 December 2005 $'000
Within 1 year	**5,253**	7,060
After 1 year but within 5 years	**9,763**	11,988
After 5 years	**13,204**	12,970
	28,220	32,018

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.

(c) At 30 June 2006, the Company had commitments to contribute capital of $383,020,000 (31 December 2005: $396,474,000) for setting up nine (31 December 2005: nine) wholly owned subsidiaries in the PRC.

(d) The Company has given guarantees to banks to secure facilities of $588,900,000 (31 December 2005: $588,900,000) granted to subsidiaries, of which $13,286,000 (31 December 2005: $137,575,000) was utilised at 30 June 2006.

16 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party	Relationship
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	70% owned by Ms Lim Yu (note 3)

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) Ms Lim Yu is the sister of Mr Lim Wa.

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	
	2006	2005
	$'000	$'000
Storage usage fees paid to: Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**1,382**	1,349

The Directors 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

Pursuant to the Real Property Transfer Agreement dated 20 March 2004, the Group acquired an office unit (the "Office") from Beijing China Force Baifu Investment Co., Ltd at a consideration of $11,652,000 (RMB12,060,000). The Office was purchased by Beijing China Force Baifu Investment Co., Ltd from an independent third party property developer for the same consideration by way of instalment payments to such property developer. The acquisition is still in progress and property ownership has not been passed to Beijing China Force Baifu Investment Co., Ltd. then to the Group by the property developer as at the balance sheet date. The remaining balance of $9,475,000 (RMB9,807,000) is included as capital commitments of the Group. The Office is currently occupied by Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)").

In the event that the sale and purchase agreement in respect of the Office was repudiated by the property developer, China Force (Beijing) would be required to move out and might have to pay the property developer an aggregate rental of approximately $3,257,000 for the period from 20 March 2004 to 30 June 2006 and the whole amount was fully provided for in the interim financial report. Based on the opinion from the Group's external legal counsel, the Directors are of the opinion that there would not be other significant liabilities other than the above.

(c) The remuneration for key management personnel, including amounts paid to the Directors is as follows:

	Six months ended 30 June	
	2006	2005
	$'000	$'000
Short-term employee benefits	**4,227**	4,909
Post-employment benefits	**85**	73
Equity compensation benefits	**1,485**	2,743
	5,797	7,725

17 PROPOSED REDUCTION OF INTERESTS IN SUBSIDIARIES

On 24 March 2006, the Company and a prospective investor (the "Prospective Investor") entered into a letter of intent (the "Letter of Intent") in relation to a proposed investment ("Proposed Investment") by the Prospective Investor in China Force Oils and Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)"), China Force Protein Biotechnology (Zhenjiang) Co., Ltd. ("China Force (Protein)") and China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. ("China Force (Modern Storage)") as follows:

(a) the Prospective Investor may acquire a 75% equity interest in each of China Force (Modern Storage) and China Force (Protein) (with the intent of the Company to hold the remaining 25% equity interest in each of China Force (Modern Storage) and China Force (Protein);

(b) China Force (Zhenjiang) may increase its registered capital and the Prospective Investor may subscribe for the increased registered capital so that, following completion of the subscription, China Force (Zhenjiang) may be held by the Company and the Prospective Investor as to 51% and 49% respectively; and

(c) the Company may undertake that each of China Force (Zhenjiang), China Force (Protein) and China Force (Modern Storage) will not have any undisclosed liabilities, contingent liabilities or guarantees.

The Company and the Prospective Investor are still in discussion on the transactions contemplated under the Letter of Intent. As at the date of this interim financial report, no definitive agreement has been entered into in respect of the Proposed Investment, and the Proposed Investment may or may not proceed.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDING 31 DECEMBER 2006

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 year ending 31 December 2006:

	Effective for accounting periods beginning on or after
HK(IFRIC) 7, Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC) 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) 9, Reassessment of embedded derivatives	1 June 2006
HKFRS 7, Financial instruments: Disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: "Capital disclosures"	1 January 2007
Revised guidance on implementing HKFRS 4, Insurance contracts	1 January 2007

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 2006.

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 23.

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.

Fundamental uncertainty

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in the interim financial report concerning the basis of preparation. The interim financial report has been prepared on a going concern basis notwithstanding net current liabilities totalling HK$355,099,000 as at 30 June 2006, the validity of which depends upon the ongoing support of the Group's bankers. The interim financial report does not include any adjustments that would result from failure to obtain such support. Details of the circumstances relating to this fundamental uncertainty are described in note 1 to 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 2006.

KPMG
Certified Public Accountants
Hong Kong, 22 September 2006

Interim Dividend

The Directors do not declare the payment of an interim dividend (2005: Nil) in respect of the six months ended 30 June 2006.

Management Discussion and Analysis

OPERATIONAL REVIEW

Soyabean oil business

During the period under review, the Group stepped up risk management and enhanced procurement of raw materials in China, and implemented cost saving measures and adjusted its capital expenditure plan. As a result, it effectively lowered the risk from fluctuation of raw material prices faced by its soyabean oil business. During the review period, loss of its soyabean oil business substantially shrank from HK$186,830,000 in the same period last year to HK$2,837,000.

The sales volume of soyabean oil was around 146,548 tonnes (2005: 212,579 tonnes). The turnover of soyabean oil accounted for approximately 77.9% (2005: 59.0%) of the Group's total turnover.

Palm oil business

During the reporting period, the Group had been operating in an environment where the import price of palm oil was even higher than the selling price of palm oil in China. As a result, the Group only sold around 15,850 tonnes of palm oil (2005: 161,447 tonnes). Fortunately, palm oil has a shorter procurement cycle and its major customers are industrial enterprises less susceptible to price fluctuations. These factors plus its experience gained from handling the soyabean oil incident in the previous year had allowed the management to flexibly apply the Group risk management measures. This resulted in the Group recording a gross profit of approximately HK$1,240,000 (2005: HK$6,302,000) for the period.

The turnover of palm oil products accounted for approximately 6.9% of the Group's total turnover (2005: 34.5%).

PROSPECTS

The unprecedented fluctuation and gap in edible oil price in the international and domestic market last year prompted the Group to adjust its business strategy to mitigate the impacts of the phenomena on its business. The Group will focus resources on developing brand edible oil retail business. We believe this business strategy can effectively mitigate any impact from fluctuation of international edible oil prices on the Group and also poises it for gaining a prime position in the brand edible oil retail market in China. The Group is convinced that the adjustment will benefit its business development in the long run.

With living standard improving in both rural and urban areas, particularly in medium to large cities, the small pack oil market in China is growing at high speed. According to the China National Grain & Oils Information Center, consumption of small pack oil products has been increasing at the average rate of 25% each year in recent years. Alive to the market trend, the Group has already launched 3 brands (over 30 varieties) of small pack oil products. Different types of such products are targeting different market needs. The Group's small pack oil products have entered into the north-eastern, northern, eastern and central China markets during the review period.

With the expectation that China will soon launch legislations in respect of the alignment of the domestic edible oil market with the international market, the Group has strong confidence in the prospects of the edible oil market in China. We will continue to strive for growth of our branded edible oil products, and to enhance investments in businesses with higher margins in the industry, coupled with the expansion in the businesses of logistics and storage and processing for customer, in our bid to strengthen competitiveness.

FINANCIAL REVIEW

Group results

For the six months ended 30 June 2006, the Group's turnover was approximately HK$849,199,000 (2005: HK$1,725,890,000). Loss attributable to shareholders (the "Shareholders") of the Company was approximately HK$103,704,000 (2005: HK$226,564,000 loss attributable to Shareholders). Loss per share of the Company (the "Share") amounted to HK$13.0 cents (2005: HK$28.3 cents).

Selling and distribution costs

During the period under review, the Group's selling and distribution costs amounted to approximately HK$28,335,000, representing a decrease of approximately 17.0% over the same period last year. The decrease was mainly resulted from the lowering sales volume of edible oil products.

Administrative expenses

Administrative expenses amounted to HK$35,277,000 for the six months ended 30 June 2006 (2005: HK$35,057,000), which mainly included staff costs, depreciation charges relating to office premises, electricity, rental charges and office expenses.

Finance costs

The Group's finance costs for the period under review amounted to approximately HK$24,062,000 (2005: HK$26,923,000), mainly comprising interest expenses on bank loans and discounting charges. The decrease in finance costs was mainly due to the decrease of bank loans.

Liquidity and financial resources

As at 30 June 2006, the Group's total Shareholders' equity amounted to HK$159,941,000 (31 December 2005: HK$258,956,000). As at 30 June 2006, the Group's cash and bank deposits amounted to HK$189,951,000 (31 December 2005: HK$199,985,000). The Group's net current liabilities were approximately HK$355,099,000 (31 December 2005: HK$426,119,000).

As at 30 June 2006, the Group had total available banking facilities amounted to HK$1,383,340,000 of which HK$789,611,000 has been utilized. As such, the Group had remaining available banking facilities of HK$593,729,000 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.

Capital structure

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

As at 30 June 2006, the Group's net worth was approximately HK$159,941,000 (31 December 2005: HK$258,956,000), and the net debts were HK$599,660,000 (31 December 2005: HK$763,327,000). Based on the above, the Group's net gearing ratio was approximately 374.9% (31 December 2005: 294.8%).

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 June 2006, 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 2006, 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 2005. During the six months ended 30 June 2006, no options were 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 2006 which were granted under the Pre-IPO Share Option Scheme are as follows:–

		Number of option Shares			
	Date of grant	Outstanding at 31 December 2005	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2006
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	–	1,800,000	49,800,000
Total		64,000,000	–	1,800,000	62,200,000

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 2006, 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.

The interest stated above represented long position. As at 30 June 2006, 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.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2006.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2006, the Group employed approximately 695 employees in the PRC and Hong Kong (31 December 2005: 698 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 2005 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 2006.

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 2006, with deviations from code provisions A.2.1 and A.4.1

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.

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 complied with the required standards as set out in the Model Code during the six months ended 30 June 2006.

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 2006 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, 22 September 2006

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